Financial statements 2018

L&Q

Photo: Residents enjoying the open spaces at Beaulieu Oaks, Chelmsford.

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Photo: L&Q's show flat at Excalibur, a multi-million pound regeneration programme in Catford.

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Highlights

Chair’s statement

This year, L&Q begins an historic new chapter in our story following the successful integration of East Thames and the coming together of one, united organisation.

Reaching this point has required a phenomenal team effort from colleagues across both organisations. Their determination and talent helped us drive forward the integration, whilst keeping the day to day show on the road, and responding to the implications of the Grenfell tragedy, which quite rightly dominated our sector last year.

Looking at some of the highlights in the Financial Statements, you will see how last year we created a platform to tackle future challenges and opportunities:

- The Group delivered turnover in excess of £1 billion and a record operating surplus of £420 million, a 5% year-on-year increase. All of our surpluses will be re-invested back into our social mission;
- We had our top-tier ratings for financial viability and governance (V1 and G1 respectively) confirmed following an in-depth assessment by the Regulator for Social Housing;
- Thanks to the strength of our investor relationships, we raised £1 billion through two separate bond issuances and completed our refinancing strategy;
- We completed 2,453 new homes, and started building 2,698 more. Of the completed homes, 1,342 were for social rent;
- We completed over 200,000 repairs and kept 94% of repairs appointments that residents asked for. At the same time, 86% of residents said they were satisfied with their last repair.

Generating a strong operating surplus is what allows us to:

- Continue investing in our existing homes, improving and maintaining them to the extent of £173 million in the year;
- Build more homes, adding £860 million to the work already in progress while we completed new homes to the value of £714 million;
- Invest £7 million in Community Investment initiatives through the £250 million fund made available to the L&Q Foundation;
- Bring teams together and respond to emergencies as we did last year.

If the last chapter of our story was about consolidation, this new period is about reaffirming our social purpose and the radical transformation of the business for the benefit of our residents, colleagues and other stakeholders.

Everything we do begins with social purpose. L&Q’s roots go back to the ‘new wave’ of housing associations created in the 1960s, born out of a growing social consciousness around housing and homelessness. We set out to provide quality, affordable homes for the most vulnerable people in society and it is that same fundamental mission that drives us today.

Over the coming year we will invest in the quality of our existing homes, use new technology to improve customer service and simplify operations, build the capability of the organisation to enable growth, and create a new united culture for the combined organisation.

These priorities are reflected in the three themes of our 2018/19 corporate plan: Invest – Grow – Transform, referred to in more detail later in the Strategic Report.

The Group delivered turnover in excess of £1 billion and a record operating surplus of £420 million

The operating environment

Our plans and priorities also reflect the opportunities and challenges present in our operating environment. This is dominated by the post-Grenfell debate about the entire concept of social housing. Whilst fire safety and quality of homes was naturally the primary focus, the debate among policymakers soon progressed to one about the language associated with social housing, about forgotten residents, poor customer service and lack of accountability.

The change in political narrative, new funding for social rent, a return to rent certainty, deregulation and proposed changes to the National Planning Policy Framework have all created an environment in which housing associations can grow - we must be ready to grasp the considerable opportunities before us.

L&Q remains absolutely committed to tackling the housing crisis by enabling and developing 100,000 new homes over the next ten years. But going forward, we will deliver first and foremost on our social purpose, through the L&Q Foundation, L&Q Academy, L&Q Living and our social rented homes. We will be as proud of our existing homes as we are of our new developments and invest where we need to whilst transforming our service offer.

We have more freedom now than we have had for some time with a financially robust balance sheet and a committed workforce, and we are ready to deliver.

Aubrey Adams

Aubrey Adams

Group Chair

About L&Q

L&Q is a regulated charitable housing association and one of the UK's most successful independent social businesses. L&Q houses around 250,000 people in more than 92,000 homes, primarily across London and the South East.

L&Q's vision is that everyone has a quality home they can afford, and we combine our social purpose with commercial drive to create homes and neighbourhoods everyone can be proud of.

Our core tenure is social rented housing. On average, our residents living in these homes pay less than 50% of market rents, making them affordable for people on lower incomes. We are absolutely committed to preserving this housing tenure, and building more of it.

L&Q's vision is that everyone has a quality home they can afford.

We focus on the needs of our existing social housing residents by investing in their homes, local communities and services. We also create high quality homes for private rent, shared ownership and outright sale. We truly believe that housing provision is about providing choice, including the option of home ownership.

In response to the housing and affordability crisis, we will develop 100,000 new homes over the next ten years. Of these, 60,000 homes will be built or funded by L&Q, whilst a further 40,000 will come through partnerships. Crucially, at least 50% of these new homes will be for social housing, with a target of 60% in London.

As a charitable organisation, our role goes beyond providing homes and housing services. We are a long-term partner in the neighbourhoods where we work. We hope to build aspiration, opportunity and confidence in our communities through our L&Q Foundation and our skills academy. Our care and support subsidiary, L&Q Living, also offers housing and other assistance to meet the evolving needs of older and vulnerable people in our society.

Key components of the L&Q Group

A full list of the Group subsidiaries and their activities are set out in note 34 of these financial statements.

London & Quadrant Housing Trust (LQHT) is the charitable parent and owner of social housing. Market rented properties are owned and managed by L&Q PRS Co Limited, and Care and Support provision is provided through L&Q Living Limited (LQL).

New build activities and joint venture partnerships are carried out mainly through L&Q New Homes Limited and East Thames Partnership Limited. Design and build contracts are carried out through Quadrant Construction Services Limited (QCS) and East Regen Limited. Over time, we expect all future activities of this nature to be contracted by L&Q New Homes Limited and Quadrant Construction Services Limited.

Strategic land opportunities are procured and managed by Gallagher Estates and its subsidiary entities.

On 31 March 2018 we completed the legal 'Transfer of Engagement' of East Thames Limited to LQHT. Our aim remains to optimise the Group structure to support our ambitions for the future.

Our commitments

We will ensure that everything we do begins with social purpose. Our vision is that everyone has a quality home they can afford, and we will combine our social purpose with commercial drive to create homes and neighbourhoods everyone can be proud of.

We will focus on the needs of our existing social housing residents by investing more in their homes, local communities and services. We will also create high quality homes for private rent, low cost home ownership and outright sale.

We will deliver value, local responsiveness, convenience and reliability for our customers. We are proud of the services we provide and of our high levels of customer satisfaction. To improve services further, we are investing £150m in technology and embracing a culture of customer-service so that "doing the right thing" for the customer drives everything we do.

We will tackle the housing and affordability crisis by building 100,000 new homes over ten years. Of these, 60,000 homes will be built or funded by L&Q, while a further 40,000 will come through partnership working. These will be high quality and will ensure the safety and security of our residents now and in the future. Crucially, a minimum of 50% of these new homes will be genuinely affordable for people on average and lower incomes, with a target of 60% in London. Our award-winning approach to design allows us to create thriving neighbourhoods and we have a successful track record of leading major residential and mixed-use developments stretching back more than half a century.

We will be a long-term partner of choice. By forging strong relationships and working together, L&Q will guarantee more investment in homes, communities, apprenticeships, jobs, innovative methods of construction and economic growth for years to come.

We will help residents to live independently and contribute towards successful communities. Through the £250m capacity allocated to the L&Q Foundation and our new L&Q Academy we will invest in activities that increase opportunity and aspiration and strengthen communities. Our care and support subsidiary, L&Q Living, will provide increasing numbers of older and vulnerable people with the housing and support they need to live as independently as possible.

We will be a sector leader and work with others to increase supply, ensure quality and develop ambition. We see huge potential in our sector and believe that together we can tackle the housing crisis, providing large numbers of high quality homes for people up and down the country. We will work in partnership with government, local authorities, and other like-minded organisations to deliver ambitious solutions to the challenges which face the housing sector.

Photo: stylish homes and landscaped gardens at the Quebec Quarter, with direct access to the award winning Russia Dock Woodland in Southwark.

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Strategic report

Overview of 2017/18

Last year was overshadowed by the tragic events at Grenfell Tower and has seen a swift, co-ordinated and extensive response from teams across L&Q to carry out extra safety reviews. We prioritised risk assessments for older and vulnerable residents as well as those living in high rise blocks. Working with the London Fire Brigade we implemented a 24hr waking fire watch, re-prioritised works and have started a four year program to subject high rise blocks to 'Type 4' Fire Risk Assessments. The Board is committed to consider all possible methods of mitigating fire risk and determined that cost will not be a barrier to providing the most appropriate solution.

In 2018, the Group's financial provisions and commitments on fire risks amounted to £35m, including the writing off of Aluminium Composite Material (ACM) cladding on affected blocks. Some of these one-off costs have impacted both operating margins on social housing lettings and non-social housing lettings, the effects of which have been analysed in our Value for Money metrics.

The Group's portfolio of properties and areas of operation are geographically focused in London and the South East of England with the total number of homes under management increasing to 92,535 (2017: 90,571) during the year. However, we recognise that the housing crisis is a national issue, and we will work with partners to deliver homes wherever they are needed. We will expand our geographic focus beyond our traditional areas of operation, while also increasing output in the South East.

Our strategic land teams at Gallagher Estates will continue to operate in the Midlands but will also expand their geography to align with L&Q's operations in the wider South East. Gallagher Estates will also look to service land for our partners, outside of its normal operations (such as our partnership with Trafford Housing Trust as outlined below). Gallagher Estates promotes sites through the planning process, from pre-allocation stage to securing implementable planning consents, before delivering serviced land to the market place. Gallagher Estates owns or controls more than 8,500 acres of land across the country, enough to deliver 46,700 new homes.

Our development pipeline handed over a total of 2,453 units, 55% of which were for social housing and 45% for the open market.

Our development pipeline handed over a total of 2,453 units, 55% of which were for social housing (663 social rent units, 679 shared ownership units) and 45% for the open market (422 market rent units, and 679 market sale units), plus 10 further commercial units.

Under the Laurus Homes brand, the partnership between L&Q and Trafford Housing Trust is well under way to build 2,000 new homes across the North West by the end of 2020, and already has schemes underway in Greater Manchester, Cheshire East, and Cheshire West and Chester.

The Group measures operational performance by setting strategic key performance indicators (KPIs) under a balanced scorecard approach that are linked to the Group's corporate objectives and monitored by the Executive Group and the Board. In addition to the strategic KPIs, other operational measures are monitored monthly by the Operations Board with an escalation of significant exceptions to the Executive Group.

The Group's performance against the balanced scorecard was as follows:

Balanced scorecard	Performance indicators	2017/18 Target	Performance
Customer experience	Overall satisfaction with services	>= 79%	**74%**
	Satisfaction with repairs and maintenance service	>= 75%	**70%**
	Social return on investment (HACT)	£3 generated for £1 invested	**£3.30 generated for £1 invested**
Financial health and growth	Total starts on site	2,268	**2,698**
	Total handovers	2,232	**2,453**
	Group surplus	£324m	**£348m**
	Operating margin - social housing	50%	**46%**
	Cash operating cost per unit - social housing lettings	£3,284	**£3,375**
	Regulatory viability rating	V1	**V1**
Operations	Synergy efficiencies	£10m	**£10m**
	Regulatory governance rating	G1	**G1**
	Corporate social responsibility	BiTC accreditation	**Amended**
People and organisation	Investors in People	Gold	**Gold**
	Great Places to Work (GPTW) index	Accreditation	**Not ranked**
	Stonewall Equality Index	Accreditation	**Ranked 79th**
	Stakeholder perception survey	75% rated good/ very good	**67%**
	People engagement	74% GPTW survey	**69%**

Performance in 2017/18 has been mixed. Employee engagement is of crucial importance to us and we have taken great care to support our people throughout the changes that arose as part of integration, following the merger with East Thames. We know that ultimately this will help us to deliver a positive outcome for our customers and improve our performance. However, as we have moved through the change programme we have seen a dip in the levels of our employee engagement. We are continuing to focus on how employees think, feel and behave so that we can support them further in order to drive better results.

Whilst we have helped the most vulnerable of our residents and generated social returns more than three times the amount we have invested, our customer satisfaction levels have not been as good as we would like them to be, primarily driven by lower than targeted satisfaction with the repairs and maintenance service we provide.

The Business in the Community (BiTC) index has not been available for public submissions over the last two years. BiTC has decided to review its approach in response to feedback and responses received from member companies following changes introduced to the index. L&Q will continue with the Corporate Responsibility (CR) index if we believe it supports our plans following completion of the review.

It is clear to our leadership team that we have some work to do to improve the services we offer to our customers and to maintain the confidence of our internal and external stakeholders.

Our new corporate plan establishes exactly how we will do that. We recognise a need to shift emphasis back to our social purpose, our existing social housing residents, their homes, their communities, our service, and all of our residents across all tenures. This shift has been matched with increased budgets and a determination to achieve swift recovery.

Corporate plan 2018/19

The objectives set out in our corporate plan form the first year of what will be a two-year transformation programme, taking us up to 2020. Importantly, it is a plan our people, our residents and our partners have helped to shape. Their inputs have made this plan what it is.

We will transform our organisational culture to one that empowers and encourages colleagues to achieve customer-focused goals and we will make it easier for customers to engage and transact by embedding customer-centric systems and behaviour. We will also be an employer of choice and create opportunities for our people and customers to realise their full potential.

We want to work with local authorities to help develop and implement their Local Plans. We are long-term partners in the communities we serve, and we will listen carefully to local communities, and then deliver homes which are well designed, well built, well managed and well maintained and are affordable to local people. Everything we do begins with social purpose. Our neighbourhood approach means there will always be named contacts at L&Q who understand and respond to local needs.

Invest

We will invest in our people, in our existing homes and in the tools we need for the job.

Grow

We will grow our organisational and financial capability so we can deliver services better.

Transform

We will transform our services, tackle social stigma and embed a customer service culture.

Invest

Our first priority is the safety of our residents. After the Grenfell Tower tragedy, we responded quickly to ensure our residents are safe in their homes. We tested the cladding on our buildings, tested fire systems and started a five year program to provide smoke alarms. Where the combination of cladding and insulation failed government tests, we put additional security in place and have begun a programme of work to remove and replace them with materials which meet updated safety requirements. We expect to have this work completed by the end of December 2018.

We have already invested substantially to ensure our properties meet safety requirements, have up to date fire risk assessments and are well maintained. L&Q will cover the cost of removing and replacing cladding and insulation. We have set aside an additional £50 million over the next three years for this and any other remedial or improvement works that are necessary, some of which have already been reflected in these financial statements. Should further investment be required, we will make additional provision, and we are continuing to work closely with the fire authorities, following all updated advice and guidance issued since the tragedy.

On top of any safety works, we are going to invest £200 million a year in our existing homes to ensure they are of a standard we can be proud of.

We are also investing £150 million in technology over the next five years to deliver improved efficiency and better customer service. For example, we will make it easier for people to manage repairs online and give our teams the right tools to deliver change for our residents and customers.

L&Q believes no one should be denied the opportunity to achieve their potential because of where they live. The L&Q Foundation will continue with its £250 million investment to transform communities and help people lead independent lives.

We will work with partners through the L&Q Foundation to deliver greater charitable outcomes. For example, a ground-breaking £100 million initiative between L&Q and nine BME housing associations, supported by the Greater London Authority (GLA), will unlock small sites across the capital and create hundreds of new affordable homes.

We will also invest in grass-roots projects through Place Maker 2020, a new pan-London fund awarding grants to local groups, organisations and charities which share our passion and commitment to changing lives and enhancing communities.

The new L&Q Academy will give people the skills to make their aspirations a reality, while creating a workforce that can get Britain building.

Finally, we will invest in our people, because our ability to deliver our plans begins with recruiting and retaining a talented, engaged and motivated workforce.

Grow

L&Q is a housing association and the country is facing a housing crisis – it is our duty to tackle this head on.

Over the next ten years, we will build 100,000 quality new homes. Of these, 60,000 will be built or funded by L&Q, and 40,000 will come through partnership working. At least 50% of our new homes will be genuinely affordable, with a target of 60% in London.

L&Q's 2018/19 budget sets out how we will meet our short term investment commitments, but work will also continue to look at the longer term picture and ensure we maintain financial resilience to maximise capacity whilst managing risk.

L&Q believes no one should be denied the opportunity to achieve their potential because of where they live.

We will continue to review and adapt our offer to ensure that it is appropriate for the areas and housing markets in which we work. While our priority will be delivering social homes, we will maximise our output of all types of homes overall. There will be a focus on quality, affordability and desirability across our entire product range.

Transform

This year, we will make it easier for our people, residents and customers to engage and transact with us by embedding customer-focused systems and behaviour.

We will remove barriers to communication between internal departments, encourage greater collaboration and empower frontline staff to make more decisions.

We will create improved opportunities for resident and customer voices to be heard, enabled by data analysis, customer research and the launch of a new customer panel. Residents will be invited to review our complaints process, service standards and key performance indicators.

Our major investment in technology, outlined earlier, will transform the efficiency of our systems and simplify processes for residents and customers.

Financial review (5 year summary)

Consolidated Income and Expenditure (£m)	2018	2017 [1]	2016	2015	2014
Turnover	**1,026**	756	628	518	546
Operating costs and cost of sales	**(724)**	(457)	(371)	(299)	(341)
Surplus on disposal of assets	**54**	53	41	24	20
Share of profits from joint ventures	**16**	13	23	34	14
Change in valuation of investment properties	**48**	36	23	4	8
Operating surplus	**420**	**401**	**344**	**281**	**247**
Net interest charge and other finance costs	**(66)**	(69)	(65)	(66)	(64)
Taxation	**(6)**	(5)	(5)	-	(6)
Surplus for the year before exceptional items [2]	**348**	**327**	**274**	**215**	**177**
Exceptional items					
- Refinancing costs	**-**	(548)	-	-	-
- Gift on acquisition	**-**	441	-	-	-
Surplus for the year after tax	**348**	**220**	**274**	**215**	**177**

Statement of financial position (£m)	2018	2017	2016	2015	2014
Housing properties at cost less depreciation	**9,089**	8,671	7,024	6,875	6,708
Other tangible fixed assets, investments and joint ventures	**1,417**	1,128	723	530	398
Net current assets	**847**	1,000	265	314	176
Total assets less current liabilities	**11,353**	**10,799**	**8,012**	**7,719**	**7,282**
Loans due after one year	**4,367**	4,530	2,110	2,042	1,824
Unamortised grant	**2,145**	1,777	1,744	1,800	1,780
Other long-term liabilities and provisions	**259**	261	302	283	215
Cash flow hedge reserve	**-**	-	(159)	(147)	(71)
Total reserves	**4,582**	4,231	4,015	3,741	3,534
Total assets less current liabilities	**11,353**	**10,799**	**8,012**	**7,719**	**7,282**

Statement of cash flows (£m)	2018	2017	2016	2015	2014
Net cash generated from operating activities	**252**	150	194	216	300
Cash flow from investing activities	**(96)**	(1,537)	(391)	(356)	(233)
Cash flow from financing activities	**(149)**	1,492	161	223	(56)
Cash and cash equivalents at start of year	**215**	110	146	63	52
Cash and cash equivalents at end of year	**222**	**215**	**110**	**146**	**63**

[1] Includes East Thames Group results from 6 December 2016 and Gallagher Estates from 1 February 2017.

[2] References made to 'exceptional items' are to highlight the impact of the refinancing costs and the gift on acquisition following East Thames Limited joining the Group in these financial statements. 'Exceptional items' is considered a non-GAAP measure as defined in note 35 of the financial statements.

Group financial performance

L&Q recorded its highest ever surplus in the year, again delivering consistently strong financial performance. The Group results for the year include full year results for both East Thames and Gallagher Estates companies, unlike the 2017 Group comparatives which only include post acquisition results from the time these entities joined the Group.

Highlighted as a year of consolidation, 2018 saw the amalgamation of ETL into LQHT through a transfer of engagements. A number of other subsidiary entities were dissolved as the Group continued with the simplification of its structure as part of delivering further efficiencies.

L&Q is financially strong and well managed with estimated assets worth more than £26 billion. We have the financial strength to deliver more homes, while reinvesting the money we make into creating successful communities and providing excellent services for customers.

Turnover and growth

The increase in turnover in a period of rent reduction was achieved from the additional homes delivered by the Group's growing development pipeline and the acquisitions of East Thames and Gallagher Estates towards the latter end of 2017.

Group Turnover increased to £1,026m (2017: £756m) with 60% generated from social housing, 36% from market sales and 4% from market rent.

Operating margins and surplus

The reduction in our overall operating margin (excluding surplus on disposal of fixed assets and change in valuation of investment properties) to 29% (2017: 40%) is primarily a direct outcome of the accounting requirement to fair value all existing schemes in Gallagher Estates on acquisition. As new land opportunities materialise, the Group should expect the restoration of higher sales margins associated with strategic land promotion.

The Group's operating surplus increased by £19m from £401m to £420m. Of this operating surplus £292m (2017: £283m) was attributed to social lettings activities including disposal gains of £54m (2017: £53m), £27m (2017: £33m) to shared ownership sales, £66m (2017: £48m) to market lettings including valuation gains, and £71m (2017: £44m) to commercial activities including open market property and land sales. Other social housing spend not attributable to the lettings activities adversely impacted operating surplus by £36m (2017: £7m) and includes community investment, development expenditure not capitalised and restructuring costs.

Investment in assets

The Group invested a further £537m (2017: £542m) in the construction of new housing properties in addition to completing properties to the value of £408m (2017: £493m).

Our PRS investment property portfolio for market rent increased from £466m to £670m with additional investments of £179m (2017: £138m).

The Group received £408m (2017: £43m) in social housing grant. Much of this came through our partnership with the GLA to tackle the housing shortage in the capital by building 20,000 new homes in association with the Mayor of London. Around 60% of these will be truly affordable.

Investment in our existing properties saw a significant increase as the Group spent £67m (2017: £52m) on day to day maintenance of which £63m was on social housing, £41m (2017: £30m) on planned maintenance of which £37m was on social housing and £65m (2017: £39m) on capital improvements.

	2018	2017	2016	2015	2014
Number of homes managed	**92,500**	90,600	73,100	71,500	70,600
Estimated open market value	**£26.4bn**	£22.6bn	£17.5bn	£16.3bn	£12.7bn

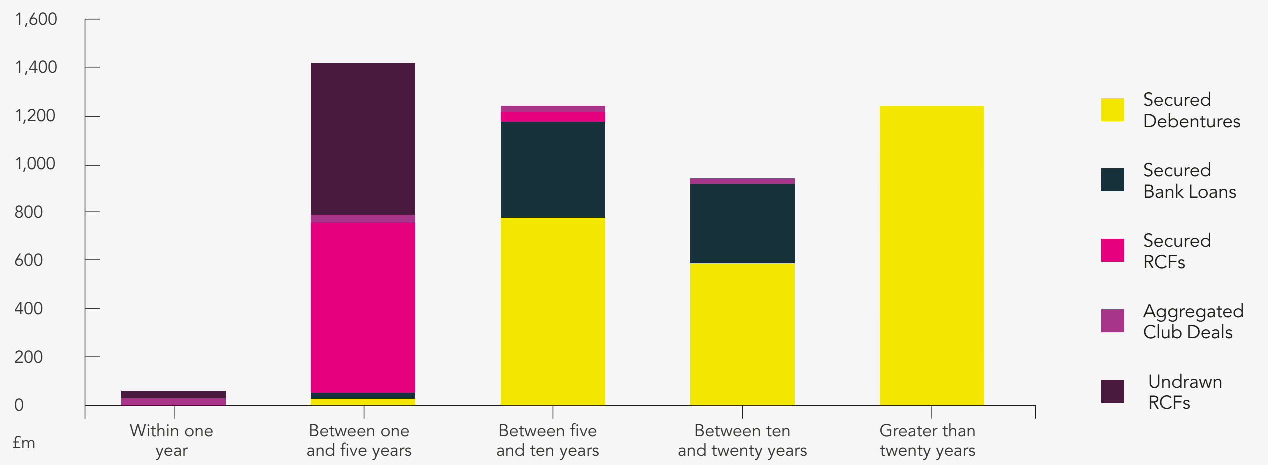
Capital Structure and Treasury

The Group's treasury strategy is approved semi-annually by the Board and details how we mitigate and manage treasury related risk defined as liquidity risk, interest rate risk, covenant risk and counterparty risk. It ensures that the Group has sufficient liquidity to fund its operations for a minimum of 15 months, mitigating the impact of adverse movements in interest rates, ensuring that loan covenants are met and ranking the preservation of capital ahead of returns when making investment decisions.

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

At 31 March 2018 the Group had total loan facilities of £5,041m of which £4,347m (2017: £4,496m) were drawn and £694m (2017: £518m) were undrawn. All undrawn facilities are fully secured and committed revolving credit facilities available within 48 hours. The Group's exposure to drawn re-finance risk within one year was £33m (2017: £49m), representing 1% of debt facilities.

Debt repayment by source



Cash equivalents held at the year-end totalled £222m (2017: £215m) leaving net debt (excluding any net issue premium, fair value adjustments and mark to market exposure on interest rate hedges) at £4,126m (2017: £4,281m). Available liquidity (defined as available undrawn loan facilities and available cash that are not secured in held funds) was £846m (2017: £708m).

The weighted average cost of the Group's drawn debt has decreased to 3.6% (2017: 3.9%). The weighted average duration of drawn loan facilities was 15 years (2017: 11 Years).

The Group manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost. At 31 March 2018, 65% of the Group's drawn debt (inclusive of £50m of fixed paying hedges) was fixed (2017: 42%).

The Group operates a conservative counterparty policy and aims to minimise the risk of financial loss, reputational loss or liquidity exposure linked to any counterparty. Short term investments are well diversified and are kept at a minimum by temporarily repaying revolving credit facilities in order to manage working capital and the interest budget. As at 31 March 2018 all cash investments are held with Counterparties who meet the criteria of our Treasury Policy.

As at 31 March 2018, L&Q had the following credit ratings:

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

Social housing lettings

Our core tenure is social rented housing. On average, our residents living in these homes pay less than half of market rents, making them genuinely affordable for people on lower incomes. We are absolutely committed to preserving this housing tenure, and building more of it.

Summary of performance (Social housing lettings)	2018	2017
Revenues (£m)	**521**	459
Operating surplus (£m)	**238**	230
Surplus on disposals (£m)	**54**	53
Operating margins	**46%**	50%
Units managed	**78,854**	78,179

Social housing lettings activities contributed £292m (2017: £283m) to the Group's operating surplus with operating margins of 46% (2017: 50%). This decrease in margin is a direct result of one off additional fire risk works and security measures we have put in place in advance of replacing identified ACM cladding. Without these costs the operating margins were 48%.

Our main social housing sub-tenures are:

- General Needs - regulated under a target rent regime
- Affordable rent - which ranges from 40% to 80% of the market rate under an L&Q policy
- Intermediate market rent - which is designed for those not on housing benefits
- Shared ownership with rent set at a maximum of 2.75% of the unsold equity
- A range of other Government introduced initiatives such as London Affordable Rent (LAR) introduced recently as part of the London Homes Programme 2016-21 and London Living Rent (LLR).

The combined contribution to operating surplus of these tenures was £230m (2017: £221m) generating an operating margin of 47%. Rent losses across our general needs tenures were less than 1% and the total arrears at the year-end were 3.5% against a target of 3.6%.

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

The combined contribution to operating surplus of supported housing was £8m (2017: £9m) generating an operating margin of 24%. Supported housing primarily includes sheltered accommodation and a mix of agency and directly managed supported accommodation. Although our care provision is currently through our subsidiary, LQL, our supported housing portfolio is managed under one Group directorate.

The Group spent £165m on our existing social housing homes of which £102m was on planned maintenance and capital works with the remaining £63m incurred on reactive maintenance. The average cost of a repair was £165 for those carried out by Direct Maintenance and £255 for those carried out by subcontractors.

Our financial plan is founded on restoring our social housing lettings operating margin from 46% back to 50%. This will be achieved by efficiencies that will be delivered through our transformation plans including an overhaul of our repairs service to focus on first-time-right fixes and improve the productivity in Direct Maintenance, our in-house maintenance division, by the use of improved technology and work scheduling.

Our operations directorate is also working on a new void standard to ensure that all our re-lets meet a minimum standard that is not dissimilar to moving into a new property.

Other social housing activities

L&Q Living

Colleagues in our direct support subsidiary, LQL provide tailored support to vulnerable people living across a range of properties and tenure types.

LQL was awarded 'Outstanding' in its latest Care Quality Commission rating for its domiciliary care service that is seen to constantly adapt and strives to ensure its users are able to achieve their full potential.

Other key initiatives in the year include

- The launch of L&Q Inclusion, an initiative to reduce loneliness and isolation
- The launch of our Later Life Living design guide which sets out our accommodation design standards for all future older persons' developments
- The creation of our vulnerable persons 'offer' which sets out our intensive housing management and support offer to our vulnerable customers.

L&Q Foundation

At L&Q, we believe that no one should be denied the opportunity to achieve their potential because of where they live. Founded in 2011 and with a £250m investment capacity, the L&Q Foundation continues to transform communities and help people lead independent lives. Its strategy is primarily driven by the challenges of increased levels of vulnerability amongst our residents, the challenge of creating a sense of place, and a decrease in social mobility in our communities.

Our £100m initiative between L&Q and nine BME housing associations that will aim to unlock small sites and create hundreds of new affordable homes is a prime example of how we will continue to deliver charitable projects by forging strong relationships with like-minded partners.

L&Q Foundation key outcomes in 2018

Increasing employment opportunities and improving skills - Our work in this area focuses on supporting our residents to develop the skills required to get into sustainable work. Our employment support team offer a job brokerage service and provide one-to-one coaching throughout the application process. In 2017/18, we helped 572 people into employment. We developed targeted interventions which tackle specific barriers to employment faced by our residents, and commissioned services to support the employability of our residents.

Improving financial capability - We aim to improve our residents' ability to manage their finances. In partnership with the Citizen's Advice Bureau and Money Advice Plus, we deliver Pound Advice. Pound Advice provides financial advice and debt support for residents. In 2017/18, over 2,500 residents took up this service and over a third of these were families with children. We helped residents gain £8m of additional income and approximately £3m of that has impacted positively on rent balances.

Supporting our most vulnerable residents to manage their tenancies successfully - We aim to make sure that when our most vulnerable residents face crises, they are supported to overcome them and maintain a stable tenancy. In 2017/18, we supported 441 residents to manage their tenancies more successfully.

Investing in young people - We aim to improve the life chances of our younger residents by making sure they have the right skills, knowledge and attitude to join the workforce or go further with their education. We offer a scholarship programme which supports students throughout their undergraduate degree and offers paid internship opportunities. In 2017/18, ten of our young residents started university with the support of a grant towards their university fees. Our schools partnership programme, Learning to Succeed, is working with 30 secondary schools in our communities to provide students with activities that focus on strengthening Science, Technology, Engineering and Maths skills. The programme will also offer enhanced careers advice and work experience opportunities to encourage the next generation to consider careers in housing and construction. We will also link with our supply chain to deliver employer-led workshops that innovate and engage young people.

Creating successful places - We know that engaged and active communities are essential to creating successful places. Providing activities where residents from all walks of life can take part is the first step to developing a sense of place. In 2017/18 we delivered 40 projects that brought local people together to address local issues.

Encouraging strong local economies - We are a responsible grant maker and we aim to support the sustainability of the social sector. In 2017/18, we carried out research into how we could develop a new capacity-building programme which would support the growth and impact of social enterprises in our communities. Over the coming year, we will start to deliver this programme.

Social value

L&Q uses the 'Housing Associations Charitable Trust Wellbeing Valuation' approach to measure social value generated by the work the Foundation does. The approach uses the Social Value Bank, which places a monetary figure on social activities that are traditionally more difficult to quantify financially. It has been developed for the housing sector and includes the most common outcomes associated with community investment activities. Using the principles of this methodology, we have created £24m of social value from the £7m we invested in the year to help us achieve our key outcomes.

The year ahead

Over 2018/19, we will continue to deliver activities that aim to achieve the outcomes identified as part of our new strategy:

- Independent lives – supporting our residents to live economically and socially independent lives
- Successful places – improving the quality of life and life chances of those who live in our homes and communities
- Social responsibility – supporting the business to be socially responsible in the way it manages its operations.

L&Q Academy

Working alongside the Foundation, the new L&Q Academy will give people the skills to make their aspirations a reality, while creating a workforce that can get Britain building.

Officially launched in January 2018, the L&Q Academy provides opportunities for our residents and others living in our communities through apprenticeships to gain skills and enter sustainable employment, with a particular focus on addressing skills shortages in care and support and construction.

With a pipeline of 100,000 units, we need to actively contribute to training and development of the new generation of home builders, but also support the business to recruit talented people to other key areas including maintenance.

The Academy strategy was shaped in response to the challenges we face as a business whilst seeking to enable us to become a more accessible and attractive local employer with investment in staff. It is backed by a three year plan which focuses on sustainable development, growth, and other new initiatives to help further L&Q's ambitions to grow as a social housing provider.

L&Q's graduate programme was adopted by the Academy and aims to attract high performing graduates to L&Q through an enhanced programme with clear career progression routes and opportunities. Staff at all levels have the opportunity to gain higher level and technical qualifications.

Currently we have 40 apprentices and 17 graduates working within L&Q. As the Academy grows, we are increasing our training and upskilling offer to our people, so they can progress in their careers. Some of our colleagues in LQL are currently undertaking their level 3 Care and Support diploma. L&Q will continue to work with existing and new partners to deliver programmes in the most effective way. We expect the Academy to grow over the next year to have over 100 L&Q apprentices, backed by an annual budget of £5m.

Non-social housing lettings

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

Summary of performance (Non-social housing lettings)	2018	2017
Revenues (£m)	**41**	33
Operating profit (£m)	**17**	17
Revaluation gains (£m)	**48**	36
Operating margins	**42%**	52%
Units managed	**21,818**	20,112

The reduction in operating margin reflects the additional costs expensed on fire risk assessments and provisions to replace ACM cladding on private rented schemes. The Board approved that these one off costs would not be recharged to residents. The provision of services to an increasing number of private leaseholders to whom we apply a set administration charge is a low margin activity but a necessary part of L&Q's property management responsibilities on primarily mixed tenure schemes.

The Group's private rented business, operated under our PRS subsidiary, acquired a further 530 units in the year taking the total to more than 1,700 units. PRS made revenues of £26m generating an operating margin of 62% (2017: 68%). Rental yields also compared positively to the target rates, with gross rental yield of 5.6% (2017: 5.5%) and net rental yield of 4.4% (2017: 4.2%).

The investment property portfolio benefitted from a revaluation gain of 10% at £48m (2017: £36m) which reflects the Group's build–to-rent model where newly handed over units will generally gain more substantial uplift from their initial build cost than units already previously revalued or units purchased.

More recently, the commercial team have taken on the lettings and management of our Intermediate Market Rent portfolio which is a more affordable option to help working households who are unable to afford the cost of renting on the open market.

Development and sales

The Development Strategy of the Group sets out a roadmap to creating 100,000 homes over the next 10 years. The Group has set up a divisional development and sales structure that covers London and our new wider geographic activity outside London. We are also preparing for changes in Building Regulations in response to the Grenfell tragedy and have already introduced measures into new schemes ahead of any legal requirements to do so.

During the year, the Group completed and handed over 2,453 homes and started on site on another 2,698 - both above the target set for 2017/18. The Group achieved the sale of 1,203 units, of which 568 were delivered through joint ventures.

Summary of performance (development and sales)	2018	2017
Units handed over	**2,453**	2,552
Units commenced	**2,698**	3,085
Sales revenues (excluding joint ventures)		
- Property sales (£m)	**200**	214
- Land sales (£m)	**243**	42
Sales margins (excluding Joint Ventures)		
- Property sales (%)	**29%**	29%
- Land sales (%)	**14%**	12%
Sales profits (£m)	**88**	68
Share of profits from joint ventures (£m)	**16**	13
Units under development	**46,500**	44,300
Strategic land plots under control	**46,700**	42,500

3,447 new units have been approved in the year of which 79% are affordable tenures, representing a significant investment in new supply and affordable output. We have acquired 28 schemes in the year totalling 2,755 plots.

The Group's own sales profit increased to £88m (2017: £68m), excluding a £5m loss made on the sale of land in Whitechapel to a new joint venture between L&Q and Mount Anvil. Profit on open market sales from land and properties was £61m (2017: £35m), and shared ownership sales profit was £27m (2017: £33m) with shared owners purchasing an average of 35% first tranche.

L&Q announced the appointment of Fiona Fletcher-Smith to the role of L&Q Group Director, Development and Sales in April 2018. Fiona is joining us from her role as Executive Director of Development, Enterprise and Environment at the GLA where she was responsible for overseeing the delivery and implementation of key strategies, programmes and projects in areas such as regeneration, planning, economic development, transport and the environment. We look forward to her contribution to help drive L&Q as a leading house builder with a strong social purpose.

Joint ventures

L&Q has invested in Joint Ventures (JVs) since 2006, working with a range of partners to deliver financial returns for the group to reinvest in our social objectives. The majority of JVs have been entered into to deliver a specific site or regeneration project, with a separate LLP being created. However, more recently we have expanded this model to form JVs to deliver a programme of sites to deliver enhanced growth and efficiency, particularly where L&Q can maximise the social impact using its strong balance sheet, resources and skills to generate additional output that the local market would otherwise not have delivered. Barking Riverside is an example of how the scale of L&Q's intervention can create long term sustainable mixed tenure communities.

Development and sales (continued)

By continuing to forge strong relationships, L&Q will guarantee more investment in homes, communities, apprenticeships, jobs, innovative methods of construction and economic growth for years to come. We will continue to work with a range of joint venture partners, including all the major house builders, in order to deliver new homes. For example at Barking Riverside we are working with the GLA to deliver 10,800 new homes and at West Tey we are delivering 25,000 homes with Cirrus Land and Gateway 120.

JVs also remain attractive to the Group as a way to secure more affordable units, often at below market rates.

Margins on JV sales delivered in the year at 16% were markedly lower than L&Q's own sales margins, predominantly due to margins of 1% on Chobham Manor LLP which represented 25% of the year's turnover, where cost increases reflected L&Q's commitment to preserve the quality of this scheme, a legacy of the 2012 London Olympics.

At 31 March 2018, L&Q had 14 active developing JVs delivering 7,429 units. L&Q's JV with Trafford Housing Trust currently controls sites for 903 units. Barking Riverside continues to deliver infrastructure and planning and has completed the sale to L&Q and Bellway for the first two plots delivering land to build out 378 units.

Land sales

This was the first full year of consolidated results from Gallagher Estates in the Group, delivering a net profit of £33m from a turnover of £243m. The margin on land sales for the Group in the year was 14% with 4,717 plots sold in the year.

In the individual entities' own financial statements under Gallagher Estates, the underlying gross profit margins are significantly higher with Gallagher Estates Limited, the main trading company, delivering a margin of 61% (2017: 47%). As the land parcels sold were effectively acquired by the Group in February 2017 and fair valued at that date, the Group sales margins only reflect gains made since the acquisition. As new sites are acquired, we can expect Group land sales margins to increase and over time will re-align with margins delivered by the individual entities engaged in the strategic land promotion.

The Group's remaining land interests are held principally in Southern England and prime areas of the South West, Central and Eastern regions where demand for serviced land remains strong.

There were 46,700 potential strategic land plots under our control as at 31 March 2018 (2017: 42,500).

Photo: Phase One, Northstowe, Cambridge, the gateway to the new town, which includes a primary school, employment uses, and a number of community, sports and recreational facilities.

CASE STUDY:

One Goal, the UK's largest free holiday programme

L&Q's One Goal is a sports and creative arts programme that motivates young people aged 5-21 to be physically active, make healthy lifestyle choices and enjoy creative pursuits during the school holidays.

As well as taking part in fun activities, older young people can access apprenticeships, volunteering opportunities and work placements, and have the chance to complete a level one football coaching qualification.

Location:

Pan-London, including events with partners at the following football clubs: Charlton Athletic FC, Chelsea FC, Crystal Palace FC, Fulham FC, Leyton Orient FC, Millwall FC, Tottenham Hotspur FC and West Ham United FC.

£387,000

L&Q Foundation funding

Highlight:

Last year, to mark the five year anniversary of the London Summer Olympics, One Goal teamed up with Kitchen Social, part of the Mayor's Fund for London, to offer young people on the programme 20 days of free hot meals throughout the year.

Value for money

L&Q's strategy

The Group has a rigorous focus on the value it seeks to bring to the UK, its residents and the communities it serves.

The value it pursues is the development of as many homes as possible to meet a range of housing needs but particularly the delivery of homes at below market levels for people who would not otherwise be able to afford them.

The volume of homes delivered is important but the group also wants to deliver value by providing good quality homes and services and investing in its residents and communities.

Over the years, L&Q have made it clear that value for money is fully integrated in the Group-wide corporate strategy and objectives setting, and our balanced scorecard approach helped us in delivering those across Customers, Financial health and growth, Operations, and Organisation and culture in equal measure. The outcomes for 2018 as set out earlier in this report have helped us shape our Corporate plan for 2018/19 under the new objectives of Invest, Grow and Transform.

Approach

In addition to setting the strategy, the Board has responsibility to ensure that the organisation operates effectively, efficiently and economically.

Value for money is embedded in the governance arrangements of the Group and specifically set within the objectives of each committee, for example, under the service improvements objectives of the Customer Experience Committee.

The Group's standing orders, procurement function and purchase order systems that are in place provide a robust framework over the tendering of works, placing of orders, commitment to and authorisation of expenditure - ensuring that value for money is built into our purchasing processes. The Group is also committed to maximising value for money for residents and other stakeholders in all its activities including the procurement of third party goods and services. Value for money is to be achieved by awarding the lowest price for short term, simple goods and services of a standard specification; or on a weighted quality and cost basis for more complex, high value goods and services where a number of service delivery factors are considered. The Group recognises its duty to deliver value from every '£' spent.

The volume of homes delivered is important but the group also wants to deliver value by providing good quality homes and services and investing in its residents and communities.

The Development Committee has a duty to appraise significant projects and to scrutinise quarterly the performance of the Development and Sales Board against the Group's approved development strategy and set minimum returns. The committee can also review post completion scheme evaluation appraisals on schemes it has approved.

The Audit and Risk Committee's key objectives include the promotion of the highest standards of propriety in the use and stewardship of the group assets and to encourage transparency and clear accountability for the use of those assets.

The Group has an investment policy that sets out a statement of policies and objectives for the Group's commercial investments, in order to manage the risk-return trade off associated with those activities effectively. Generally investments are to be managed on a going concern basis. The principle objective is to manage investment risk to preserve capital, with this ranking above the objective of achieving the highest possible return. The overriding objective is to generate a long-term return commensurate with the risk profile of the investment, so that those returns can be applied to further L&Q's charitable objectives.

The Group is also committed to ensuring that all income generating activities undertaken should generate a positive contribution to operating surplus and has, for example, exited from residential care and services that were not achieving the required financial operating margin.

Commitment

Value for money is most evident in the following commitments set out by L&Q as a sector leader, a regulated housing provider and one of the UK's most successful social businesses.

- As a not-for-profit organisation, we reinvest all the money we make into new and existing homes, creating successful communities and providing excellent services. Everything we do begins with social purpose
- Our vision is that everyone has a quality home they can afford. We combine our social purpose with commercial drive to create homes and neighbourhoods everyone can be proud of
- Our primary focus is social rented housing. On average, our residents living in these homes pay less than half of market rents, making them genuinely affordable for people on lower incomes. We are absolutely committed to preserving social housing, and building more of it. We focus on the needs of our existing social housing residents by investing in their homes, local communities and services
- Our homes are well designed, well built, well managed and well maintained. We take a customer-focused approach and ensure there are appropriate investment plans in place for all homes and ensure they are of a standard we can all be proud of
- We are investing £150 million in technology over the next five years to deliver improved efficiency and better customer service, for example making it easier for people to manage repairs online. We are improving the way we manage and monitor properties through in-home digital systems and a new Building Information Management approach. By using smart technology, our homes will be able to tell us automatically when issues arise
- We believe in delivering value, local responsiveness, convenience and reliability for minimum customer effort. To improve services further, we are embedding a customer-centric approach across the organisation so that "doing the right thing" for the customer drives everything we do. We are transforming our approach to complaints and setting new service standards to put our customers first
- As a housing association with more than 92,000 homes primarily across London and the South East, we have adopted a neighbourhood approach to help us maintain local accountability and responsiveness. Our new regional structure delivers greater local accountability and responsibility by enabling us to deliver local services and engage more easily with local communities and their representatives. We are a long-term partner in the neighbourhoods we serve
- We are increasing the number of homes we build through our in-house construction teams. This puts L&Q in control of the quality delivered on our sites, and our new regional structure provides local accountability. We have strong links between our construction, sales and aftercare teams to provide a seamless, first rate customer journey
- We have established a new Product Innovation Team to look at how we can use technology to drive supply and

Value for money (continued)

quality through standardising components. We are preparing for changes in Building Regulations in response to the Grenfell tragedy and have already introduced measures into new schemes ahead of any legal requirements to do so

- We want to create a network of strategic partnerships, so that we can tackle the housing crisis together. We help smaller housing associations to realise their development ambitions by supporting them through the L&Q Foundation. We will deliver charitable projects at scale over multiple years by forging strong relationships with like-minded partners
- Our flexible business model, financial strength, funding structure, robust governance, investor confidence and commitment to a range of tenures, enables us to keep building, even during economic down turns and unfavourable market conditions
- L&Q is more ambitious than ever, but we remain anchored by sound financial management and a robust approach to risk management, business planning and stress testing. Our Group Board also has an integral role in our business, and we have highly effective governance structures in place right across the organisation
- The strength of our investor relationships, as demonstrated in negotiating a £2.6 billion strategic refinancing package following our merger with East Thames and also in raising £1 billion through two separate bond issuances last year at some of the lowest costs seen in the sector, gives us the financial platform to deliver our social objectives.

L&Q's progress

Following a year when the shape of the L&Q Group changed radically through its merger with East Thames, its acquisition of Gallagher Estates and investment in Trafford Housing Trust, the Board approved the acceleration of the transfer of engagement of East Thames to LQHT, and moved rapidly to start the simplification of the Group structure. The transfer was completed on 31 March 2018 as the Group also finalised the integration of its financial plan and central corporate services and moved towards a new regional structure to its operations that will enable a common approach to local housing management and maintenance. The sales and development teams were also restructured into development regions in order to deliver 100,000 new homes. The Group also relocated its head office to West Ham Lane in Stratford.

The merger with East Thames and acquisition of Gallagher Estates were bold steps towards L&Q's longer term vision to enable the Group and its partners to deliver value by producing more quality homes, delivering better services and making a greater impact on residents and communities.

Performance against our scorecard is mixed and our targets for 2019 have been designed to address areas where we need to improve as a matter of priority - mainly around the experience that we offer our customers when they access our services and around how we can improve staff engagement. The Group's corporate staff bonus is therefore based on how much we, as a Group, improve customer satisfaction, as long as this is balanced with delivering our budgeted operating surplus. We also aim to renew our Investors in People Gold accreditation in 2019. Across all other targets, L&Q has delivered very positively in 2018.

To ensure that our resources are directed towards achieving our ambitions, the Group continues to be committed to finding efficiencies and making sure it gets the most out of the money it spends. These efficiencies have been built into the Group's budgetary process and rather than staying fixated on cost savings and the perceived connotations of cuts associated with these, our focus has shifted to targeting a 50% operating margin on social housing lettings and improving our headline cost per unit, which are very much in keeping with the latest Value for Money (VFM) metrics prescribed by the Regulator of Social Housing.

Our Corporate plan is clear that investments are required in order for us to deliver further efficiencies and an improved offer to our customers. The Group welcomes the new VFM standard against which we will measure our performance in delivering value for money.

Measuring value for money

The Group has been actively engaged in the shaping of the Sector Scorecard which is an initiative to benchmark housing associations' performance as a way of demonstrating value for money to tenants and stakeholders. Within the agreed 15 measures reported under the five areas of Business Health, Development Capacity and Supply, Outcomes Delivered, Effective Asset Management, and Operating Efficiencies, seven of these are specifically required to be published annually under the "Value for Money Standard 2018" issued by the Regulator.

All 15 measures are reported below for the L&Q Group and are set out compared to L&Q's prior year performance and the G15[3] median across each measure.

Sector scorecard		L&Q 2018	L&Q 2018 adjusted[4]	L&Q 2017[5]	G15 median 2017[6]
Business health					
1.	Operating margin (overall)[7]	**29%**	**31%**	40%	32%
2.	Operating margin (social housing lettings)	**46%**	**48%**	50%	34%
3.	EBITDA MRI (as % interest)[8]	**288%**	**298%**	270%	181%

Operating margins, although a good measure of overall profitability, should be viewed in the context of the diversity of activities the sector is now engaged in. The Group's operating margin has been more varied since the acquisition of Gallagher Estates given the irregular nature of land sales. Our core social housing lettings activities operating margin target is 50% on an ongoing basis and remains amongst the very highest in the sector, and compares very favourably against the G15 peer group.

Our EBITDA MRI provides a good approximation of the cash generation by the Group and is three times above our interest expense. This is again well above the G15 median and demonstrates strong liquidity and financial capacity. We also use a targeted cash operating margin on social housing lettings of 50%.

[3] The G15 represents London's largest Housing Associations.

[4] Adjusted for one-off additional costs incurred in respect of L&Q's response to the Grenfell fire tragedy.

[5] Source: L&Q only excluding East Thames post acquisition results and excluding other social housing activities.

[6] Source: Housemark data – 'Global Accounts benchmark' unless stated otherwise.

[7] Excludes gain/(loss) on disposal of fixed assets and share of joint venture results.

[8] EBITDA MRI % interest calculated as EBITDA MRI ÷ Gross interest payable x 100 as prescribed in the current Sector Scorecard, where EBITDA MRI represents earnings before interest, tax, depreciation and amortisation adding back major repair capitalised costs.

Value for money (continued)

Sector scorecard		L&Q 2018	L&Q 2018 adjusted[4]	L&Q 2017[5]	G15 median 2017[6]
Development – capacity and supply					
4.	New supply delivered (absolute)				
	- Social housing units	**1,342**	**1,342**	1,318	439
	- Non-social housing units	**1,111**	**1,111**	948	56
5.	New supply delivered %[9]				
	- Social housing units	**2%**	**2%**	3%	1%
	- Non-social housing units	**1%**	**1%**	1%	4%
6.	Gearing[10]	**43%**	**43%**	49%	45%

The number of homes built for both social and non-social housing units by L&Q is significantly higher than the average G15 figure. This does not necessarily translate into an equivalent increase in the new supply percentage due to the significantly higher deemed cost base the Group adopted in 2014 under the transition rule of FRS102.

In the same way, the Group's gearing ratio calculated above has benefitted from the higher deemed cost. The gearing level shows that even though L&Q is currently building the largest number of homes in the sector, its ambition to build even more can be effectively leveraged on its asset base

Sector scorecard		L&Q 2018	L&Q 2018 adjusted[4]	L&Q 2017[5]	G15 median 2017[6]
Outcomes delivered					
7.	Customer satisfaction with services provided by landlord	**74%**	**74%**	79%	76%[11]
8.	Reinvestment %[12]	**7%**	**7%**	4%	6%
9.	Investment in communities[13]	**£8m**	**£8m**	£7m	N/A[14]

The level of customer satisfaction is marginally below peer average and reduced from the previous year, however the Group is in the process of a transformational programme aimed at improving services provided to customers. This also includes a significant increase in the reinvestment of the Group's surplus into existing properties and in new build social housing.

Our investment in communities is covered in the section under L&Q Foundation of this report.

The Group's reinvestment percentage is marginally lower as a result of the higher book value of the housing properties revalued to deemed cost on the Group's transition to FRS102.

[9] As a % of stock owned at the end of the year.

[10] Gearing calculated as net debt ÷ carrying value of housing properties x 100 as prescribed in the current Sector Scorecard, where net debt represents total bank and debenture loans less cash and cash equivalents.

[11] L&Q benchmarking report to G15 – unweighted average.

[12] Investment in properties as a percentage of the value of total properties held at end of year.

[13] Actual spend in the year.

[14] Not available

Sector scorecard		L&Q 2018	L&Q 2018 adjusted[4]	L&Q 2017[5]	G15 median 2017[6]
Effective asset management					
10.	Return on capital employed[15]	**3.7%**	**3.8%**	2.9%	4.0%
11.	Occupancy	**100%**	**100%**	99%	N/A
12.	Ratio of responsive repairs to planned maintenance[16]	**0.6**	**0.7**	0.8	0.7[17]

Whilst overall return on capital employed (ROCE) gives an indication of how well the Group makes a financial return on the assets it owns, our asset management strategy focuses on improving how the asset base can perform better as well as the qualitative aspect of improving our homes, for example, by improving our void standards. The Group's ROCE is lower than the G15 following the deemed cost revaluation exercise carried out on the transition to FRS102 which increased the book value of our housing properties.

Occupancy rates are a fairly recent measure which provides an idea of how well our void standards are managed and how effective our letting teams are at moving residents in.

The ratio of responsive repairs to planned maintenance at 70% is an area where we are targeting significant improvements through our plans to invest more in our existing assets and improve void standards.

Sector scorecard		L&Q 2018	L&Q 2018 adjusted[4]	L&Q 2017[5]	G15 average 2017[17]
Operating efficiencies					
13.	Headline social housing unit cost	**3,923**	**3,789**	3,043	4,418
•	Management cost per unit	**650**	**613**	554	1,090
•	Service charge cost per unit	**646**	**646**	555	652
•	Maintenance cost per unit	**1,264**	**1,209**	1,215	1,283
•	Major repairs cost per unit	**793**	**750**	526	756
•	Other social housing costs per unit	**570**	**570**	193	637
14.	Rent collected as % of rent due (General needs)	**100%**	**100%**	99%	99%
15.	Overheads as a % of turnover	**14%**	**14%**	17%	7%

The Group's headline operating cost per social housing unit is below the peer average and will remain a key driver towards our operating margin target. A 6% reduction in our operating cost per unit would restore our EBITDA operating margin on social housing lettings to 50%.

Our overheads as a percentage of turnover have reduced to 14%, demonstrating increased efficiency balanced with the recognition that the Group requires a significant level of strategic centralised and in-house functions to operate effectively, some of which other G15 members would have outsourced.

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

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

[17] L&Q benchmarking report to G15 – weighted average.

03

Governance

Photo: one of the modern, shared ownership apartments available at Morris Court in Merton.

Group Board

The L&Q group structure is governed by its Group Board (the Board). London & Quadrant Housing Trust is the parent body of the L&Q Group and is an exempt charity and registered society under the Co-operative and Community Benefit Societies Act 2014. It has overall control of all of its subsidiaries.

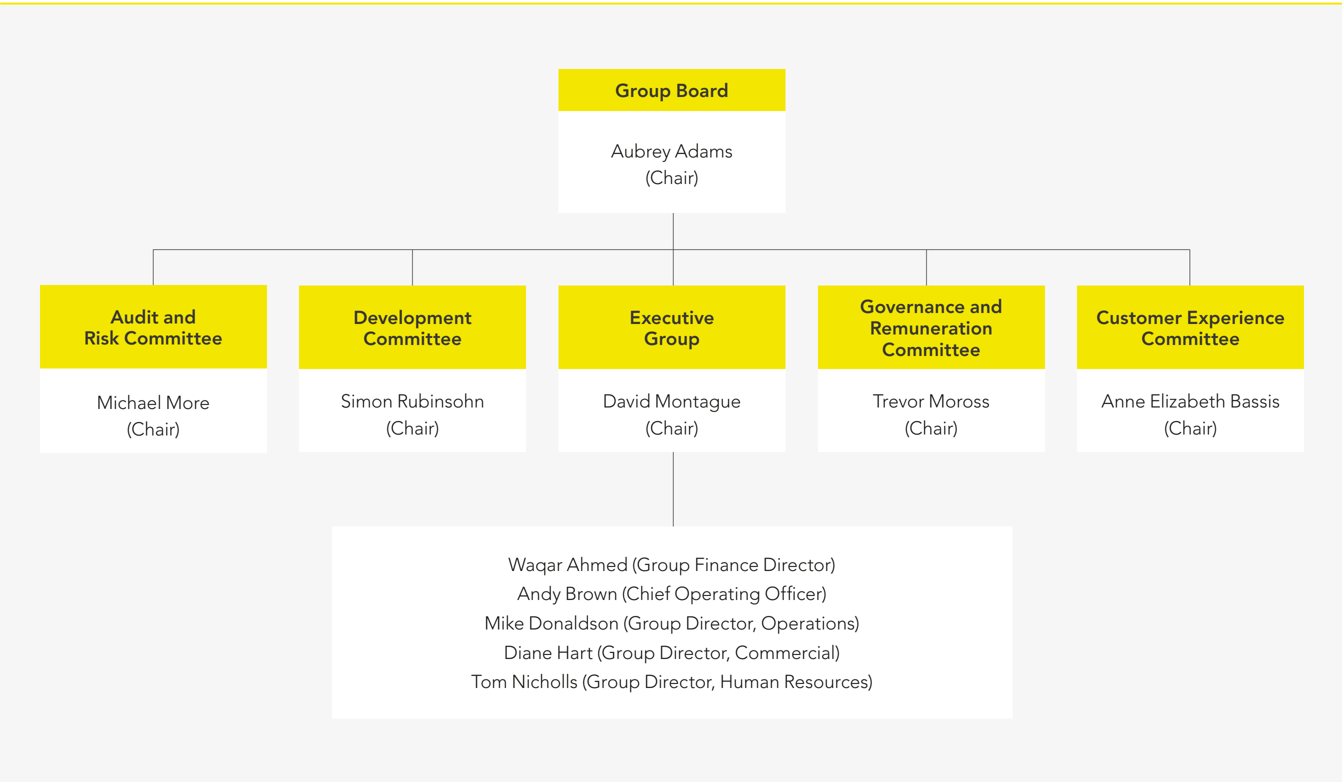
Code of Governance

The Board is committed to achieving the highest standards of corporate governance in its oversight of the delivery of the Group's strategies, risk management, values and ethics. The Board considers that the Group and its registered provider subsidiaries comply with the National Housing Federation's Excellence in Governance – Code for Members 2015. All non-registered provider subsidiaries have adopted Governance Standing Orders giving L&Q the power to intervene in their governance and have their own boards which are responsible to the Board for overseeing the operations of each subsidiary.

Board structure

The Board consists of a minimum of five and a maximum of 12 members, which includes the Group Chief Executive and the Group Finance Director.

The Key management personnel of the Group consists of the Board and the Executive Group as set out in the diagram below:



ACTON GARDENS

Acton Gardens is an award-winning joint venture between L&Q and Countryside that is replacing 1,800 poorly designed properties with 2,500 new homes in Acton, Ealing.

Acton Gardens is being delivered in an innovative manner, with the masterplan itself split into 11 phases, delivered in 21 stages.

This incremental approach has ensured that existing residents and leaseholders have had a rehousing opportunity – with many taking this up.

Work is currently underway on Phase 6 which will see the addition of a host of further community facilities including a new community centre, a new youth club, a retail outlet, a dentist surgery and a neighbourhood office.

2,500
new homes

50%
affordable homes

11
building phases

52
acres in total

Group Board (continued)

Aubrey Adams OBE
Chair of the Group Board

Aubrey was appointed as Chair of the Board in 2015. Aubrey is currently a Non-Executive Director of Tritax Big Box REIT plc and was Non-Executive Director of British Land plc from 2008 to 2017. Aubrey is a Fellow of the Institute of Chartered Accountants and the Royal Institution of Chartered Surveyors. Alongside his portfolio he has an established interest in the not-for-profit sector, and is a longstanding Trustee, and now Chairman, of Wigmore Hall, London's leading chamber music venue. Aubrey was awarded an OBE in 2017 for Services to the Arts.

David Montague CBE
Group Chief Executive

David has been Chief Executive of L&Q since February 2008. David has been with L&Q since 1988 and served as Group Director of Finance before his current appointment. In 2013 David was elected to the NHF board and awarded a CBE for Services to Housing in London. David is a member of the G15 CEOs Group which represents London's largest housing associations, providing homes for one in ten Londoners and one quarter of all new homes. David is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Royal Institute of Chartered Surveyors. David is L&Q's most senior lead champion for equality and diversity issues.

Waqar Ahmed
Group Finance Director

Waqar has worked for L&Q for more than 20 years and was appointed Group Finance Director in 2008. Waqar is a Fellow of the Association of Chartered Certified Accountants. Taking on the Exec lead for the L&Q Foundation has enabled Waqar to further support the Foundation in creating long term sustainable partnerships with other like-minded charities investing in the social fabric of the areas that we work in. Waqar is also Chair of the NHF Finance Policy Advisory Group.

Anne Elizabeth (Betsy) Bassis
Chair of the Customer Experience Committee

Betsy was appointed to the Board in 2015. She is a member of the Governance and Remuneration Committee and chairs the Customer Experience Committee. Betsy joined the civil service in September 2014 as Director General and Chief Operating Officer of the Department for Environment, Food and Rural Affairs. Betsy previously spent 12 years at British Gas/Centrica where she held a variety of different roles including Managing Director of Community Energy, providing energy services to social housing and fuel to poor households. She was a member of Business in the Community's Finance and Risk Committee from 2011 to 2014. Betsy earned an MBA from Wharton University, and a Bachelor of Arts degree in International Relations from Stanford University.

Tracey Fletcher-Ray

Tracey was appointed to the Board in 2015 and is a member of the Audit & Risk committee and a member of the Group's care & support subsidiary Board. Tracey's career started with blue chip manufacturer ICI, where she was ultimately responsible for leading one of their business units. From there, she joined Barclays Bank in 2001 and sat on the Group Purchasing Board, subsequently became Commercial Director for Home Finance. In 2006 Tracey joined Bupa as Managing Director for the Care Home business in the North of England and Scotland, which involved contracting with and providing a service on behalf of local authorities and the NHS. Her remit also involved leading on customer service and she later took on the accountability for driving and delivering customer service on an international scale across all of Bupa's Care Homes. Tracey's last role was as Managing Director of Bupa Health Clinics, operating as a member of the Bupa UK Board with turnover of £2.8 billion and spearheading a transformation and modernisation agenda to ensure the business was fit for purpose. Since leaving Bupa, Tracey worked with Berendsen PLC and was accountable for strategic leadership of the healthcare business. In February 2018 Tracey joined Caring Homes as Managing Director. Tracey earned an MBA from Manchester Business School and is a Fellow of the Chartered Institute of Marketing and a Fellow of the Chartered Institute of Purchasing & Supply.

Samantha Hyde

Samantha was appointed to the Board in 2014 and is a member of the Development Committee. Samantha has worked for and advised some of the highest profile brands in the UK, such as Channel 4, the Ministry of Sound and TalkTalk on topics ranging from corporate social responsibility, talent management or special projects relating to wider business plan delivery. Samantha has held exciting roles such as that at Save the Children where she was Director of the UK Programme and CEO of the Camelot Foundation where she was responsible for the delivery of high impact grants to some of the most marginalised communities in the UK. She recently returned full time to her role as Director of a management consultancy based in the UK, Square the Circle.

Rajiv Jaitly

Rajiv has recently joined the Board as a co-opted member and is a member of the Audit and Risk committee. Rajiv is managing partner of Jaitly LLP, a consultancy specialising in risk, governance and operational due diligence. Rajiv holds other non-executive directorships and previously held senior positions at Santander and Axa Investment Managers. He is a Chartered Accountant and Licensed Insolvency Practitioner, a Fellow of the Chartered Institute of Securities and Investment and a Fellow of the Association of Business Recovery Professionals.

Larissa Joy

Larissa was appointed to the Board in December 2016 following East Thames Ltd's merger with L&Q. Larissa is a member of L&Q's Governance and Remuneration Committee. She also served as Senior Independent Director and Chair of the Remuneration and Governance Committee of East Thames from 2014 to 2017. Larissa is Independent Non-Executive Director of Charles Russell Speechlys LLP; Non-Executive Director of Saxton Bampfylde, Chair of SBT and Chair of The Foundling Museum. She is also a qualified lawyer. Larissa is a former Partner and Global Chief Operating Officer of Actis LLP, a private equity firm. She was formerly Vice Chair at WPPs Ogilvy and Mather UK, and European Chief Operating Officer of Weber Shandwick. She was a founding Director and Chair of the Remuneration Committee of V Inspired (the Russell Commission) and Chair of the House of Illustration.

Michael More

Chair of the Audit and Risk Committee

Michael was appointed to the Board in 2016 and chairs the Audit and Risk Committee. Michael began his career in finance roles at Cambridgeshire County Council before joining Suffolk County Council in 1999, initially as Director of Resources and then becoming Chief Executive in 2002. In 2008 Michael was appointed Chief Executive of Westminster City Council - arguably the highest profile local authority in England, with a turnover of £1.4 billion. He drove through major strategic and operational changes, including a pioneering service delivery partnership between three London boroughs. He retired from this role in 2013. Michael is also Chair of the Cambridge University Hospitals NHS Foundation trust.

Trevor Moross

Senior Non-Executive Director and Chair of Governance and Remuneration Committee

Trevor was appointed to the Board in 2014 and is the Senior Non-Executive Director. He also chairs the Governance & Remuneration Committee. Trevor is a Fellow of The Royal Institute of Chartered Surveyors and a Past President of The British Property Federation, who has been involved in the property industry since 1975. He was until April 2018 the joint Managing Director of London based Dorrington PLC, a privately owned residential and commercial property investor and developer where he remains as a Non-Executive. He is a Trustee of Salusbury World, a charity based in The London Borough of Brent, which supports refugee children, and of The Freud Museum, London.

Simon Rubinsohn

Chair of the Development Committee

Simon is Chief Economist at RICS where he is responsible for overseeing macro-economic analysis, business strategy and the production of the high-profile suite of real estate market surveys. Simon regularly meets with policy makers at the Bank of England, HM Treasury, the ECB and the US Federal Reserve, is a frequent visitor to the IMF and is a highly regarded media commentator on matters relating to the built environment. Prior to joining RICS, Simon worked in the financial services industry for more than 20 years. Most lately, he was employed by Barclays Wealth where, as a strategist, he focused on setting asset allocations for client portfolios. Before that he worked for a number of medium sized wealth management businesses and for ANZ, both as an economist and in bond sales.

Fayann Simpson

Fayann has recently joined the Group Board as a co-opted member in May 2018. Fayann has been an L&Q resident for over 20 years and an involved resident for over 15 years. She is currently chair of Resident Services Group, Chair of the South Neighbourhood Committee and Deputy Chair of the Customer Experience Committee. Fayann is passionate about resident involvement and is a firm believer in the value of effective resident involvement to both improve services and hold L&Q to account. Over the years she has been a member of the Resident Involvement Group, Chair of a Neighbourhood Committee, Chair of L&Q Resident Board, Chair of L&Q's Complaints Panel and been involved in the planning and facilitation of the Resident Conference. Fayann has many years' experience working on IT and Resource management projects for global law firms and investment banks.

Board membership details as at signing date and meeting attendance for the year out of a total of 7 meetings:

Board member	Board attendance	Audit & Risk Committee	Governance & Remunerations Committee	Development Committee	Customer Experience Committee
Aubrey Adams	Chair 7/7		•	•	
David Montague	7/7				
Waqar Ahmed	6/6*				
Anne Elizabeth Bassis	6/7		•		Chair
Tracey Fletcher–Ray	6/7	•			
Samantha Hyde	7/7			•	
Rajiv Jaitly	1/1	•			
Larissa Joy	6/7		•		
Michael More	4/7	Chair			•
Trevor Moross	6/7		Chair	•	
Simon Rubinsohn	7/7			Chair	
Fayann Simpson (joined 10 May 2018)	n/a				•
Other committee members					
Duncan Beardsley	n/a	•		•	
James Scott	n/a			•	
John Drew	n/a		•		
Paula Higson	n/a				•
Angela Williams	n/a				•
Michael Verrier	n/a				•
Sanjay Patel (joined 1 April 2018)	n/a	•			

*Was only required to attend six of the seven meetings in the year.

Delegation

The focus of the Board is on L&Q's strategy, though it also has responsibility for overseeing performance. The Board delegates certain governance responsibilities to Group committees, which have their own approved terms of reference. Day-to-day management and delivery of the Board approved strategies are delegated to the Executive Group.

The committees supporting the Board and governance arrangements are:

- Audit and Risk Committee – responsible for overseeing internal audit, external audit, the effectiveness of internal controls, monitoring and challenging management on its identification and mitigation of risk, and reviewing the financial statements and financial performance
- Governance and Remuneration Committee – responsible for advising the Board on governance, remuneration, and Board or committee appointments
- Development Committee – responsible for reviewing major development and investment schemes
- Customer Service Committee – has a focus on service improvement, customer insight and monitors the delivery of the Regulator of Social Housing's Consumer Standards

All committees report back to the Board at each board meeting. Membership of the committees is drawn from Board members and, specifically for the Customer Experience Committee, a number of independent members. Some members of the Board also sit on the board of individual subsidiaries where additional oversight is required by the Board.

Other statutory and regulatory information

Employee involvement

The Group aims to attract, recruit, develop and retain employees who will share their passion, experience, skills and knowledge with their colleagues and customers. There is a culture of shared leadership and collaborative learning across the Group. We pride ourselves on nurturing internal talent through our talent management schemes and other developmental opportunities, not limited to learning and development activities. This ensures that employees remain engaged, motivated and are committed to providing excellent service for our customers.

Our brand and our work on diversity and inclusion have brought a number of benefits to the Group. Naturally, it assists talent acquisition and retention but it also allows us to raise the profile of the social housing sector as an employment proposition for talented people, and it enables us to grow our business.

L&Q has won numerous accolades, including Investors in People Gold status and we have again ranked as one of Stonewall's top 100 employers for lesbian, gay, bisexual and transgender staff.

The Group has a number of initiatives to develop and support our employees. For example:

- We have introduced a more effective induction programme to help assimilate new staff quickly into the L&Q culture and the revamped values and behaviours, with the express intention of putting customers at the heart of everything we do
- We have developed our in-house e-learning training programme to deliver blended learning and development to support our people in developing their skills
- We are revitalising our employee engagement strategy and have worked with our colleagues to recruit engagement champions who are situated in each area of the business. We continue to develop our offer on talent management, in-line with the requirements of the business
- We continue to develop staff in service delivery, through our Achieving Customer Excellence programme.

Diversity and Inclusion

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

The Group will consider fairly any employment applications made by disabled people. We will also support staff who may become disabled during their employment. We have signed up to, and are founding members of the Leadership 2025 programme, which seeks to promote BAME talent at the most senior levels within the sector. Furthermore, we will continually strive to reduce our gender pay gap.

We have recently appointed a Head of Diversity and Inclusion to ensure we meet all of the objectives identified within our new Diversity and Inclusion Strategy and action plan. Our three network groups, Inspire, Spectrum and Kaleidoscope, are working in tandem with the business to make sure that we make improvements and raise our profile in these areas of work.

Modern slavery and human trafficking statement

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

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

Internal control and risk management

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

Review of internal controls

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

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

- An established management structure operating across the Group, with clearly defined levels of responsibility and delegated authorities
- A Group-wide risk management system (including health and safety) – the Board has established a process for identifying, evaluating, and managing the significant risks faced by the Group
- Adopting and complying with the principal recommendations of the National Housing Federation's 2015 Code of Governance and accepting this as the Group's code of good practice
- Audit and Risk Committee assurance – the Audit and Risk Committee meets regularly with members of the Executive Group and the internal and external auditors to review specific reporting and internal control matters, and to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Committee also reviews any follow up action to correct identified weaknesses. All Board members receive the minutes of all Audit and Risk Committee meetings
- Internal audit assurance – the Group's internal audit function is managed through a corporate assurance unit, which has a direct reporting line to the Audit and Risk Committee. The internal audit programme is designed to review key areas of risk and adherence to relevant law. The head of internal audit meets regularly with the L&Q Chairman and the Chairman of the Audit and Risk Committee
- External audit assurance – the work of the external auditors provides some further independent assurance of the internal control environment, as described in their audit report. The Group also receives a letter from the external auditors identifying any internal control weaknesses. In accordance with best practice guidance, the Audit and Risk Committee and the Board consider this letter
- Procedures to ensure the employment, retention, training and development of suitably qualified staff to manage activities and risk
- The preparation and monitoring of budgets and long-term business plans – the Board, Audit and Risk Committee and the Executive Group review Group and subsidiary performance throughout the year. The reports ensure variances are investigated and acted upon
- A process for approving all investment decisions – all major investment decisions are subject to appraisal and approval by the Development Committee, the Executive Group, and, where appropriate, the Board
- Treasury activity and strategy are subject to regular Board review and approval
- Whistleblowing – The Group's Whistleblowing policy enables employees to raise issues on a confidential basis. Procedures exist to ensure any whistleblowing incidents are independently investigated promptly.

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

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

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2018, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss, which require disclosure in the financial statements.

Risk management

Risk management is fundamental to the achievement of our corporate objectives. We have an enterprise risk management approach based upon the principles of ISO 31000, the recognised international standard for risk management. Risk management is embedded across all operational functions and projects supported by a leading risk software system to provide oversight across the entire business. We have a suite of key risk indicators which provide intelligence on the key areas of risk facing our business and act as early warning indicators.

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

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

It is not sufficient to have one or two (or even most) of these principles in place as we must demonstrate all five to achieve resilience. These five principles do not just happen – they reflect the fact that we have nurtured a resilient environment through our business enablers of Customers, Operations, Financial Health & Growth, and Organisation and Culture as monitored through our balanced scorecard.

Internal control and risk management (continued)

Whilst business enablers are present in all organisations, they are far more developed in resilient organisations than in others. In developing a resilient culture in order to protect our business, brand and reputation, L&Q will be characterised by having the five resilience principles in place in a way that enhances our business enablers.

The graphic below demonstrates how this operates at L&Q.

The Group risk map details the key risks that impact upon our strategic objectives. It is prepared by the Executive Group, reviewed quarterly by the Audit and Risk Committee and approved annually by the Group Board. There are numerous other risks managed at an operational level as part of our enterprise risk management approach which can be escalated to the Group risk map as necessary. These also include a number of integration risks associated with our recent merger with East Thames. Like many organisations, Brexit is also of considerable concern to us and this impacts upon numerous risks faced by our business including those detailed here.

BARKING RIVERSIDE

Barking Riverside London is a major redevelopment project by Barking Riverside Limited, a joint venture between L&Q and the Mayor of London.

Located on the banks of the River Thames just south of Barking town centre, it will feature 10,800 homes across a range of tenures and styles.

In February 2018, £500 million investment was agreed by the Mayor of London, Sadiq Khan, and L&Q, securing funding for transport links, parkland and other community facilities.

10,800
new homes

50%
affordable homes

one
new train station

seven
schools built

443
acre site in total

Internal control and risk management (continued)

The Executive Group and Group Board consider the risks described here as the group's key risks for this financial year:

Risk	Comments and risk mitigation
Major or series of Health and Safety incident(s) causing injury or death event(s)	The health and safety of our customers, staff, partners and members of the public who may be affected by our activities is an essential part of our risk management approach. The tragic events at Grenfell Tower led to a complete review of fire safety across our business. For the last 8 years we have had a robust approach to fire risk management, with a dedicated, professional in-house team carrying out fire risk assessments and a significant budget allocated to dealing with any repairs or improvements required. We have now allocated an additional £50m towards further fire safety measures which includes the replacement of ACM panels on the limited number of our existing blocks which failed the Government tests. This work is already underway. On wider Health and Safety we have a specialist in-house team who continue to develop and monitor a robust Health and Safety management system. We also have established procedures and inspection regimes covering estate management, critical incident management and construction site safety management. We have also commissioned a business resilience review following completion of the integration of East Thames and this will include a review of Business Continuity and Critical Incident/Emergency Planning capability.
Sales market / mortgage availability leads to inability to meet sales targets and provide investment in affordable housing	We closely monitor market data such as house price indices and mortgage approval rates as well as wider economic data as part of our suite of key risk indicators. We continue to adopt a bespoke marketing and sales strategy for each new development and undertake scenario modelling based on revenue and cost fluctuation. This will inform our decision making process around the implementation of risk mitigation such as switching tenure and scaling back on market activity. We work with mortgage lenders to ensure potential customers have access to advice on how much they can borrow and the range of products available. We also undertake market research to ensure the products offered meet market requirements.
Safeguarding incident leads to significant reputational damage and/or regulatory intervention	Safeguarding is everyone's business so we train all of our staff to ensure that they have an appropriate level of awareness of safeguarding issues. We have robust safeguarding policies and procedures in place which are strictly enforced, safeguarding forms part of our recruitment, and selection process in L&Q Living and we undertake DBS checks. We also have other initiatives in place such as Safeguarding Month and safeguarding champions. We have a cross departmental safeguarding committee which is held on a quarterly basis and report regularly to the L&Q Living Board. We also have robust whistleblowing arrangements in place with confidential reporting.
Serious loss of sensitive/ personal data	We had an implementation programme in place long before the introduction of the General Data Protection Regulation (GDPR) in May 2018 aimed at ensuring that our policies, systems and processes were updated to ensure compliance with the new regulations. A full training programme has also been deployed to all staff which includes periodic refresher training. Our Data Protection Officer has overseen this implementation programme and will conduct compliance audits across the business on an ongoing basis. We have implemented Cyber Essentials, a Government-backed cyber security certification scheme, and have created a Chief Information Security Officer role within IT to focus specifically on the security of our systems. A high level gap analysis has also been undertaken based upon ISO27001/02 Information Security Standard to inform our work.

Risk	Comments and risk mitigation
Ability to attract and retain the best staff within L&Q	We focus on the values and behaviours that are required to enable us to succeed and there are a number of schemes to attract new talent. We have engaged with a market leading Pay and Reward consultancy to ensure our Pay and Reward Strategy is fit for purpose. We actively conduct benchmarking and seek to achieve external accreditation, i.e. Great Place To Work 'Best Workplaces' and Investors in People. As part of our on-going development and embedding of our values we proactively focus on developing Leadership talent to ensure that we are best placed to keep all of our people motivated and engaged to promote L&Qs Culture. Our approach to recruitment and retention will be reviewed in light of our recent Diversity and Inclusion action plan. This will ensure best practice and that our recruitment process ensures we employ staff who are well skilled, hold relevant qualifications and are aligned to the values and behaviours of our organisation. It will also ensure openness and transparency. We are also delivering a new employee value proposition, pay and reward approach and succession strategy to recognise and retain high potential colleagues.
Utilising our capacity to grow and maximising development opportunities overloads operational and human capacity	Our capacity model for growth is linked to cash flows and our risk appetite, with development approvals scored against our agreed capacity limit. Growth is also anchored in our development pie chart with at least 50% of our new homes being genuinely affordable, with a target of 60% in London. If risks materialise we can adjust our capacity limit accordingly as well as considering other risk mitigation techniques, such as switching tenure, reducing discretionary spend and managing the rate of construction. We will not pursue numbers for numbers sake and growth and resources must remain in balance. This applies equally in terms of the impact of growth on our people.
Inability to sustain a values led culture and an engaged workforce	A number of initiatives have been undertaken and are continuing, initially targeting the most senior levels of Management, then embedding with all staff through the annual review process. Work has been devised by a working group drawn from our Leadership group and we have also created a new Head of Diversity and Inclusion role to lead our strategy on inclusion. We have engagement champions in place and undertake quarterly pulse surveys to inform our work.
Impact of Welfare Reform on income collection	We have invested in additional resources to mitigate the impact of welfare reforms including the creation of our Financial Inclusion team to support our residents. We have also adopted new IT systems and this, coupled with our modelling work and stakeholder engagement with the Department for Work and Pensions and local authorities, enables targeting of our interventions. We continue to assess the impact of Universal Credit and whilst the full impact of welfare reform has yet to take effect, our mitigating actions have led to no material increase in rent arrears.
Reduced access to capital finance	We have an effective Treasury strategy in place linked to our business planning process. Funding our growth plans requires us to explore new and different ways of funding the business. Our Treasury strategy, Treasury policy and funding options are regularly reviewed to ensure we stay within our risk tolerance ratios.

Audit and Risk Committee

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

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

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

Significant financial statement areas considered during the year

In respect of significant issues that the committee considered in relation to the financial statements, and to monitor the integrity of the financial statements, specific workshops were carried out to ensure that members were clear about the nature of those issues, and the potential impact on the presentation of the financial statements. These were discussed in sufficient detail with our external auditors to ensure resolution of any issues was in line with auditing standards and accounting requirements. Matters of significant importance and risk to the Group financial statements audit were agreed by the committee.

Health and Safety repairs provisions

The committee agreed that the Group's expenditure and commitments on health and safety following the Grenfell Tower tragedy have been expensed and capitalised in line with accounting policies set out by the Group and that the provisions made are in accordance with FRS102 section 21 Provisions and Contingencies. It was agreed that whilst FRS102 allows for a provision to be made in relation to the costs for the removal of the cladding, a provision cannot be recognised for the creation of a new asset, and an amount of £16m was instead recognised as a capital commitment. The implications for impairment were also reviewed with the impact set out in note 12 of the financial statements.

Valuation of stock

Land available for sale acquired as part of the acquisition of Gallagher Estates is most susceptible to changes in circumstances that could lead to the net realisable value falling below carrying value. The committee throughout the year was provided sufficient updates in respect of Gallagher Estates and is satisfied that the write downs taken by the Group were accurately assessed, and that at the year-end the land stock value was adequately reflected in accordance with FRS102 section 13 Inventories, and set out in note 15 of the financial statements.

Accuracy of development costs

The committee understands that the cost of acquiring land and buildings, development costs, and interest charges are capitalised as part of housing properties in the course of construction and during the development period. Staff costs and overheads which are directly attributable to bringing housing properties into working condition for their intended use are capitalised. L&Q operates an overheads allocation model that apportions and attributes costs to development resulting in the capitalisation of those costs whether in fixed asset or current asset properties under construction.

FRS102 prescribes that only directly attributable costs should be capitalised as part of the development of a fixed asset. Although the committee is satisfied that, in the absence of any revision to FRS102 in this area, no changes to the Group's capitalisation policy have been proposed in the year, the basis under which staff costs and overheads have been attributed has been reviewed leading to an additional £7 million being expensed under development and marketing during the year.

The committee has delegated to management the regular review of the basis of calculation and apportionment used in capitalising staff costs and overheads to ensure they r emain appropriate.

The committee, having discussed the above, concur with the findings and key audit matters reflected in the long form audit report.

Viability statement

The Group retained its top-tier rating G1/V1 ratings for governance and financial viability following a thorough in depth assessment by the Regulator. This judgement is confirmation to residents, investors, partners and other stakeholders that the Group's growth ambition remains anchored by sound financial management and a robust approach to risk management, business planning and stress testing. The ratings are also an external validation that our Board has an integral role to the business and that a highly effective governance structure is in place across the organisation.

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

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

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

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

Our positive viability statement is supported by documented evidence in the form of a Board-approved Treasury Strategy that addresses liquidity risk, refinancing risk, projected covenant performance, credit and regulatory ratings and access to funding. L&Q's Group insurance policy covers full reinstatement value of £12 billion. Our forecasting and budgeting processes are long established and proven techniques where critical assumptions are subject to independent challenge and stringent sensitivity analysis. In addition, the Group has put in place a stress test recovery planning process in the event where there is a forecast covenant breach.

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

The Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the Regulator of Social Housing. Throughout our recent in-depth assessment by our Regulator, the Group provided evidence of clear strategic direction with targets set which are challenging and stretching and monitored on an ongoing basis. Governance oversight is clear through our reporting framework and covers risk around financial investment and protection of social housing assets.

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

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

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

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

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group's financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Going concern

As referred to in the Viability Statement, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and for this reason has continued to adopt the going concern basis in preparing the Group's financial statements.

Statement of compliance

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

Auditor

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

KPMG LLP has expressed their willingness to continue in office as the Group's auditors. Accordingly a resolution to reappoint them as auditors will be proposed at the forthcoming annual general meeting.

By order of the Board

Aubrey Adams
Group Chair

28 June 2018

Photo: The Quarry, Erith, where 600 new homes will be built that meet Lifetime Home Standards alongside a state-of-the-art primary school.

04

Financial statements 2017/18

Independent auditor's report

1. Our opinion is unmodified

We have audited the financial statements of London & Quadrant Housing Trust ("the Association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in the notes of the financial statements.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the group and of the Association as at 31 March 2018 and of the income and expenditure of the group and of the Association for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

We were appointed as auditor by the directors on 1 March 2013. The period of total uninterrupted engagement is for the 6 financial years ended 31 March 2018.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard applicable to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£17m (2017:£13m)	
Coverage	4.8% (2017:5.8%) of group surplus before tax	
Risks of material misstatement		
2017 vs 2018		
Recurring risks	None recurring from 2017	
	New:	
	Valuation of stock	▲
	Accuracy of development costs	▲
Event driven	**New:** Health and Safety Repairs provision	▲

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

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

	The risk	Our response
Group and Parent risk **Maintenance Provisions** (£4 million; 2017: £nil) **ACM affected housing schemes** (£63 million; 2017: £nil) Refer to page 46 (Audit Committee Report), note 2 (accounting policy) and note 12 and 24 (financial disclosures).	**Health and Safety Repairs provisions** Post the Grenfell Tower tragedy L&Q has carried out additional safety reviews on certain multi storey buildings and this has identified a number which have Cladding that has failed the Governments fire tests. In addition there is expected to be new legislation tightening up requirements in this area. We understand that L&Q have set aside in their financial plan significant funds to cover their response to the Grenfell tower tragedy. For this years accounts this raises the risk over: • Completeness, existence and accuracy of provisions in this area; and • Valuation of properties, as it is expected that this will trigger an impairment review on the affected properties.	Our procedures included: • Accounting treatment: reviewing management's accounting papers on the proposed accounting treatment against the relevant accounting standards; • Verification of costs: verifying the categories of expenditure to support documentation and seeking corroboratory evidence for any legislative or other requirements that trigger recognition; • Impairment analysis: reviewing management's impairment analysis of affected properties; • Presentation and disclosure: reviewing and assessing the appropriateness of the presentation and disclosure in the statutory accounts. **Our results** • We found the provision value and disclosures to be acceptable and the carrying value of the affected properties to be acceptable.

Independent auditor's report (continued)

	The risk	Our response
Group risk **Gallagher open market land under construction - Land and properties for sale** (£432 million; 2017: £564 million) Refer to page 46 (Audit Committee Report), note 2 (accounting policy) and note 15 (financial disclosures).	**Valuation of stock** The Gallagher acquisition last year resulted in a fair value exercise over the Gallagher land developments which are held as stock. Stock needs to be held at the lower of cost and net realisable value. Due to the fair value exercise the risk of error at 31 March 2018 has increased as there is likely to be less headroom between the carrying value of stock and net realisable value. Given the increased uncertainty due to Brexit this could affect forecast land sale values. Management therefore should ensure they have performed appropriate valuations of the Gallagher stock to assess potential stock provisions. This increases the risk of error in the carrying value of this stock.	Our procedures included: • **Review of management valuations:** reviewing management's valuations of the Gallagher stock and performing the following procedures: • Checking mathematical accuracy of the valuation model. • Making enquires with management and site project surveyors to assess any potential site impairment indicators such as increased planning restrictions, identification of contaminated land, forecast site completion dates. • Where potential site impairment indicators existed we performed more detailed testing on the recoverable value of these sites to determine if the level of impairment taken by management was reasonable. • Recalculating managements disposals fair value adjustments and assessed them for reasonableness including agreeing sales values in year as a proportion of total expected sales for site locations. **Our results** • We found the estimate of the recoverable amount of open market land held for sale to be reasonable.
Group and Parent risk **Properties under construction - additions** (£435 million; 2017: £542 million) Refer to page 46 (Audit Committee Report), note 2 (accounting policy) and note 12 (financial disclosures).	**Accuracy of development risks:** Development is a significant activity for the Group. With the quantum and value of capitalised development costs, internal and external, alongside the judgement involved in what is permissible we feel this gives rise to a significant risk of misstatement in the group over the accuracy of those capitalised costs.	Our procedures included: • Controls testing: Testing controls in place over the on-going monitoring of contracts and costs; • Review against accounting standards: Reviewing that amounts capitalised comply with FRS102 including review and assessment of management assumptions. • Verification of costs: verifying a sample of costs back to source documentation including internally generated costs; **Our results** • We found the capitalisation of developments costs in assets in course of construction to be acceptable.

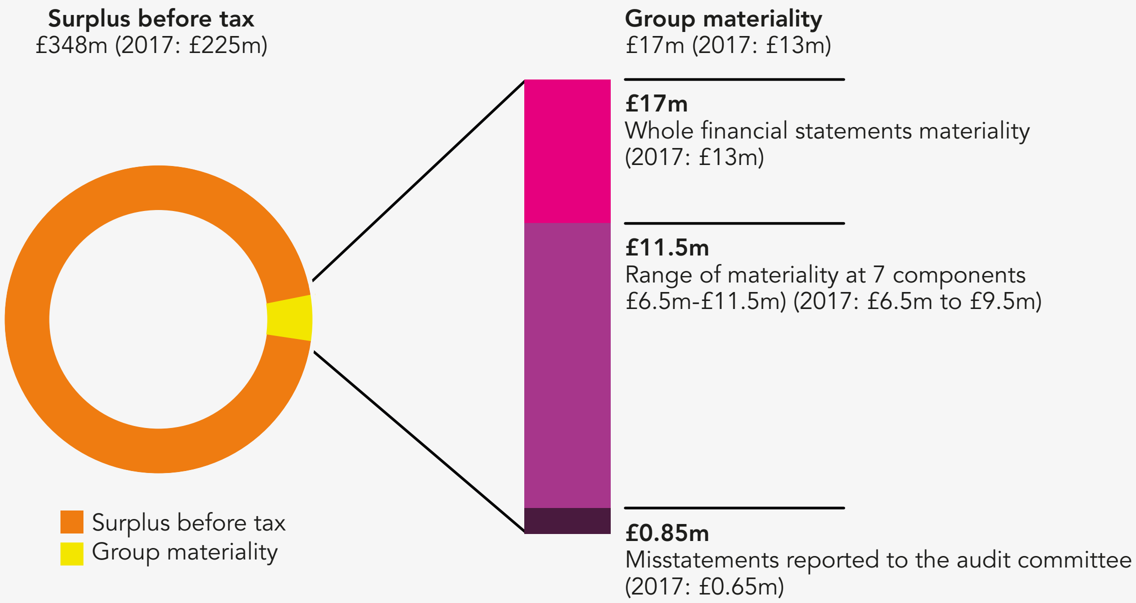
3. Our application of materiality and an overview of the scope of our audit

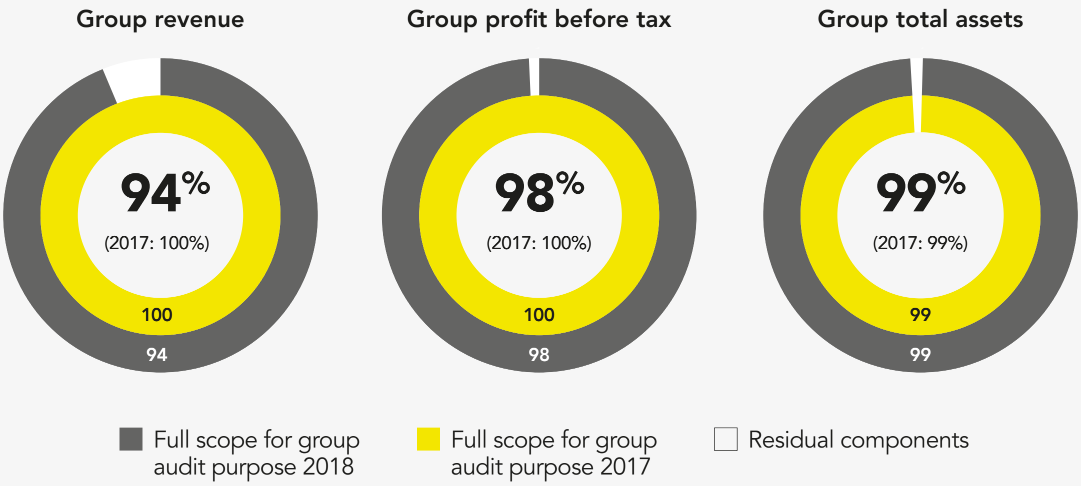
Materiality for the group financial statements as a whole was set at £17m (2017: £13m), determined with reference to a benchmark of group surplus before tax as disclosed in the statement of comprehensive income, of £354m, of which it represents 4.8% (2017: 5.8%).

Materiality for the Association financial statements as whole was set at £11.5m (2017: 9.1m), determined with reference to a benchmark of Association surplus before tax, of which it represents 3.9% (loss before tax 2017: 3.4%). We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £850k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected 7 of the Group's 12 (2017: 7) reporting components to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

The work on 1 of the 12 components (2017: 2 of the 12 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.





Independent auditor's report (continued)

4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Financial Statements

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on our work on the other information:

- we have not identified material misstatements;
- in our opinion the information given as other information for the financial year is consistent with the financial statements; and
- Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014 and the regulations made under it.

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

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Board's responsibilities

As explained more fully in their statement set out on page 48, the Board is responsible for: preparing financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related annual accounts items. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations (irregularities), as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

9 July 2018

CASE STUDY:

Single Parent Support Programme

Over 13,000 L&Q households are headed by a single mother or father, many of whom face barriers to education and employment, which affects their ability to earn a living and can increase household poverty.

Our Single Parent Support Programme was set up to help tackle some of the socioeconomic barriers faced by many single-parent families.

A project called Empowering You was the first initiative funded by the support programme, delivered in partnership with single parent charity Gingerbread, and offers intensive support sessions.

Location:

In 13 London boroughs.

£200,000

L&Q Foundation funding

Highlight:

L&Q also launched the Lone Parent Project, a research project in partnership with Perspective research services. The Lone Parents Project aims to improve support for single parents through focus groups and interviews. The report findings will be published later this year.

Statement of comprehensive income for the year ended 31 March 2018

	Note	Group 2018 £m	Group 2017 £m	LQHT 2018 £m	LQHT 2017 £m
Turnover	3a	**1,026**	756	**640**	657
Cost of sales	3a	**(338)**	(183)	**(74)**	(77)
Operating costs	3a	**(386)**	(274)	**(350)**	(302)
Surplus on disposal of fixed assets and investments	6	**54**	53	**50**	58
Share of profits from joint ventures	14a	**16**	13	**-**	-
Change in value of investment property*	14c	**48**	36	**(2)**	8
Operating surplus	5	**420**	401	**264**	344
Gift aid receivable		**-**	-	**77**	77
Interest receivable and similar income	7	**1**	1	**41**	47
Interest payable and similar charges	8a	**(91)**	(73)	**(101)**	(114)
Other finance income/(costs) - other	8b	**24**	3	**11**	3
- refinancing costs	8c	**-**	(548)	**-**	(624)
Gift on acquisition of subsidiary	14f	**-**	441	**-**	-
Surplus/(deficit) on ordinary activities before tax		**354**	225	**292**	(267)
Tax on surplus on ordinary activities	11	**(6)**	(5)	**-**	-
Surplus/(deficit) for the year		**348**	220	**292**	(267)
Other comprehensive income					
Actuarial loss on pension schemes	9	**3**	(4)	**3**	(4)
Reclassification of cash flow hedge reserve		**-**	159	**-**	195
Total recognised surplus/(deficit) relating to the year		**351**	375	**295**	(76)

The LQHT comparatives for 2017 have been represented as a result of the Transfer of Engagement of East Thames Limited completed on 31 March 2018 – results now show the total of London & Quadrant Housing Trust and East Thames Limited combined for the prior year.

*The change in value of investment properties is presented as part of operating surplus as the Group's investment properties portfolio under non-social housing lettings activities is an actively managed operation of the Group. The prior year presentation has been updated in that respect.

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

Statement of financial position at 31 March 2018

	Note	Group 2018 £m	Group 2017 £m	LQHT 2018 £m	LQHT 2017 £m
Fixed assets					
Housing properties	12	**9,089**	8,671	**8,662**	8,345
Other tangible fixed assets	13	**65**	65	**59**	63
Goodwill	14f	**22**	14	**-**	-
Equity investment in subsidiaries	14e	**-**	-	**913**	362
Investments - jointly controlled entities	14a	**445**	392	**8**	-
Investments - HomeBuy equity loans	14b	**119**	127	**119**	128
Investment properties	14c	**670**	466	**7**	27
Investments - Real Lettings property fund	14d	**10**	10	**10**	10
		10,420	9,745	**9,778**	8,935
Debtors due after more than one year	16a	**86**	54	**952**	1,163
Current assets					
Land and properties for sale and work in progress	15	**927**	1,120	**65**	70
Debtors	16b	**188**	121	**74**	95
Cash and cash equivalents	17	**222**	215	**128**	186
		1,337	1,456	**267**	351
Creditors: amounts falling due within one year	18	**(490)**	(456)	**(279)**	(293)
Net current assets/(liabilities)		**847**	1,000	**(12)**	58
Total assets less current liabilities		**11,353**	10,799	**10,718**	10,156

	Note	**Group 2018 £m**	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Creditors: amounts falling due after more than one year	19	**4,525**	4,676	**4,065**	4,157
Deferred social housing grant	20	**2,041**	1,667	**2,071**	1,697
Grant on HomeBuy equity loans	14b	**104**	110	**104**	111
Derivative financial liabilities	30	**-**	3	**-**	3
Provisions for liabilities	24	**65**	67	**16**	13
Net pension liability	9	**36**	45	**35**	43
Net assets		**4,582**	4,231	**4,427**	4,132
Capital and reserves					
Share capital	26	**-**	-	**-**	-
Revenue reserve		**2,698**	2,345	**2,362**	2,065
Cash flow hedge reserve		**-**	-	**-**	-
Revaluation reserve		**1,884**	1,886	**2,065**	2,067
		4,582	4,231	**4,427**	4,132

The accompanying notes form part of these financial statements.

These financial statements were approved and authorised for issue by the Board and signed on its behalf by:

Aubrey Adams
Group Chair

Michael More
Chair of Audit and Risk Committee

Waqar Ahmed
Group Finance Director

Date of approval: 28 June 2018

Statement of changes in equity for the year ended 31 March 2018

Group	Called up share capital £m	Revaluation reserve £m	Cash flow hedge reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2016	-	1,889	(159)	2,126	3,856
Surplus for the year	-	-	-	220	220
Reclassification of cash flow hedge reserve	-	-	159	-	159
Reserves transfer	-	(3)	-	3	-
Actuarial losses	-	-	-	(4)	(4)
Balance at 31 March 2017	-	1,886	-	2,345	4,231
Surplus for the year	**-**	**-**	**-**	**348**	**348**
Reclassification of cash flow hedge reserve	**-**	**-**	**-**	**-**	**-**
Reserves transfer	**-**	**(2)**	**-**	**2**	**-**
Actuarial gains	**-**	**-**	**-**	**3**	**3**
Balance at 31 March 2018	**-**	**1,884**	**-**	**2,698**	**4,582**

LQHT	Called up share capital £m	Revaluation reserve £m	Cash flow hedge reserve £m	Revenue reserve £m	Total equity £m
Balance at 1 April 2016	-	2,072	(195)	2,331	4,208
Deficit for the year	-	-	-	(267)	(267)
Reclassification of cash flow hedge reserve	-	-	195	-	195
Reserves transfer	-	(5)	-	5	-
Actuarial losses	-	-	-	(4)	(4)
Balance at 31 March 2017	-	2,067	-	2,065	4,132
Surplus for the year	**-**	**-**	**-**	**292**	**292**
Reclassification of cash flow hedge reserve	**-**	**-**	**-**	**-**	**-**
Reserves transfer	**-**	**(2)**	**-**	**2**	**-**
Actuarial gains	**-**	**-**	**-**	**3**	**3**
Balance at 31 March 2018	**-**	**2,065**	**-**	**2,362**	**4,427**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2018

	Note	2018 £m	2017 £m
Cash flows from operating activities			
Surplus for the year		**348**	220
Adjustments for non-cash items:			
Depreciation, amortisation and impairment		**75**	62
Deferred government grant		**(23)**	(22)
		52	40
Adjustments for investing or financing activities:			
Change in value of investment property		**(48)**	(36)
Interest receivable and similar income		**(1)**	(1)
Interest payable and similar charges (including capitalised interest)		**91**	73
Other finance costs		**(24)**	545
Gain on sale of fixed assets		**(54)**	(53)
Gain on sale of investment		**(16)**	(13)
Gift on acquisition of subsidiary		**-**	(441)
Taxation		**6**	5
		(46)	79
Adjustment for working capital movement:			
(Increase) in trade and other debtors		**(74)**	(18)
(Increase) in stocks		**(36)**	(148)
Increase/(decrease) in trade and other creditors		**14**	(74)
Increase/(decrease) in provisions and employee benefits		**(7)**	51
		(103)	(189)
Tax paid		**1**	-
Net cash flow from operating activities		**252**	150

	Note	2018 £m	2017 £m
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**85**	114
Proceeds from sale of investments		**-**	2
Purchase of other fixed assets		**(5)**	(8)
Interest received		**1**	1
Interest paid		**(128)**	(112)
Other finance costs		**(8)**	(597)
Investments in jointly controlled entities		**(36)**	(101)
Acquisition of investment property		**(11)**	(7)
Proceeds from the receipt of government grant		**408**	22
Capitalised development expenditure		**(337)**	(561)
Capital expenditure on existing properties		**(65)**	(39)
Acquisition of subsidiaries net of cash acquired		**-**	(251)
Net cash from investing activities		**(96)**	(1,537)
Cash flows from financing activities			
Loans received		**1,566**	2,950
Loans repaid		**(1,715)**	(1,458)
Net cash from financing activities		**(149)**	1,492
Net increase in cash and cash equivalents		**7**	105
Cash and cash equivalents at 1 April		**215**	110
Cash and cash equivalents at 31 March	17	**222**	215

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2018

1. Legal status

London and Quadrant Housing Trust (LQHT) is a housing association registered under the Cooperative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a social landlord and public benefit entity. LQHT is the ultimate parent of the Group.

2. Principal accounting policies

Basis of preparation

The financial statements of the Group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" (FRS102) and the Housing SORP 2014 "Statement of Recommended Practice for Registered Social Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing from April 2015.

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

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

- The requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:

  (a) categories of financial instruments,

  (b) items of income, expenses, gains or losses relating to financial instruments and Impairment

  (c) exposure to and management of financial risks.

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

On 31 March 2018 the entity 'East Thames Ltd' (ETL) legally became part of LQHT through a Transfer of Engagement. All LQHT prior year comparatives have been represented to show the combined results of LQHT and ETL, as though they have always been part of the same entity. Refer to note 36 for further details.

Segmental reporting

For the purpose of segmental reporting, the chief operating decision maker (CODM) is considered to be the Board. In line with the segments reported to the CODM, the presentation of these financial statements and accompanied notes are in accordance with the Accounting Direction for Private Registered Providers of Social Housing from April 2015 and is considered appropriate. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group. This is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The CODM do not review disaggregated financial information of assets and liabilities at this level of operating segment. Refer to note 3b for further disclosed information.

Going concern

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

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

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

Significant management judgements

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

- The indicators of impairment of the Group's fixed assets and the assumptions made in

  (a) determining the cash-generating unit (CGU) level at which recoverable amount is to be assessed

  (b) estimating the recoverable amount of the cash-generating unit

  (c) calculating the carrying amount of the cash-generating unit and

  (d) comparing the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

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

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

Other estimation uncertainty

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

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

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

(a) the useful economic life of property structure set to 100 years; and

(b) that properties have no residual values at the end of useful life.

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

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

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

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

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

Basis of consolidation

The Group has prepared consolidated financial statements as required by the Housing SORP 2014 "Statement of Recommended Practice for Registered Social Housing Providers" under the purchase method in which the financial statements of LQHT and its subsidiaries are presented as those of a single economic entity. Intercompany transactions and balances between group companies are therefore eliminated in full on consolidation.

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

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of the parent LQHT. A list of all subsidiaries is provided in note 34.

Business combinations that are gifts

Where there is a business combination that is in substance a gift, any excess of fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense.

Jointly controlled entities

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

Value added tax

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

Turnover

Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership properties and from properties developed for open market sales at the point of sale completion and includes, in accordance with FRS102, the amortisation of Social Housing Grant (SHG). By applying the accrual model, deferred grant income is released as an income over the life of the asset structure. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Income from sale of strategic land and infrastructure can be recognised in one of two ways depending on the agreed contract. Sale of strategic land is recognised when the benefits of ownership and related planning consents are passed to the purchaser. Long term infrastructure contracts are included in revenue on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

Where a contract consists of a single price for both the strategic land and the infrastructure contract after completion, total income is recognised on transfer of benefits of ownership and related planning consents of the site, while a provision for future contractual costs to complete the infrastructure works are included as a liability to the accounts. Any deferred consideration is discounted using an appropriate effective interest rate.

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

Cost of sales

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

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

Joint ventures

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

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

Reserves

There are no restricted or designated reserves held.

The revaluation reserve was established on transition to FRS102 on application of the deemed cost model, which allowed first time adopters to elect to measure an item of fixed assets at its fair value at the date of transition and use that fair value as its deemed cost at that date. Movements in the revaluation reserve relate to disposals in the year of units held at deemed cost.

Notes to the financial statements for the year ended 31 March 2018

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

Group					2018					2017
	Turnover	**Cost of sales**	**Operating costs**	**Other operating items**	**Operating surplus**	Turnover	Cost of sales	Operating costs	Other operating items	Operating surplus
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Social housing lettings										
General needs	**373**	**-**	**(211)**	**-**	**162**	337	-	(174)	-	163
Supported housing	**34**	**-**	**(26)**	**-**	**8**	31	-	(22)	-	9
Intermediate market rent	**25**	**-**	**(15)**	**-**	**10**	20	-	(10)	-	10
Low-cost home ownership	**53**	**-**	**(16)**	**-**	**37**	41	-	(13)	-	28
Affordable rent	**36**	**-**	**(15)**	**-**	**21**	30	-	(10)	-	20
	521	**-**	**(283)**	**-**	**238**	459	-	(229)	-	230
Other social housing activities		**-**								
Care and support	**10**	**-**	**(11)**	**-**	**(1)**	3	-	(3)	-	-
First tranche low-cost home ownership sales	**80**	**(53)**	**-**	**-**	**27**	95	(61)	(1)	-	33
Development and marketing	**3**	**-**	**(21)**	**-**	**(18)**	-	-	(4)	-	(4)
Community investment	**-**	**-**	**(7)**	**-**	**(7)**	-	-	(7)	-	(7)
Other	**1**	**-**	**(10)**	**-**	**(9)**	1	-	(2)	-	(1)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**54**	**54**	-	-	-	53	53
	94	**(53)**	**(49)**	**54**	**46**	99	(61)	(17)	53	74
Non-social housing lettings										
Student accommodation	**2**	**-**	**(2)**	**-**	**-**	2	-	(2)	-	-
Market rent*	**26**	**-**	**(8)**	**48**	**66**	19	-	(7)	36	48
Non-social homeowners	**8**	**-**	**(11)**	**-**	**(3)**	9	-	(6)	-	3
Commercial	**4**	**-**	**(2)**	**-**	**2**	2	-	(1)	-	1
Garages, sheds, parking spaces	**1**	**-**	**(1)**	**-**	**-**	1	-	-	-	1
	41	**-**	**(24)**	**48**	**65**	33	-	(16)	36	53

Group	Turnover	Cost of sales	Operating costs	Other operating items	2018 Operating surplus	Turnover	Cost of sales	Operating costs	Other operating items	2017 Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-social housing activities										
Open market sales	**120**	**(87)**	**(5)**	**-**	**28**	119	(86)	(3)	-	30
Land sales	**243**	**(198)**	**(12)**	**-**	**33**	42	(36)	(1)	-	5
Resales	**2**	**-**	**-**	**-**	**2**	2	-	-	-	2
Other non-social housing activity	**5**	**-**	**(13)**	**-**	**(8)**	2	-	(8)	-	(6)
Share of profits from joint ventures	**-**	**-**	**-**	**16**	**16**	-	-	-	13	13
	370	**(285)**	**(30)**	**16**	**71**	165	(122)	(12)	13	44
	1,026	**(338)**	**(386)**	**118**	**420**	756	(183)	(274)	102	401
Interest receivable					**1**					1
Interest payable					**(91)**					(73)
Other finance income/(costs)					**24**					(545)
Gift on acquisition on subsidiary					**-**					441
Tax on surplus on ordinary activities					**(6)**					(5)
Surplus for year					**348**					220

*Note: Market rent 'other operating items' represents the change in valuation of investment property which now forms part of operating income. The prior year has been represented to align to this presentational change.

Notes to the financial statements for the year ended 31 March 2018

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

LQHT	Turnover 2018 £m	Cost of sales 2018 £m	Operating costs 2018 £m	Other operating items 2018 £m	Operating surplus 2018 £m	Turnover 2017 £m	Cost of sales 2017 £m	Operating costs 2017 £m	Other operating items 2017 £m	Operating surplus 2017 £m
Social housing lettings										
General needs	**372**	**-**	**(210)**	**-**	**162**	373	-	(193)	-	180
Supported housing	**33**	**-**	**(25)**	**-**	**8**	36	-	(26)	-	10
Intermediate market rent	**25**	**-**	**(15)**	**-**	**10**	22	-	(11)	-	11
Low-cost home ownership	**53**	**-**	**(16)**	**-**	**37**	49	-	(19)	-	30
Affordable rent	**36**	**-**	**(15)**	**-**	**21**	33	-	(14)	-	19
	519	**-**	**(281)**	**-**	**238**	513	-	(263)	-	250
Other social housing activities										
Care and support	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-
First tranche low-cost home ownership sales	**80**	**(56)**	**-**	**-**	**24**	118	(74)	(3)	-	41
Development and marketing	**1**	**-**	**(21)**	**-**	**(20)**	-	-	(4)	-	(4)
Community investment	**-**	**-**	**(7)**	**-**	**(7)**	-	-	(7)	-	(7)
Other	**-**	**-**	**(10)**	**-**	**(10)**	2	-	(3)	-	(1)
Surplus on disposal of fixed assets	**-**	**-**	**-**	**50**	**50**	-	-	-	58	58
	81	**(56)**	**(38)**	**50**	**37**	120	(74)	(17)	58	87
Non-social housing lettings										
Student accommodation	**2**	**-**	**(3)**	**-**	**(1)**	2	-	(2)	-	-
Market rent*	**-**	**-**	**-**	**(2)**	**(2)**	2	-	(1)	8	9
Non-social homeowners	**8**	**-**	**(11)**	**-**	**(3)**	9	-	(6)	-	3
Commercial	**4**	**-**	**(2)**	**-**	**2**	2	-	(1)	-	1
Garages, sheds, parking spaces	**1**	**-**	**(1)**	**-**	**-**	1	-	-	-	1
	15	**-**	**(17)**	**(2)**	**(4)**	16	-	(10)	8	14

LQHT	Turnover	Cost of sales	Operating costs	Other operating items	2018 Operating surplus	Turnover	Cost of sales	Operating costs	Other operating items	2017 Operating surplus
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-social housing activities										
Open market sales	**18**	**(18)**	**-**	**-**	**-**	2	(3)	-	-	(1)
Resales	**2**	**-**	**-**	**-**	**2**	1	-	-	-	1
Other non-social housing activity	**5**	**-**	**(14)**	**-**	**(9)**	5	-	(12)	-	(7)
	25	**(18)**	**(14)**	**-**	**(7)**	8	(3)	(12)	-	(7)
	640	**(74)**	**(350)**	**48**	**264**	657	(77)	(302)	66	344
Interest receivable					**41**					47
Interest payable					**(101)**					(114)
Other finance income/(costs)					**11**					(621)
Gift aid					**77**					77
Tax on surplus on ordinary activities					**-**					-
Surplus/(deficit) for year					**292**					(267)

*Note: Market rent 'other operating items' represents the change in valuation of investment property which now forms part of operating income. The prior year has been represented to align to this presentational change.

Notes to the financial statements for the year ended 31 March 2018

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

Group	**General needs**	**Supported housing**	**Intermediate market rent**	**Low-cost home ownership**	**Affordable rent**	**2018 Total**	2017 Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m
Rent receivable net of identifiable service charges	333	26	21	35	32	**447**	392
Service charges receivable	25	7	3	10	3	**48**	37
Net rents receivable	358	33	24	45	35	**495**	429
Amortised government grant	14	1	1	7	1	**24**	22
Other income	1	-	-	1	-	**2**	8
Total income from lettings	373	34	25	53	36	**521**	459
Expenditure on letting activities:							
Management	33	4	4	6	3	**50**	42
Services	31	8	4	7	2	**52**	39
Routine maintenance	52	4	3	1	3	**63**	52
Planned maintenance and major repairs	29	4	1	1	2	**37**	30
Bad debts	1	-	-	-	1	**2**	3
Depreciation of housing properties	61	6	3	1	4	**75**	62
Impairment of housing properties	4	-	-	-	-	**4**	-
Other costs	-	-	-	-	-	**-**	1
Total expenditure on lettings	211	26	15	16	15	**283**	229
Operating surplus on lettings	162	8	10	37	21	**238**	230
Voids losses	2	1	2	-	-	**5**	3

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

LQHT	General needs £m	Supported housing £m	Intermediate market rent £m	Low-cost home ownership £m	Affordable rent £m	2018 Total £m	2017 Total £m
Rent receivable net of identifiable service charges	332	25	21	35	31	**444**	438
Service charges receivable	25	7	3	10	3	**48**	43
Net rents receivable	357	32	24	45	34	**492**	481
Amortised government grant	14	1	1	7	1	**24**	22
Other income	1	-	-	1	1	**3**	10
Total income from lettings	372	33	25	53	36	**519**	513
Expenditure on letting activities:							
Management	32	4	4	6	3	**49**	53
Services	31	7	4	7	2	**51**	45
Routine maintenance	52	4	3	1	3	**63**	57
Planned maintenance and major repairs	29	4	1	1	2	**37**	33
Bad debts	1	-	-	-	1	**2**	3
Depreciation of housing properties	61	6	3	1	4	**75**	69
Impairment of housing properties	4	-	-	-	-	**4**	3
Other costs	-	-	-	-	-	**-**	-
Total expenditure on lettings	210	25	15	16	15	**281**	263
Operating surplus on lettings	162	8	10	37	21	**238**	250
Voids losses	2	1	2	-	-	**5**	3

Note: Care and support activities have been reclassified from social housing activities to ‘other social housing activities’ as they constitute the contracted income and expenditure rather than provision of housing.

Notes to the financial statements for the year ended 31 March 2018

4. Housing stock

	Group 2018 No.	Group 2017 No.	**LQHT 2018 No.**	LQHT 2017 No.
Social housing accommodation				
General needs housing	**54,108**	53,747	**54,108**	53,747
Affordable rent	**4,354**	4,008	**4,354**	4,008
Supported housing and housing for older people	**6,213**	6,266	**6,213**	6,266
Key worker accommodation	**852**	873	**852**	873
Low-cost home ownership	**8,670**	8,768	**8,670**	8,768
Shared equity	**2,351**	2,491	**2,351**	2,491
Intermediate market rent	**2,306**	2,026	**2,306**	2,026
Total social housing managed	**78,854**	78,179	**78,854**	78,179
Non-social housing accommodation				
Leaseholders	**9,674**	8,821	**9,674**	8,821
Market rent	**1,705**	1,418	**-**	43
Student accommodation	**632**	623	**632**	623
Other landlords	**1,670**	1,322	**1,670**	1,322
Commercial	**71**	208	**71**	208
Total non-social housing managed	**13,752**	12,392	**12,047**	11,017
Total housing stock	**92,606**	90,571	**90,901**	89,196
Other Non-social lettings				
Garages, parking spaces and other non-habitable units	**8,066**	6,314	**8,066**	6,314
Total units managed	**100,672**	96,885	**98,967**	95,510
Housing units in development pipeline	**46,500**	44,300	**34,000**	42,800
Land plots	**46,700**	42,500	**-**	-

LQHT prior year figures have been restated to include stock held in East Thames Ltd as a result of the Transfer of Engagement on 31 March 2018.

Land plots relate to sites acquired and controlled by Gallagher Estates.

5. Operating surplus on ordinary activities before tax

	Group 2018 No.	Group 2017 No.	**LQHT 2018 No.**	LQHT 2017 No.
Operating surplus is stated after charging/(crediting):				
Depreciation on social housing properties	**75**	62	**75**	69
Depreciation other non-social housing	**1**	1	**1**	-
Depreciation on other fixed assets	**11**	4	**10**	5
Surplus on sale of fixed assets				
• Housing properties	**(54)**	(53)	**(50)**	(58)
Impairment charge on fixed assets housing properties	**9**	-	**9**	3
Impairment release on fixed assets housing properties	**-**	-	**-**	-
Operating lease rentals				
• Land and buildings	**1**	1	**1**	1
Change in valuation of investment property	**(48)**	(36)	**2**	(8)

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

	Group 2018 £'000	Group 2017 £'000	**LQHT 2018 £'000**	LQHT 2017 £'000
Auditor's remuneration (excluding VAT):				
• In their capacity as auditor	**390**	240	**240**	240
• In respect of other services	**233**	33	**233**	33

Notes to the financial statements for the year ended 31 March 2018

6. Surplus on disposal of fixed assets and other investments

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

Group	**Housing properties £m**	**Investment disposals £m**	**HomeBuy £m**	**2018 Total £m**	2017 Total £m
Sales proceeds	108	-	16	**124**	114
Cost of sale	(43)	-	(9)	**(52)**	(53)
Grant recovered	(3)	-	-	**(3)**	(5)
Grant abated	1	-	-	**1**	1
Incidental sale expense and write downs	(16)	-	-	**(16)**	(4)
Total	**47**	**-**	**7**	**54**	53

LQHT	**Housing properties £m**	**Investment disposals £m**	**HomeBuy £m**	**2018 Total £m**	2017 Total £m
Sales proceeds	153	-	16	**169**	158
Cost of sale	(92)	-	(9)	**(101)**	(88)
Grant recovered	(3)	-	-	**(3)**	(9)
Grant abated	1	-	-	**1**	1
Incidental sale expense and write downs	(16)	-	-	**(16)**	(4)
Total	**43**	**-**	**7**	**50**	58

7. Interest receivable and similar income

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Bank interest receivable	**1**	1	**1**	1
Other interest receivable	**-**	-	**40**	46
	1	1	**41**	47

8a. Interest payable and similar charges

Interest payable

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

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the year ending 31 March 2018, interest has been capitalised at an average rate of 3.6% (2017: 4.4%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

Interest is not capitalised on strategic land developments.

Release of loan fair values

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

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Interest expense on liabilities at amortised cost	**129**	112	**117**	130
Less: interest capitalised in housing properties	**(38)**	(39)	**(16)**	(16)
	91	73	**101**	114

8b. Other finance income and costs

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Change in value of gilt locks	**16**	-	**15**	-
Release of loan fair values on repayment and refinancing	**9**	-	**(3)**	-
Other charges and income	**(1)**	3	**(1)**	3
	24	3	**11**	3

Notes to the financial statements for the year ended 31 March 2018

8c. Refinance costs

The 2017 comparatives reflect the Group's decision to refinance the majority of its outstanding bank loans last year. This resulted in an exceptional cost of £548m, made up of loan breakage fees of £362m which were in effect "make-whole" provisions that allowed the Group to redeem loans and cash flow hedges prior to maturity as agreed with our lenders, a net release of previously capitalised financing costs and fair value adjustments of £4m, and a reclassification of the cash flow hedge reserve of £182m to the statement of comprehensive income.

The LQHT 2017 comparative of £624m exceptional refinance costs represents total costs for the prior year in both ETL and LQHT. In LQHT the whole £548m is as per the above Group breakdown. The remaining £76m of costs in ETL related to £49m of debt refinancing costs, £36m on the release of the effective hedge reserve and net other finance income of £9m.

There were no such refinance costs in 2018.

9. Employee information

	Group 2018 No.	Group 2017 No.	**LQHT 2018 No.**	LQHT 2017 No.
The average full-time equivalent employees based on their individual contracted hours:				
Chief executive department	**30**	39	**27**	30
Development and sales	**344**	324	**318**	300
Finance, treasury and insurance	**124**	134	**117**	117
Human resources, facilities and Learning and development	**71**	77	**69**	70
Neighbourhoods	**471**	463	**471**	461
Strategy and operations	**358**	458	**358**	400
Customer services and direct maintenance	**429**	410	**429**	408
Information technology	**114**	52	**114**	104
Care and support	**295**	268	**7**	-
Community investment	**51**	65	**51**	65
	2,287	2,290	**1,961**	1,955

During the year some teams transferred between Strategy and Operations and Information Technology

Note: Group 2017 figures include those employees who were directly employed by a subsidiary and those employees who transferred from East Thames Limited between 6 December 2016 and 31 March 2017. LQHT 2017 figures have been represented to include those employees who were employed by LQHT and East Thames Limited for the full year as a result of the transfer of engagement effective from 31 March 2018. The previous published LQHT staff numbers only included these staff from the date of acquisition.

Staff costs (for the above persons)	**£m**	£m	**£m**	£m
Wages and salaries	**99**	74	**88**	79
Social security costs	**11**	8	**10**	8
Other pension costs	**9**	10	**9**	11
	119	92	**107**	98

L&Q Staff Benefits Plan

The Group operates the London & Quadrant Housing Trust pension scheme (the LQHT scheme), providing benefits based on final pensionable pay. The LQHT scheme has 15 active members (2017: 17). The assets of the scheme are held separately from those of the Group. This scheme has been closed to new entrants since 2001.

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

The pension contributions payable by the Group to the LQHT scheme during the accounting period were equal to 24.5% (2017: 20.9%) of pensionable salary as recommended by the actuary. Surpluses and deficits are reviewed at each triennial actuarial valuation, and the pensions charge recorded by the Group during the accounting period was equal to the contributions payable.

The Group also participates in three defined benefit pension schemes which are administered by:

- London Borough of Waltham Forest scheme with three active members (2017: 3);
- Buckinghamshire County Council scheme with one active member (2017: 1); and
- London Borough of Bexley scheme with two active members (2017: 2).

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

- London Borough of Waltham Forest scheme 16.7% (2017: 14.5%);
- Buckinghamshire County Council scheme 27.6% (2017: 21.6%); and
- London Borough of Bexley Scheme 26.5% (2017: 24.6%).

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

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

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

The Social Housing Pension Scheme

The Group also participates in the Social Housing Pension Scheme (SHPS) which provides benefits based on final pensionable pay. The scheme is funded and is contracted out of the state pension scheme and the assets of the scheme are held separately from those of the Group.

The Group is unable to obtain sufficient information to identify, on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers and thus does not apply defined benefit accounting for this multi-employer plan but accounts for the scheme as if it were a defined contribution scheme. This is because the scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes and benefits are paid from total scheme assets. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. To the extent that payments plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the profit and loss account. Where these payments are not expected to be settled within 12 months the liability is measured at the present value of the contributions payable.

The last formal valuation of the scheme was performed as at 30 September 2014 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the valuation date was £3,123m. The valuation revealed a shortfall of assets compared to the value of liabilities of £1,323m, equivalent to a past service funding level of 70%. .

9. Employee information (continued)

NHS Pension Scheme

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

Money purchase scheme

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

Summary of Pension Liability

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Defined benefit schemes	**(18)**	(23)	**(18)**	(23)
SHPS scheme	**(18)**	(6)	**(17)**	(20)
SHPS arising on acquisition	**-**	(16)	**-**	-
Net pension liability	**(36)**	(45)	**(35)**	(43)

a) Defined Benefit Schemes- Group and LQHT

	2018	2017
Financial assumptions	**2.6%**	2.6%
Discount rate	**3.4%**	3.5%
Inflation (RPI)	**2.4%**	2.5%
Inflation (CPI)	**3.4%**	3.5%
Salary growth		
Mortality assumptions		
• Base table	**S2PXA**	S2PXA
• Improvement method	**CMI2015 with 1.25% LTR**	CMI2015 with 1.25% LTR
• Projection	**Year of birth**	Year of birth

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

	2018 £m	2017 £m
Analysis of the amount recognised in comprehensive income		
Current service cost	**-**	(1)
Past service cost	**-**	-
Net interest on the defined liability	**(1)**	(1)
	(1)	(2)

	2018 £m	2017 £m
Analysis of amount recognised in other comprehensive income		
Actual return less expected return on plan assets	**-**	19
Amount included in net interest on net defined benefit liability	**(4)**	(4)
Remeasurements – return on plan assets excluding interest income	**(4)**	15
Changes in assumptions underlying the present value of the plan liabilities	**6**	(26)
Changes due to experience	**1**	7
Remeasurements recognised	**3**	(4)

Notes to the financial statements for the year ended 31 March 2018

9. Employee information (continued)

Movement in deficit during the year	2018 £m	2017 £m
Net deficit at beginning of the year	(23)	(21)
Movement in year:		
Current service cost	-	(1)
Employer contributions	2	4
Past service costs	-	-
Other finance costs	-	(1)
Remeasurements	3	(4)
Net deficit at end of the year	(18)	(23)

Movement in liabilities during the year	2018 £m	2017 £m
Past service liability at beginning of the year	164	142
Service cost	-	1
Interest cost	5	5
Plan participant contributions	-	-
Remeasurements:		
- Due to changes in assumptions	(6)	26
- Due to experience	(1)	(7)
Liabilities extinguished on settlements	-	-
Benefits paid	(5)	(3)
Past service liability at end of the year	157	164

Movement in fair value of plan assets	2018 £m	2017 £m
At beginning of the year	141	121
Expected return on assets	-	-
Net interest income	4	4
Remeasurements	(3)	15
Assets distributed on settlements	-	-
Employer contributions	2	4
Plan participant contributions	-	-
Benefits paid	(5)	(3)
At end of the year	139	141

The fair value of the plan assets and the return on those assets were as follows:	**2018 £m**	**2018 %**	2017 £m	2017 %
Equities	**16**	**12%**	64	45%
Gilts	**11**	**8%**	23	16%
Corporate bonds	**21**	**15%**	36	26%
Property	**1**	**1%**	13	9%
Cash	**5**	**3%**	4	3%
Other assets	**85**	**61%**	1	1%
	139	**100%**	141	100%

b) Social Housing Pension Schemes

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Reconciliation of opening and closing provisions				
Present value provision at start of the period	**22**	23	**20**	20
SHPS arising on acquisition	**-**	-	**-**	-
Unwinding of the discount factor (interest expense)	**-**	1	**-**	-
Deficit contribution paid	**(3)**	(3)	**(2)**	(1)
Remeasurements (change in assumptions / amendments to contribution schedule)	**(1)**	1	**(1)**	1
Present value provision at end of year	**18**	22	**17**	20

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Statement of comprehensive income impact				
Interest expense	**-**	-	**-**	-
Remeasurements (change in assumptions / amendments to contribution schedule)	**-**	-	**-**	-
Contributions paid in respect of future service	**(3)**	1	**(3)**	1
Costs recognised in the statement of comprehensive income	**(3)**	1	**(3)**	1

Notes to the financial statements for the year ended 31 March 2018

9. Employee information (continued)

Assumptions	2018 %	2017 %
Rate of discount	**1.72**	1.33

The discount rates are the equivalent single discount rates which, when used to discount the future of recovery plan contributions due would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Deficit Contributions

The Group and SHPS have agreed the following deficit contributions that have been used to derive the liability shown on the Statement of Financial Position:

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Amounts payable within one year	**3**	3	**3**	3
Amounts payable after one year	**17**	20	**16**	19

10. Board members and executive directors

Group Board remuneration for the year was

	2018 £	2017 £
Aubrey Adams (Chair)	**31,670**	31,670
David Montague (Chief Executive Director)	**-**	-
Waqar Ahmed (Group Finance Director)	**-**	-
Anne Elizabeth Bassis	**18,327**	14,430
Tracey Fletcher–Ray	**15,632**	12,670
Samantha Hyde	**12,936**	12,670
Rajiv Jaitly	**9,008**	8,375
Larissa Joy	**15,632**	15,310
Michael More	**18,327**	17,950
Trevor Moross	**19,675**	16,790
Simon Rubinsohn	**18,327**	17,950
Tina Tietjen	**19,675**	19,270
	179,209	167,085

The total remuneration paid to other committee members who are not members of the Board was £57,578 (2017: £47,375). Board expenses of £1,661 (2017: £1,913) were incurred in the year.

- The Chief Executive and Group Finance Director receive no remuneration in respect of being members of the Board
- Remuneration is pro-rated from date of appointment to Board or committee
- Rajiv Jaitly was co-opted to the Group Board with effect from February 2018
- Fayann Simpson was co-opted to the Group Board as a resident member with effect from May 2018
- Tina Tietjen was formerly the Group Chair of East Thames Ltd and resigned on 31 March 2018.

Notes to the financial statements for the year ended 31 March 2018

10. Board members and executive directors (continued)

Directors Emoluments

The directors are defined as the Chief Executive and the Executive Group

	Group 2018 £'000	Group 2017 £'000	**LQHT 2018 £'000**	LQHT 2017 £'000
Aggregate emoluments payable to directors (including benefits in kind)	**1,990**	2,037	**1,990**	2,037
Pension contributions in respect of services as directors	**271**	240	**271**	240
	2,261	2,277	**2,261**	2,277

Emoluments payable to the Chief Executive who was also the highest paid director (excluding pension contributions but including benefits in kind)	**350**	358	**350**	358

Director emoluments include accrued bonuses for the year and any adjustments to the actual bonus paid in respect of the previous year.

The Chief Executive received cash in lieu of pension payment of £65,344 (2017: £64,000). The Chief Executive has no individual pension arrangement (including a personal pension) to which LQHT or any of its subsidiaries makes a contribution.

Non-executive members of the Board received emoluments during the year totalling £157,513 (2017: £144,052). Board expenses of £1,661 (2017: £1,913) were incurred in the year.

During the year, the aggregate compensation for loss of office of key management personnel was £326,704 (2017: £nil). The emoluments of all directors are reviewed and agreed on an annual basis by our Governance and Remuneration Committee. They are based on an individual assessment of pay scales prevailing the market and an assessment of performance against our corporate objectives.

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

Salary Banding	Group 2018 No.	Group 2017 No.	LQHT 2018 No.	LQHT 2017 No.
£60,001 to £70,000	-	-	-	-
£70,001 to £80,000	-	1	-	1
£80,001 to £90,000	-	-	-	-
£90,001 to £100,000	-	-	-	-
£100,001 to £110,000	-	-	-	-
£110,001 to £120,000	-	-	-	-
£120,001 to £130,000	-	-	-	-
£130,001 to £140,000	1	-	1	-
£140,001 to £150,000	-	-	-	-
£150,001 to £160,000	-	-	-	-
£160,001 to £170,000	2	-	2	-
£170,001 to £180,000	-	1	-	1
£180,001 to £190,000	-	-	-	-
£190,001 to £200,000	1	2	1	2
£200,001 to £210,000	1	1	1	1
£210,001 to £220,000	1	1	1	1
£220,001 to £230,000	-	-	-	-
£230,001 to £240,000	1	1	1	1
£240,001 to £250,000	-	-	-	-
£250,001 to £260,000	-	-	-	-
£260,001 to £270,000	-	-	-	-
£270,001 to £280,000	-	1	-	1
£280,001 to £290,000	-	1	-	1
£290,001 to £300,000	-	-	-	-
£300,001 to £310,000	1	-	1	-
£310,001 to £320,000	-	-	-	-
£320,001 to £330,000	1	-	1	-
£330,001 to £420,000	-	-	-	-
£420,001 to £430,000	1	1	1	1
	10	10	10	10

Notes to the financial statements for the year ended 31 March 2018

11. Tax on surplus on ordinary activities

Current and deferred Taxation

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

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

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

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

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

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Current tax				
UK corporation tax	**13**	3	**-**	-
Total current tax	**13**	3	**-**	-
Deferred tax				
Net origination and reversal of timing difference	**(7)**	2	**-**	-
Total tax on results on ordinary activities	**6**	5	**-**	-

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2017: 20%). The differences are explained as follows:

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Surplus/(deficit) on ordinary activities before tax	**354**	225	**292**	(267)
Surplus multiplied by 19% (2017: 20%) the standard rate of UK corporation tax	**67**	45	**55**	(53)
Effects of:				
Non-taxable income from investment in joint venture	**1**	-	**-**	-
Origination and reversal of timing differences	**(11)**	(3)	**-**	-
Non-taxable charitable activities	**(51)**	(37)	**(55)**	53
Total tax charge for the year	**6**	5	**-**	-

LQHT, having a charitable status is exempt from corporation tax on income and gains falling within Sections 466-493 Corporation Tax Act 2010 and Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. Where income and gains received by the Trust do not attract the tax exemption, the UK corporation tax rate applicable from 1 April 2017 was 19% (2017: 20%).

Deferred tax has been provided in the year to reflect the timing difference between the accounting and taxable profits on the revaluation of our investment properties. Although a provision is made (see note 24) it is not expected that the tax charge will materialise in the foreseeable future as the underlying assets are held principally for lettings at market rates. When disposal profits do materialise these profits are gifted to LQHT, effectively creating a tax credit which offsets the current tax.

The deferred tax liability as at 31 March 2018 has been calculated based on the standard rate of UK corporation tax. A deferred tax asset of £2m was also recognised in the year and included in other debtors.

The rate of the corporation tax will remain 19% for the year ending 31 March 2019 and 2020, and will decrease further to 17% for the year ending 31 March 2021.

Notes to the financial statements for the year ended 31 March 2018

12. Fixed assets – Housing properties

Housing properties

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

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

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

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

Non-component works to existing properties

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

Fixed assets and depreciation

Freehold land is not depreciated. Depreciation of housing property components is charged so as to write down the cost of the components to their estimated residual value, on a straight-line basis, over their estimated useful economic lives within the Group.

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

Major components

• Housing properties structure	100 years
• Kitchens	18-20 years
• Bathrooms, electrical, heating, windows and doors	30 years
• Boilers	15 years
• Roofs	30 to 60 years

Low-cost home owners and leaseholders are responsible for the costs of maintenance and replacement of components.

All social housing grant (SHG) is amortised to income over 100 years for social housing lettings and over 25 years for low cost home ownership. Accumulated grant amortisation and any grant recognised through the performance method in equity is recorded as a contingent liability in the notes to the accounts (note 25). Depreciation on other fixed assets is charged on a straight-line basis over the expected useful economic lives of the fixed assets to write down the cost less estimated residual values at the annual rates set out below.

• Freehold premises	25-100 years
• Short leasehold premises	Shorter of 10 years or life of lease
• Furniture and equipment	7-8 years
• Motor vehicles	4 years
• Computer equipment	3 years
• Service equipment	5 years

Impairment of fixed assets

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

An annual review is undertaken of existing social housing properties to determine if there has been any indicator of impairment in the current financial year. This review is done at a scheme level, which is deemed to be an appropriate level of a cash generating unit of housing property assets.

Where any potential indicator as defined in FRS102.27 'Impairment of Assets' is identified, a review of the affected scheme is undertaken to determine if an impairment is required.

Examples of key indicators or impairment include:

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

At 31 March 2018 the Group housing properties were evaluated to have an open market value in the region of £26.4 billion (2017: £22.7 billion) compared to a net book value of £9.1 billion (2017: £8.7 billion). The open market value is not used for accounting purposes and does not reflect the Group's intention to hold assets for social housing purposes but provides an indication of the worth of the housing property assets of the Group should these assets be made available for sale with vacant possession in the open property market.

Group additions to new housing properties during the year include capitalised interest of £38m (2017: £39m) and capitalised direct administration costs of £24m (2017: £32m). The amount of cumulative interest capitalised in housing properties is not separately identifiable.

Group expenditure on works to existing properties during the year amounted to £173m (2017: £121m) of which £65m (2017: £39m) was capitalised and included as additions to properties held for lettings.

For the Group, a total funding value of £7,146m (2017: £6,056m) has been pledged as security on debt.

Notes to the financial statements for the year ended 31 March 2018

12. Fixed assets – Housing properties (continued)

Housing properties - Group	Properties under construction			Properties held for lettings			
	Social housing lettings	Low-cost home ownership	Non-social housing lettings	Social housing lettings	Low-cost home ownership	Non-social housing lettings	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 April 2017	**287**	**86**	**198**	**7,740**	**801**	**39**	**9,151**
Reclassifications	(25)	18	13	(15)	9	-	**-**
Reclassifications from investments	-	-	-	-	-	23	**23**
Schemes completed in the year	(316)	(82)	(10)	316	82	10	**-**
Additions	317	84	34	63	2	1	**501**
Transfer from/(to) current assets	(10)	(7)	59	-	-	-	**42**
Transfer to other fixed assets	-	-	-	-	-	(7)	**(7)**
Disposals	(11)	-	(2)	(15)	(34)	-	**(62)**
At 31 March 2018	**242**	**99**	**292**	**8,089**	**860**	**66**	**9,648**
Depreciation							
At 1 April 2017	**-**	**-**	**-**	**468**	**4**	**2**	**474**
Charge for year	-	-	-	74	1	-	**75**
Reclassification				(1)	1	-	**-**
Eliminated in respect of disposals	-	-	-	(5)	(1)	1	**(5)**
At 31 March 2018	**-**	**-**	**-**	**536**	**5**	**3**	**544**
Impairment							
At 1 April 2017	**3**	**-**	**-**	**3**	**-**	**-**	**6**
Charge for year	3	-	-	5	1	-	**9**
Release for year	(3)	-	-	3	-	-	**-**
At 31 March 2018	**3**	**-**	**-**	**11**	**1**	**-**	**15**
Net book value:							
At 31 March 2018	**239**	**99**	**292**	**7,542**	**854**	**63**	**9,089**
At 31 March 2017	284	86	198	7,269	797	37	8,671

Housing properties – LQHT	Properties under construction			Properties held for lettings			
	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Social housing lettings £m	Low-cost home ownership £m	Non-social housing lettings £m	Total £m
Cost							
At 1 April 2017	**255**	**81**	**74**	**7,633**	**767**	**41**	**8,851**
Reclassifications	(25)	18	13	(15)	9	-	**-**
Reclassifications from investments	-	-	-	-	-	18	**18**
Schemes completed in the year	(316)	(82)	(10)	316	82	10	**-**
Additions	325	76	46	65	2	-	**514**
Transfer from current assets	-	(7)	(16)	-	-	-	**(23)**
Transfer to other fixed assets	-	-	-	-	-	(7)	**(7)**
Disposals	(21)	-	(36)	(14)	(34)	(1)	**(106)**
At 31 March 2018	**218**	**86**	**71**	**7,985**	**826**	**61**	**9,247**
Depreciation							
At 1 April 2017	**-**	**-**	**-**	**493**	**4**	**3**	**500**
Charge for year	-	-	-	74	1	-	**75**
Eliminated in respect of disposals	-	-	-	(5)	-	1	**(4)**
At 31 March 2018	**-**	**-**	**-**	**562**	**5**	**4**	**571**
Impairment							
At 1 April 2017	**3**	**-**	**-**	**3**	**-**	**-**	**6**
Charge for year	**3**	**-**	**-**	**5**	**1**	**-**	**9**
Release for year	(3)	-	-	2	-	-	**(1)**
At 31 March 2018	3	-	-	10	1	-	**14**
Net book value:							
At 31 March 2018	**215**	**86**	**71**	**7,413**	**820**	**57**	**8,662**
At 31 March 2017	**252**	**81**	**74**	**7,137**	**763**	**38**	**8,345**

In LQHT, a total funding value of £5,583m (2017: £5,137m) has been pledged as security on debt.

Notes to the financial statements for the year ended 31 March 2018

12. Fixed assets – Housing properties (continued)

Impairment

An assessment was carried out to identify impairment triggers linked to the fixed assets at year end. This identified a number of high rise properties with ACM cladding that required a full impairment review which was carried out using the depreciated replacement cost methodology. The net book value of these properties were at 31 March 2018 £62m (2017: £nil) in Group and for LQHT at 31 March 2018 £57m (2017: £nil). This review has led to an impairment of £2m being recognised in the year (2017: £nil), under other social housing activities.

In addition, during the year the Group and LQHT recognised a further £7m (2017: £nil) of impairment on housing properties. Of this amount, £4m related to social housing properties held for letting and a further £3m to social housing units under construction. The number of properties held for letting that was impacted by this impairment loss was 179, and the carrying value of these units prior to impairment was £41m. The number of units under construction impacted by this impairment loss was 35, and the carrying value prior to impairment was £16m.

13. Other tangible fixed assets

Group	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2017	**46**	**1**	**6**	**28**	**81**
Additions	4	-	-	3	**7**
Transfer from fixed assets	7	-	-	-	**7**
Disposals	(5)	-	-	-	**(5)**
At 31 March 2018	**52**	**1**	**6**	**31**	**90**
Depreciation					
At 1 April 2017	**5**	**1**	**2**	**8**	**16**
Charge for year	1	-	2	8	**11**
Eliminated in respect of disposals	(1)	-	(1)	-	**(2)**
At 31 March 2018	**5**	**1**	**3**	**16**	**25**
Net book value:					
At 31 March 2018	47	-	3	15	**65**
At 31 March 2017	41	-	4	20	**65**

LQHT	Freehold office premises £m	Leasehold office premises £m	Office furniture and equipment £m	Computer equipment £m	Total £m
Cost					
At 1 April 2017	**53**	**1**	**8**	**32**	**94**
Additions	-	-	-	3	**3**
Transfer from fixed assets	7	-	-	-	**7**
Disposals	(6)	-	-	-	**(6)**
At 31 March 2018	**54**	**1**	**8**	**35**	**98**
Depreciation					
At 1 April 2017	**13**	**1**	**5**	**12**	**31**
Charge for year	1	-	1	8	**10**
Eliminated in respect of disposals	(1)	-	(1)	-	**(2)**
At 31 March 2018	**13**	**1**	**5**	**20**	**39**
Net book value:					
At 31 March 2018	41	-	3	15	**59**
At 31 March 2017	40	-	3	20	**63**

14. Investments

a) Investment in jointly controlled entities (joint ventures)

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

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

Notes to the financial statements for the year ended 31 March 2018

Investments (continued)

Active trading joint ventures, all established in the UK, as at 31 March 2018 were as follows:

Joint venture	Partner	Group interest	Group voting rights	Total investment £m
Barking Riverside Limited	Greater London Authority	51%	50%	**43**
BDWZest Developments LLP	BDW Trading Limited	50%	50%	**1**
Alie Street LLP	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	-
Queensland Road	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	**1**
Fulham Wharf	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	**55**
Nine Elms	BDW Trading Limited	50% through BDWZest Developments LLP	50% through BDWZest Developments LLP	**47**
Academy Central LLP	George Wimpey East London Ltd	38%	50%	**1**
Chobham Manor LLP	Taylor Wimpey UK Limited	50%	50%	**22**
Countryside Zest (Beaulieu Park) LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	**101**
Countryside L&Q (Oaks Village) LLP	Countryside Four Ltd	50%	50%	**22**
Acton Gardens LLP	Countryside Properties (Joint Venture) Ltd	50%	50%	**17**
Ponton Road LLP	Bellway Homes Limited	50%	50%	**38**
Erith Hills LLP	Anderson Design Limited	50%	50%	**29**
Fairview L&Q PR LLP	Fairview New Homes Limited	50%	50%	**27**
Triathlon Homes LLP	Southern Space Ltd and First Base 4 Stratford LLP	33%	33%	-
THT and L&Q Developments LLP	Trafford Housing Trust	50%	50%	**16**
Stepney Way 1 LLP	Mount Anvil	50%	50%	**22**
Stepney Way 2 LLP	Mount Anvil	50%	50%	-
Investments in Associates				
Harley Winchester Ltd	Harley Property Investors LLP	75%	75%	**3**
THT & L&Q Community Ltd	Trafford Housing Trust	50%	50%	-
Jointly Controlled Assets				
Beam Park	Countryside Properties (UK) Ltd	50%	50%	-
Total				**445**

The amount included in respect of joint ventures comprises the following:

Group	Barking Riverside Ltd £m	Harley Winchester Ltd £m	Limited Liability Partnerships £m	2018 Total £m	2017 Total £m
Share of profits from joint ventures	(3)	-	19	**16**	13
Share of:					
Current Assets	67	7	483	**557**	542
Liabilities due within one year	(13)	(4)	(33)	**(50)**	(73)
Liabilities due in more than one year	(11)	-	(51)	**(62)**	(77)
Net Assets	43	3	399	**445**	392

During the year, the Group entered into 3 new agreements, Stepney Way 1 LLP, Stepney Way 2 LLP with Mount Anvil and Beam Park with Countryside Properties (UK) Ltd. LQHT made an £8m investment in THT and L&Q Developments LLP in the year.

The investment in the joint venture at Purfleet Centre Regeneration Limited was sold on 31 October 2017.

The Group has 50% voting rights in all jointly controlled entities, all of which are limited liability partnerships, therefore not limited by share. All LLPs have a March year end except for Academy Central LLP which has a 31 December year end, Countryside Zest (Beaulieu) LLP, Countryside Zest (Five Oaks) LLP and Acton Gardens LLP which have a 30 September year end, and Ponton Road LLP which has a 31 July year end.

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

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

b) Investments - HomeBuy equity loans

HomeBuy is a term used to describe a program of low cost home ownership products where a loan is provided by the group to the purchaser of a property at a nil interest rate. The program is funded through a combination of government grant and the Group's own funds. The loan made to the purchaser has no fixed repayment date and there are no monthly repayment requirements. The group shares in any future capital gain realised on redemption of the loan, which will be when the property is sold or if the purchaser chooses to repay the loan without selling the property. In the circumstances where the purchaser chooses to repay the loan without selling the property, the value of the loan to be repaid is based on the property market value at that date. Any future capital loss realised on redemption of the loan is offset initially against the government grant.

In the accounting of the HomeBuy equity loan investment, the group has opted to adopt paragraphs PBE34.90 to PBE 34.97 of FRS102. All are non-current loans, as they are not redeemable on demand.

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

As at 31 March 2018, HomeBuy equity loans amounted to £119m for the Group (2017: £127m) and HomeBuy grant amounted to £104m for the Group (2017: £110m). In LQHT HomeBuy equity loans amounted to £119m (2017: £128m) and HomeBuy grant amounted to £104m (2017: £111m).

14. Investments (continued)

c) Investment properties

Investment properties (Private Rented Sector, "PRS") are valued externally the year after acquisition on an annual basis by a qualified RICS Chartered Surveyor. Changes in the value of market rented properties are taken to the income statement. PRS properties under construction are stated at cost and all commitments in respect of these are included as capital commitments (see note 27).

Investment properties – Market rented	Group 2018 £m	Group 2017 £m	LQHT 2018 £m	LQHT 2017 £m
At 1 April	**466**	291	**27**	19
Additions	**2**	138	**-**	-
Transfer (to)/from fixed assets	**(23)**	1	**(18)**	1
Transfer from current assets	**177**	-	**-**	-
Revaluation	**48**	36	**(2)**	8
Disposal	**-**	-	**-**	(1)
At 31 March	**670**	466	**7**	27

d) Investments - Real Lettings property fund

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

e) Equity investment in subsidiaries

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

As at March 2018, LQHT held £58m in PRS Co Ltd (2017: £58m), £304m in Gallagher Estates Ltd (2017: £304m) and £550m in L&Q New Homes Ltd (2017: £nil).

f) Acquisitions of business

i) On 6 December 2016 the Group entered into a business combination recognising the value of East Thames Limited in the statement of comprehensive income as a gift to L&Q as per FRS102 (PBE 34.77) for the year ended 31 March 2017. This amounted to a gift of £441m.

ii) Goodwill arose on the acquisition of 100% of the shares of Gallagher Estates on 1 February 2017. Gallagher Estates' principal activity is property development, specifically around land parcels and servicing.

Total cost of business combination	**£m**
Consideration paid	**304**
Fair value of net assets acquired (including direct costs attributable to the business combination)	**(290)**
Adjustment to goodwill carried out in the year	**12**
Goodwill amortised in the year	**(4)**
Goodwill	**22**

As permitted under FRS102 section 19.19, Goodwill was reassessed as a result of a review of the fair value of assets acquired compared to the original calculation. The difference was allocated to goodwill, and amortised for the year accordingly.

The expected useful life of goodwill is 5 years from the date of acquisition.

Notes to the financial statements for the year ended 31 March 2018

15. Land and properties held for sale

Land and properties for sale and work in progress

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

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

Group	Land and properties under construction		Completed properties for sale		Total
	Low-cost home ownership	Open market sales	Low-cost home ownership	Open market sales	
	£m	£m	£m	£m	£m
At 1 April 2017	**145**	**897**	**14**	**64**	**1,120**
Completed in the year	(42)	(264)	42	264	**-**
Additions	45	319	-	-	**364**
Reclassification from fixed assets	6	(64)	-	16	**(42)**
Transfer to investments	-	-	-	(177)	**(177)**
Cost of properties sold	-	(220)	(50)	(61)	**(331)**
Write down	-	(7)	-	-	**(7)**
At 31 March 2018	**154**	**661**	**6**	**106**	**927**

LQHT	Properties under construction		Completed properties for sale		Total
	Low-cost home ownership	Open market sales	Low-cost home ownership	Open market sales	
	£m	£m	£m	£m	£m
At 1 April 2017	**56**	**-**	**14**	**-**	**70**
Completed in the year	(41)	(1)	41	1	**-**
Additions	38	1	-	-	**39**
Reclassification from fixed assets	7	-	-	16	**23**
Cost of properties sold	-	-	(50)	(17)	**(67)**
At 31 March 2018	**60**	**-**	**5**	**-**	**65**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Significant judgement is required in determining the selling price of certain items of stock, specifically the Gallagher stock of £432m (2017: £564m) included in Group land and properties under construction – open market sales. In determining the selling price a number of factors were considered such as planning status, the number of properties that could be built on the sites and increased construction costs.

Notes to the financial statements for the year ended 31 March 2018

16a. Debtors due after more than one year

On-lending loans made to subsidiaries by London and Quadrant Housing Trust are classified as a long term debt as formal agreements deem them not to be repayable within one year. These are shown at cost with interest between 2.3% and 5.0% (2017: 1.8% and 4.8%) charged at arm's length.

All deferred land payments with fixed dates of more than one year under the land sale contracts are presented at a discounted rate of 3.6% per annum (2017: 3.6%).

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Amounts owed to subsidiaries	**-**	-	**950**	1,161
Forward funding of land purchase	**23**	23	**-**	-
Deferred land payments	**61**	29	**-**	-
Shared equity	**2**	2	**2**	2
	86	54	**952**	1,163

Shared equity relates to loans provided on the same basis as the HomeBuy scheme to 23 leasehold residents covering the shortfall in purchase price as a result of decants for demolition at Ocean Estate.

16b. Debtors

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Amounts receivable within one year:				
Former tenant arrears	**7**	7	**7**	7
Less: provision for bad and doubtful debts	**(7)**	(7)	**(7)**	(7)
	-	-	**-**	-
Current tenant arrears	**35**	32	**35**	32
Less: provision for bad and doubtful debts	**(8)**	(8)	**(8)**	(8)
	27	24	**27**	24
Social housing grant receivable	**3**	3	**3**	1
Other debtors and prepayments	**158**	94	**19**	20
Amount owing from subsidiaries	**-**	-	**25**	50
	188	121	**74**	95

Other debtors and prepayments include deferred land debtors of £113m (2017: £43m), development debtors of £22m (2017: £19m) and £2m of deferred tax asset.

17. Cash and cash equivalents

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Cash and cash equivalents	**222**	215	**128**	186
Bank overdrafts	**-**	-	**-**	-
	222	215	**128**	186

Restrictions on cash and cash equivalents include £18m (2017: £15m) held in debt service reserve, £11m (2017: £9m) as held funds and £nil (2017: £nil) as collateral against fair value positions of interest rate swaps. All cash and cash equivalents mature in three months or less, or are convertible to cash within three months or less. Financial assets pledged as collateral can be replaced subject to negotiations.

Notes to the financial statements for the year ended 31 March 2018

18. Creditors: amounts falling due within one year

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Debenture loans (see note 23)	**33**	38	**33**	38
Bank loans and overdrafts (see note 23)	**-**	11	**-**	11
Trade creditors	**75**	80	**9**	14
Other taxation and social security	**50**	13	**2**	2
Accruals and deferred income	**169**	131	**62**	51
Amounts due to subsidiaries	**-**	-	**34**	27
Other creditors	**139**	159	**115**	126
Social housing grant (see note 20)	**24**	24	**24**	24
	490	456	**279**	293

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

Included in the amounts within accruals and deferred income is £93m of costs to complete relating to land sales (2017: £61m). Other creditors comprises mainly of development related creditors of £96m (2017: £97m).

Social housing grant due within one year is detailed in note 20.

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

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Debenture loans (see note 23)	**2,730**	1,765	**2,555**	1,590
Bank loans and overdrafts (see note 23)	**1,584**	2,682	**1,421**	2,469
Total housing loans	**4,314**	4,447	**3,976**	4,059
Net issue premium	**(41)**	(24)	**(36)**	(18)
Loan fair value adjustments	**94**	107	**-**	-
Total loans measured at amortised cost	**4,367**	4,530	**3,940**	4,041
Deferred income	**-**	18	**-**	18
Other creditors	**66**	43	**33**	13
Recycled capital grant fund	**87**	78	**87**	78
Disposal proceeds fund	**5**	7	**5**	7
	4,525	4,676	**4,065**	4,157

20. Social Housing Grant

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

For items where on transition to FRS102 an election was taken to treat fair value as deemed cost, the performance method for accounting for grant has been applied as the fair value application as deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

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

Social Housing Grant – Group	**Properties under construction**			**Properties held for lettings**			
	Social housing lettings £m	**Low-cost home ownership £m**	**Non-social housing lettings £m**	**Social housing lettings £m**	**Low-cost home ownership £m**	**Non-social housing lettings £m**	**Total £m**
Cost							
At 1 April 2017	**77**	**14**	**-**	**1,668**	**196**	**-**	**1,955**
Reclassification	-	-	-	(1)	1	-	**-**
Schemes completed in the year	(36)	(9)	-	36	9	-	**-**
Received during the year	378	30	-	-	-	-	**408**
Recycled on disposal	-	-	-	(2)	(9)	-	**(11)**
At 31 March 2018	**419**	**35**	**-**	**1,701**	**197**	**-**	**2,352**
Amortisation							
At 1 April 2017	**-**	**-**	**-**	**189**	**75**	**-**	**264**
Amortised in the year	-	-	-	16	7	-	**23**
At 31 March 2018	**-**	**-**	**-**	**205**	**82**	**-**	**287**
Net book value:							
At 31 March 2018	**419**	**35**	**-**	**1,496**	**115**	**-**	**2,065**
At 31 March 2017	77	14	-	1,479	121	-	1,691

Notes to the financial statements for the year ended 31 March 2018

20. Social Housing Grant (continued)

Ageing analysis – Group		
Social Housing Grant	**Group 2018**	Group 2017
Within one year	**24**	24
Greater than one year	**2,041**	1,667
Total	**2,065**	1,691

Social Housing Grant – LQHT	**Properties under construction**			**Properties held for lettings**			
	Social housing lettings £m	**Low-cost home ownership £m**	**Non-social housing lettings £m**	**Social housing lettings £m**	**Low-cost home ownership £m**	**Non-social housing lettings £m**	**Total £m**
Cost							
At 1 April 2017	**77**	**14**	**-**	**1,692**	**202**	**-**	**1,985**
Schemes completed in the year	(36)	(9)	-	36	9	-	**-**
Received during the year	377	30	-	-	-	-	**407**
Reclassification	-	-	-	(1)	1	-	**-**
Recycled on disposal	-	-	-	(1)	(9)	-	**(10)**
At 31 March 2018	**418**	**35**	**-**	**1,726**	**203**	**-**	**2,382**
Amortisation							
At 1 April 2017	**-**	**-**	**-**	**189**	**75**	**-**	**264**
Amortised in the year	-	-	-	16	7	-	**23**
At 31 March 2018	**-**	**-**	**-**	**205**	**82**	**-**	**287**
Net book value:							
At 31 March 2018	**418**	**35**	**-**	**1,521**	**121**	**-**	**2,095**
At 31 March 2017	77	14	-	1,503	127	-	1,721

Ageing analysis – LQHT		
Social Housing Grant	**LQHT 2018**	LQHT 2017
Within one year	**24**	24
Greater than one year	**2,071**	1,697
Total	**2,095**	1,721

21. Recycled capital grant fund

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

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
At beginning of the year	**78**	70	**78**	89
Arising on acquisition	**-**	21	**-**	-
Net HomeBuy grant abated	**(1)**	10	**(1)**	1
Net SHG recovered	**3**	-	**3**	(1)
Transferred to fund during year	**19**	16	**19**	28
Utilised during the year against new build	**(12)**	(39)	**(12)**	(39)
At end of the year	**87**	78	**87**	78

There are no amounts 3 years old or older where repayment may be required (2017: £nil).

22. Disposal proceeds fund

Receipts from Right to Acquire sales are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. These sale receipts less eligible expenses are credited to the disposal proceeds fund (DPF).

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
At beginning of the year	**7**	5	**7**	7
Arising on acquisition	**-**	2	**-**	-
Transferred to fund during year	**-**	1	**-**	1
Utilised during the year against new build	**(2)**	(1)	**(2)**	(1)
At end of the year	**5**	7	**5**	7

There are no amounts 3 years old or older where repayment may be required (2017: £nil). Following deregulatory measures introduced by the RSH on 6 April 2017, no new proceeds from relevant disposals will be paid into the DPF. Remaining DPF funds will continue to be managed in accordance with current requirements.

23. Debt analysis – on loans measured at amortised cost

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

Debenture and bank loans are secured by way of a first fixed charge over housing properties and include an asset cover test based on the ratio on the value of properties secured to the carrying value of the loan. Bank loans include interest cover and gearing covenants each of which is tested annually against relevant disclosures within the statement of comprehensive income and statement of financial position.

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Creditors falling due within one year				
Debenture loans	**33**	38	**33**	38
Bank loans	**-**	11	**-**	11
	33	49	**33**	49
Creditors falling due after more than one year				
Debenture loans	**2,730**	1,765	**2,555**	1,589
Bank loans and overdrafts	**1,584**	2,682	**1,421**	2,470
	4,314	4,447	**3,976**	4,059
Total housing loans	**4,347**	4,496	**4,009**	4,108

The following is an analysis of the anticipated contractual cash flows for the Group's drawn loans measured at amortised cost and derivative financial instruments held as at 31 March 2018 excluding deferred finance, capitalised costs and fair value adjustments.

Interest is calculated on an undiscounted basis whereby floating rate loans are determined using the prevailing implied forward rates as at 31 March 2018.

Group Debt analysis – interest-bearing loans and borrowings

As at 31 March 2018	**Total loans £m**	**Interest on loans £m**	**Interest on derivative financial instruments £m**	**Total £m**
Due less than one year	(33)	(137)	-	**(170)**
Between one and two years	(22)	(141)	-	**(163)**
Between two and three years	(223)	(142)	-	**(365)**
Between three and five years	(535)	(261)	-	**(796)**
In five years or more	(3,534)	(1,736)	-	**(5,270)**
Gross contractual cash flows	**(4,347)**	**(2,417)**	**-**	**(6,764)**

As at 31 March 2017	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(49)	(117)	(1)	(167)
Between one and two years	(1,045)	(111)	-	(1,156)
Between two and three years	(23)	(109)	-	(132)
Between three and five years	(605)	(211)	-	(816)
In five years or more	(2,774)	(1,316)	-	(4,090)
Gross contractual cash flows	(4,496)	(1,864)	(1)	(6,361)

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

LQHT Debt analysis – interest-bearing loans and borrowings

As at 31 March 2018	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(33)	(127)	-	**(160)**
Between one and two years	(22)	(130)	-	**(152)**
Between two and three years	(59)	(133)	-	**(292)**
Between three and five years	(535)	(252)	-	**(787)**
In five years or more	(3,360)	(1,717)	-	**(5,077)**
Gross contractual cash flows	**(4,009)**	**(2,359)**	**-**	**(6,468)**

As at 31 March 2017	Total loans £m	Interest on loans £m	Interest on derivative financial instruments £m	Total £m
Due less than one year	(49)	(106)	-	(155)
Between one and two years	(1,045)	(99)	-	(1,144)
Between two and three years	(23)	(97)	-	(120)
Between three and five years	(392)	(194)	-	(586)
In five years or more	(2,599)	(1,292)	-	(3,891)
Gross contractual cash flows	(4,108)	(1,788)	-	(5,896)

The weighted average cost of fixed rate loans was 3.9% (2017: 4.8%), and variable rate loans was 2.2% (2017: 1.9%) inclusive of lending margins. 65% of the Group's debt, including the use of financial instruments (see note 30) was fixed (2017: 42%). Interest rates on fixed rate debt range from 2.3% to 11.5% (2017: 2.6% to 12.3%).

	Loans at amortised cost £m	Floating rate £m	Fixed rate £m	Weighted average interest rate %	Weighted average life of loan Years
At 31 March 2018	**4,347**	**2,814**	**1,533**	**3.6**	**15**
At 31 March 2017	4,496	2,598	1,898	3.9	11

CASE STUDY:

National Youth Theatre

Our partnership with the National Youth Theatre (NYT) aims to educate young people about key social issues and tackle youth unemployment in some of London's most deprived areas.

After outreach sessions in the community, the NYT recruited 19-25 year olds, who are at risk or marginalised, to join the Playing Up programme.

This gave students a higher education diploma in theatre arts, which is equivalent to two 'A' Levels, as well as the life skills they need to move into higher education.

Location:

Newham, Waltham Forest and Lewisham.

£54,650

L&Q Foundation funding

Highlight:

Young students from NYT performed plays in eight schools across three boroughs, to educate children about the link between unemployment and homelessness - a pressing social issue not currently taught in the school curriculum.

Notes to the financial statements for the year ended 31 March 2018

24. Provisions for liabilities and charges

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

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
At beginning of the year	**67**	17	**13**	12
Arising on acquisition	**-**	45	**-**	-
Increase in provision	**16**	13	**9**	9
Release of provision	**(18)**	(8)	**(6)**	(8)
At end of the year	**65**	67	**16**	13

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

A new provision in respect of the works required to replace ACM cladding:

Maintenance obligation				
At beginning of the year	**-**	-	**-**	-
Release of provision	**4**	-	**4**	-
At end of the year	**4**	-	**4**	-

It should be noted that there may be a possibility of being able to recover these costs in the future following the announcement by the Government on 16 May 2018 that committed government spending to pay for councils and housing associations to replace potentially dangerous cladding from a £400m fund. We will monitor the availability of these funds closely.

A provision for refurbishment relating to stock transfers was fully released in 2017:

Refurbishment obligation				
At beginning of the year	**-**	2	**-**	2
Release of provision	**-**	(2)	**-**	(2)
At end of the year	**-**	-	**-**	-

A self-insurance amount of £5m with no net movement in the year:

Self-insurance reserve provision				
At beginning of the year	**5**	5	**5**	5
Increase in provision	**1**	4	**1**	4
Release of provision	**(1)**	(4)	**(1)**	(4)
At end of the year	**5**	5	**5**	5

Warranties are provided for completed development units from date of sale completion for a period of two years and charged to the scheme costs:

Warranties on newbuild properties				
At beginning of the year	**5**	3	**5**	3
Increase in provision	**2**	2	**2**	2
Release of provision	**(3)**	-	**(3)**	-
At end of the year	**4**	5	**4**	5

A restructuring provision has been made for announced and ongoing team specific restructuring plans, and any provision made in respect of completed restructures has been released:

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

A deferred tax provision has been made for changes in valuation of the Group's Private Rented Sector portfolio and in relation to the fair value gain arising on the acquisition of Gallagher Estates:

Deferred tax				
At beginning of the year	**54**	5	**-**	-
Arising on acquisition	**-**	47	**-**	-
Increase in provision	**7**	5	**-**	-
Release of provision	**(12)**	(3)	**-**	-
At end of the year	**49**	54	**-**	-

Notes to the financial statements for the year ended 31 March 2018

25. Contingent liabilities

A contingent liability is disclosed for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made. This includes a contingent liability reflecting the potential future obligation to repay social housing grant where properties are disposed of.

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
At start of the year	**1,702**	1,029	**1,671**	1,651
Arising on acquisition	**-**	653	**-**	-
Released in the year	**21**	20	**21**	20
At end of the year	**1,723**	1,702	**1,692**	1,671

26. Share capital

	Group 2018 £	Group 2017 £	**LQHT 2018 £**	LQHT 2017 £
Shares of £1 each issued and fully paid				
At beginning of the year	**9**	9	**9**	7
Issued during year	**-**	2	**-**	2
Cancelled or eliminated during the year	**-**	(2)	**-**	(2)
At end of the year	**9**	9	**9**	9

27. Capital commitments

Capital commitments are disclosed in respect capital expenditure toward fixed assets which have been contracted and predominantly relate to developments where known contractors have been appointed and which have started on site.

	Group 2018 £m	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Expenditure that has been contracted for but has not been provided for in these financial statements	**822**	1,478	**740**	1,281
Expenditure that has been authorised by the Governing Board but has not yet been contracted for	**1,131**	771	**1,119**	694
	1,953	2,249	**1,859**	1,975
The Group expects to finance contracted commitments through:				
Social housing grant	**133**	138	**133**	117
Surpluses and borrowings	**689**	1,340	**607**	1,164
	822	1,478	**740**	1,281

The development pipeline as at 31 March 2018 had an estimated cost of £5 billion (2017: £5 billion) and currently spans 14 years. This includes fixed and current assets relating to ongoing constructions as well as developments not yet on site which will be funded primarily through accumulated reserves and borrowings. In addition, there is £5m (2017: £7m) of committed capital expenditure in relation to maintenance works already approved, and a further £16m in respect of identified ACM cladding replacement.

Our approved development pipeline has the following projections:

	Group 2018	Group 2017
Units in the development pipeline	**45,100**	44,300
	£m	£m
Projected pipeline cost	**4,795**	4,606
Projected source of funding		
Social housing grant	**307**	226
Surpluses and borrowings	**4,488**	4,380
	4,795	4,606

28. Commitments under operating leases

	Group and LQHT		Group and LQHT	
	2018	**2018**	2017	2017
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Total commitments under operating leases are as set out below:				
Operating leases which expire:				
In less than one year	**-**	**-**	-	-
Between one and five years	**1**	**-**	1	-
After five years	**1**	**-**	1	-
	2	**-**	2	-

29. Related party transactions

All transactions in respect of tenant board members and other related public or commercial entities are carried out at arm's length and under normal commercial terms. The Group has taken advantage of the exemption contained in FRS 102 33.1(A) Related Party Disclosures and has therefore not disclosed transactions or balances between entities which are 100% owned. Per requirements of the Accounting Direction 2015, transactions between registered providers and other non-registered entities in the Group are disclosed below.

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2018:

2018	Sales income £m	Cost of sales £m	Gift aid £m	Loan interest payable £m	Loan interest receivable £m	Loan creditors £m	Loan debtors £m	Other creditors £m	Other debtors £m
Subsidiaries to LQHT									
Quadrant Construction Services Ltd	236	(224)	-	(15)	-	(369)	-	-	21
L&Q New Homes Ltd	-	-	(41)	(21)	-	(271)	-	(12)	-
L&Q PRS Co Ltd	-	-	(7)	(4)	-	(278)	-	(6)	-
Quadrant Housing Finance Ltd	-	-	-	-	10	-	138	-	1
East Place Ltd	-	-		-	-	(2)	-	(1)	-
East Regen Ltd	61	(60)	(2)	-	-	(1)	-	(2)	7
East Thames Partnership Ltd	-	-	(1)	(1)	-	(24)	-	(2)	-
East Finance plc	-	-		-	14	-	250	-	4
Gallagher Estates Ltd	-	-	(20)	-	-	-	-	-	-
Gallagher Longstanton Ltd	-	-	(3)	-	-	-	-	-	-
Redlawn Land Ltd	-	-	(2)	-	-	-	-	-	-
Gallagher Projects Ltd	-	-	(1)	-	-	-	-	-	-
Wixams First Ltd	-	-	-	-	-	-	-	-	-
LQHT to non-registered provider subsidiaries	62	(62)	77	(24)	41	(388)	945	(33)	23

Notes to the financial statements for the year ended 31 March 2018

29. Related party transactions (continued)

Intra-group transactions between the Group's registered providers and its non-regulated subsidiaries for the year ended 31 March 2017:

2017	Sales income £m	Cost of sales £m	Gift aid £m	Loan interest payable £m	Loan interest receivable £m	Loan creditors £m	Loan debtors £m	Other creditors £m	Other debtors £m
Subsidiaries to LQHT									
Quadrant Construction Services Ltd	171	(168)	(6)	(11)	-	(344)	-	-	17
L&Q New Homes Ltd	20	(9)	(57)	(28)	-	(716)	-	(26)	-
L&Q PRS Co Ltd	-	-	(6)	(5)	-	(100)	-	(7)	-
Quadrant Housing Finance Ltd	-	-	-	-	10	-	140	-	1
LQHT to non-registered provider subsidiaries	30	(29)	69	(10)	45	(140)	1,160	(18)	33
Subsidiaries to East Thames Limited									
East Place Ltd	-	-	-	-		-	1	-	1
East Regen Ltd	-	-	-	-	-	(2)	-	(4)	-
East Thames Partnership Ltd	-	-	7	-	1	-	-	-	16
East Finance plc	-	-	-	5	-	(248)	-	(4)	-
East Treasury Ltd	-	-	-	46	-	(125)	-	-	-

Quadrant Construction Services Ltd operates on a cost-plus basis in recharging all of its direct costs to LQHT as the parent currently using a 2% mark-up (2017: 2%).

All transactions in respect of tenant board members and other related public or commercial entities are carried out at arm's length and under normal commercial terms. There were no board members who were also tenants during the year (2017: none).

Through the declaration of interest from key management personnel, the following related party transactions are required to be disclosed:

- LQHT procured consultancy services from Saxton Bampfylde to the amount of £28,914 in the year with no further outstanding amounts. Larissa Joy is a non-executive director of Saxton Bampfylde.
- Housing For Women, a Housing Association, was invoiced by LQHT for rent and service charges to the amount of £74,863 in the year of which £5,214 remains outstanding at the year end. Diane Hart is a non-executive member of the Board of Housing For Women.
- LQHT incurred membership fees and conference costs totalling £105,365 towards the National Housing Federation (NHF) with no amounts outstanding for those services. David Montague is a board member of the NHF.
- St Mungo Community Housing Association was invoiced by LQHT for rent and service charges to the amount of £692,578 in the year of which £47,887 was included in amounts owing at the year end. Yvonne Arrowsmith was a director of St Mungo Community Housing Association until 16 May 2018.

30. Financial instruments

Initial measurement

Initially, financial assets and liabilities are measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Measurement subsequent to initial recognition

Subsequently, financial assets and liabilities (including derivatives) are measured at fair value, with the following exceptions:

- Loans and receivables, held-to-maturity investments, and non-derivative financial liabilities which are measured at amortised cost using the effective interest method.
- Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements of the IAS 39.

Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. To calculate fair value, the Group uses:

- Where they exist, quoted market prices in an active market to measure the financial instrument.
- If a market for a financial instrument is not active, the Group will use a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models where in each case it is an acceptable valuation technique that incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Financial assets that are not carried at fair value though profit and loss are subject to an impairment test. If expected life cannot be determined reliably, then the contractual life is used.

Hedge accounting

The following table indicates the periods in which cash flows associated with cash flow hedging instruments are expected to occur.

Interest on financial instruments is calculated on an undiscounted basis using the prevailing implied forward rates as at the statement of financial position date for the floating rate leg and the fixed rate for the fixed rate leg.

30. Financial instruments (continued)

	Group 2018 £m	Group 2017 £m
Interest Rate Swaps:		
Due within one year	-	1
Between one and two years	-	-
Between two and three years	-	-
Between three and five years	-	-
In five years or more	-	-
Gross contractual cash flows	**-**	1
Nominal values of the above		
Cash flow hedge	**50**	80
Fair value	-	-
Total	**50**	80

Hedge accounting is applied to financial assets and financial liabilities of the Group where a hedging relationship qualifies for hedge accounting and if, and only if, all of the following conditions are met:

- At the inception of the hedge, or at the point of transition, formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge is in place. That documentation shall include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship, and effectiveness can be reliably measured; and
- The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Under IAS 39 for financial instruments: recognition and measurement, it is necessary to comply with the criteria of 80% to 125% for hedge effectiveness.

Hedging instruments
A hedging instrument is classified as an instrument whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item.

Hedged items
A hedged item is an item that exposes the Group to risk of changes in fair value or future cash flows and is designated as being hedged. A hedged item may include a single or group of recognised assets or liabilities, a firm commitment or a highly probable transaction.

Hedged effectiveness

The Group assesses hedge effectiveness both prospectively and retrospectively. To qualify for hedge accounting at the inception of a hedge and, at a minimum, at each reporting date, the cumulative changes in the fair value or cash flows of the hedged item attributable to the hedged risk must be expected to be highly effective in offsetting the cumulative changes in the fair value or cash flows of the hedging instrument on a prospective basis, and on a retrospective basis where actual results are within a range of 80% to 125%.

Accounting treatment - Cash flow hedges

Where the Group hedges its exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss, the hedging relationship is designated of a cash flow hedge.

A cash flow hedge is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income and accumulated in the cash flow hedge reserve; and
- the ineffective portion of the gain or loss on the hedging instrument (including ineffectiveness within the 80% to 125% window) shall be recognised in profit or loss and disclosed separately in interest payable and similar charges. Ineffectiveness in this context represents over-effectiveness when the cumulative change in the fair value of the hedging instrument is higher than the cumulative change in the hedged item.

If the Group closes out early a cash flow hedge that has a designated hedging relationship, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to revenue reserve using the effective interest method.

Accounting treatment – Financial instruments measured at fair value through profit and loss

Some contracts that themselves are not financial instruments may nonetheless have financial instruments embedded in them. An embedded derivative is a feature within a contract, such that the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative.

The Group will separate an embedded derivative from its host contract when:

- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the entire instrument is not measured at fair value with changes in fair value recognised in the profit and loss statement.

If an embedded derivative is separated, the host contract is accounted for at amortised cost using the effective rate method and the fair value of the embedded derivative is recognised in profit and loss and disclosed separately in interest payable and similar charges. If the Group is unable to measure the embedded derivative separately, the entire combined contract will be designated at fair value through profit or loss.

Where an embedded derivate is closely related to the host contract, the entire contract shall be accounted for at amortised cost using the effective rate method. All of the Group's embedded derivatives are closely related to the host contract and accounted for at amortised cost.

Notes to the financial statements for the year ended 31 March 2018

30. Financial instruments (continued)

Financial instruments	**Group 2018 £m**	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Financial instruments measured at fair value through profit and loss	**-**	3	**-**	3
Effective portion of change in fair value of cash flow hedges recognised in other comprehensive income	**-**	-	**-**	-
Total loans measured at amortised cost	**4,401**	4,496	**3,972**	3,726
At end of the year	**4,401**	4,499	**3,972**	3,729

Risk
The main risk arising from the Group's financial instruments are interest rate risk and liquidity risk.

Interest rate risk
The Group finances its operations through a mixture of retained surpluses, government grant and loan borrowings. The Group manages its exposure to fluctuations in interest rates with a view to achieving a level of certainty in its net interest costs. The Group's interest rate strategy is focused on achieving the prescribed balance between fixed and floating rate debt at an acceptable level of risk and cost.

Cash flow hedges are entered into to hedge exposure to the variability in cash flows attributable to movements in GBP interest rates using GBP interest rate swap contracts whereby the Group agrees to pay interest at a fixed rate and receive interest at a floating rate. The interest rate swaps are designated as a hedge of the variability in the debt interest payments due to changes in the benchmark interest rate (LIBOR). This method reflects the risk management objective of the hedging relationship that is to swap a series of future variable cash flows to a fixed rate. The periods in which the hedged variable rates of interest payments are expected to occur are set out in the maturity analysis in note 23. The movement through the cash flow reserve for the year ended 31 March 2018 was £nil (2017: £159m.)

The Group's cash flow interest rate risk exposure is managed in accordance with treasury policy. As at 31 March 2018 a 0.5% increase in interest rates would result in an additional charge to the statement of consolidated income of £8m (2017: £26m).

Liquidity risk
The Group has a policy to maintain sufficient liquidity in cash and undrawn lending facilities to cover 15 months of operational activity. At the year-end 81% of the Group's borrowings were due to mature in more than five years (2017: 56%). The liquidity risk of each Group entity is managed centrally by the Group treasury function in accordance with the Board approved Treasury Policy and Treasury Strategy.

31. Financial assets and liabilities

Financial assets

The Group classifies its financial assets into one of the following categories depending on the purpose for which the asset was acquired.

Fair value through profit and loss

Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit and loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method.

Provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms. The amount of such a provision is disclosed as the difference between the net carrying amount and the present value of the future expected cash flows associated with the receivable item.

A summary of the financial instruments held by category is provided below:

Group	**Financial assets at fair value**		**Financial assets at amortised cost**	
Financial assets	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Investments	**680**	476	**-**	-
Cash and cash equivalents	**-**	-	**222**	215
Debtors	**-**	-	**275**	175
	680	476	**497**	390

	Financial assets at fair value		**Financial assets at amortised cost**	
Financial liabilities	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Trade and other payables	**-**	-	**554**	497
Loans and borrowings	**-**	-	**4,401**	4,496
Derivatives				
• Designated hedges	**-**	-	**-**	-
• Fair value through profit and loss	**-**	3	**-**	3
	-	3	**4,955**	4,996

31. Financial assets and liabilities (continued)

Valuation

All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset either directly or indirectly from prices. All other loans and receivables are shown at amortised cost.

Credit risk

Credit risk applies to all debtor balances, the majority relating to tenant and other arrears which are reported monthly with dedicated teams assigned to manage recovery of those arrears. The Group fully provides for former tenant arrears except where recovery is assessed as likely. Provision against current tenant arrears is made based on the aged profile of the amounts due. So far, more than 70% of the arrears are collected directly from local authorities in the form of housing benefits therefore reducing the Group's exposure to individual tenants' credit risk.

'Arrears' includes rent, service charge and other amounts related to a tenancy sub-account such as major works costs, maintenance recharges and court fees.

Arrears provision	**Group 2018 £m**	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
At beginning of the year	**15**	14	**15**	15
Arising on acquisition	**-**	1	**-**	-
Movement in provision	**1**	-	**-**	-
At end of the year	**16**	15	**15**	15

Arrears	**Group 2018 £m**	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Less than 30 days	**16**	15	**15**	13
30 to 60 days	**4**	4	**4**	3
60 to 90 days	**3**	2	**3**	2
More than 90 days	**20**	18	**20**	17
	43	39	**42**	35

Included in the above are £7m (2017: £7m) of former tenant arrears which are mostly provided for through the statement of comprehensive income.

32. Ultimate holding entity

London & Quadrant Housing Trust is the ultimate holding entity of the Group.

33. Post year end events

On 2 May 2018, L&Q PRS Co Ltd issued a further 242,391,654 fully paid Class A shares to London and Quadrant Housing Trust in a second equity subscription, bringing the total investment by London & Quadrant Housing Trust to £300 million. L&Q PRS Co Ltd plans to invest the capital raised in additional private rented sector units.

Notes to the financial statements for the year ended 31 March 2018

34. Group entities

The entities forming the Group are:

Entity	Status	Activity
L&Q New Homes Limited	Limited company registered in England and Wales	Property development and housing for open market sales
Quadrant Construction Services Limited	Limited company registered in England and Wales	Provision of design and build services and acting as principal contractor to members of Group
Quadrant Housing Finance Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Bond finance provided to Group members
L&Q PRS Co Limited	Limited company registered in England and Wales	Management and ownership of properties available for lettings in the private rental market
L&Q Living Limited	Registered in England & Wales under Co-operative and Community Benefit Societies Act 2014	Provision of care services and supported housing
East Thames Partnership Limited	Limited company registered in England and Wales	Delivery of housing for sale
East Regen Limited	Limited company registered in England and Wales	Development, design and construction of housing schemes
East Finance plc	Public limited company registered in England and Wales	Onward lender of bond monies
East Place Limited	Limited company in England and Wales	Housing for open market sales and partner in Triathlon Homes LLP
East Treasury Limited	Limited company by shares registered in England and Wales.	Financing company provided to East Thames Limited – dormant and in voluntary strike-off
East Homes Services Limited	Limited company by shares registered in England and Wales	Provides services to East Thames Limited's estates and Triathlon Homes LLP
Gallagher Estates Holdings Limited (previously Gallagher Estates No. 1 Limited)	Limited company by shares registered in England and Wales	Intermediate holding company
Gallagher Homes Limited	Limited company by shares registered in England and Wales	Dormant
GW 305 Limited	Limited company by shares registered in England and Wales	Intermediate holding company
Gallagher Estates No. 2 Limited	Limited company by shares registered in England and Wales	Intermediate holding company
Gallagher Estates Limited	Limited company by shares registered in England and Wales	Holding company and property development

Entity	Status	Activity
Portobello Developments 2002 Limited	Limited company by shares registered in England and Wales	Property development
Wixams First Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Estates NR Limited (previously Gardenvale Properties Limited)	Limited company by shares registered in England and Wales	Property development
Drayton Stratford Limited	Limited company by shares registered in England and Wales	Property development
West Longstanton Limited	Limited company by shares registered in England and Wales	Small company property development
Gallagher Waterbeach Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Longstanton Limited	Limited company by shares registered in England and Wales	Property development
Redlawn Limited	Limited company by shares registered in England and Wales	Former holding company
Gallagher Llanwern Limited	Limited company registers in England and Wales	Property development
Gallagher Projects Limited	Limited company by shares registered in England and Wales	Procurement and delivery of infrastructure and other construction activities
Gallagher Elstow Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Bridgend Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Poole Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Broughton Limited	Limited company by shares registered in England and Wales	Property development
Gallagher Estates Land Limited	Limited company by shares registered in England and Wales	Dormant
J.J. Gallagher Construction Limited	Limited company by shares registered in England and Wales	Dormant
Gallagher MK Holdings Limited	Registered Private Company registered in Jersey	Intermediate holding company
Redlawn Land Limited	Limited company by shares registered in England and Wales	Property development

Notes to the financial statements for the year ended 31 March 2018

35. Alternative performance measures

Definitions of non-GAAP measures and reconciliations to the nearest measure in accordance with FRS102 are set out below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

Exceptional items

In the 2017 Financial Statements, the Group's Strategic Report separately identified operating surplus before exceptional items. The Board believed that presentation of the Group's results in this way was relevant to an understanding of the Group's financial performance for the year. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. It also facilitates comparison with prior periods to assess trends in financial performance more readily.

The Group applies judgement in identifying significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying performance. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Exceptional items relating to the prior year are disclosed in note 8(c) and 14(f) to the consolidated financial statements. There were no exceptional items relation to the year ended 31 March 2018.

Consequently the following non-generally accepted accounting practice measures reconciliations to the nearest measures in accordance with FRS102 are:

Pre-exceptional surplus before tax	**Group 2018 £m**	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Surplus/(deficit) on ordinary activities before tax	**354**	225	**292**	(264)
Adjustments for				
Other finance income/(costs) - refinancing costs	**-**	548	**-**	621
Gift on acquisition of subsidiary	**-**	(441)	**-**	-
Pre-exceptional surplus before tax	**354**	332	**292**	(267)

Surplus for the year before exceptional items	**Group 2018 £m**	Group 2017 £m	**LQHT 2018 £m**	LQHT 2017 £m
Surplus/(deficit) for the year	**348**	220	**292**	(267)
Adjustments for				
Other finance income/(costs) - refinancing costs	**-**	548	**-**	624
Gift on acquisition of subsidiary	**-**	(441)	**-**	-
Surplus for the year before exceptional items	**348**	327	**292**	357

36. Details of Transfer of engagement

On 31 March 2018 East Thames Limited (ETL) became part of London & Quadrant Housing Trust (LQHT) through a transfer of engagement. As required per FRS102 PBE34.86, details of the individual entities for the current and previous year are shown below. As the transfer of engagement was completed on 31 March 2018 there is no period post the transaction to report on separately.

Analysis of total comprehensive income by principal component for the year ended 31 March 2018	LQHT 2018 £m	ETL 2018 £m	**Combined total presented in Statement of comprehensive income 2018 £m**
Turnover	532	108	**640**
Cost of sales	(61)	(13)	**(74)**
Operating costs	(285)	(65)	**(350)**
Surplus on disposal of fixed assets and investments	37	13	**50**
Share of profits from joint ventures	-	-	**-**
Change in value of investment property	-	(2)	**(2)**
Operating surplus	**223**	**41**	**264**
Gift aid receivable	77	-	**77**
Interest receivable and similar income	40	1	**41**
Interest payable and similar charges	(90)	(11)	**(101)**
Other finance income/(costs)	16	(5)	**11**
Surplus on ordinary activities before tax	**266**	**26**	**292**
Tax on surplus on ordinary activities	-	-	**-**
Surplus for the year	**266**	**26**	**292**
Other comprehensive income			
Actuarial loss on pension schemes	3	-	**3**
Reclassification of cash flow hedge reserve	-	-	**-**
Total recognised surplus relating to the year	**269**	**26**	**295**

Notes to the financial statements for the year ended 31 March 2018

36. Details of Transfer of engagement (continued)

Analysis of total comprehensive income by principal component for the year ended 31 March 2017	LQHT 2017 £m	ETL 2017 £m	**Combined total presented in Statement of comprehensive income 2017 £m**
Turnover	532	125	**657**
Cost of sales	(58)	(19)	**(77)**
Operating costs	(244)	(58)	**(302)**
Surplus on disposal of fixed assets and investments	49	9	**58**
Share of profits from joint ventures	-	-	**-**
Change in value of investment property	-	8	**8**
Operating surplus	**279**	**65**	**344**
Gift aid receivable	69	8	**77**
Interest receivable and similar income*	46	1	**47**
Interest payable and similar charges*	(91)	(23)	**(114)**
Other finance income/(costs) - refinancing costs	(548)	(73)	**(621)**
Deficit on ordinary activities before tax	**(245)**	**(22)**	**(267)**
Tax on surplus on ordinary activities	-	-	**-**
Deficit for the year	**(245)**	**(22)**	**(267)**
Other comprehensive income			
Actuarial loss on pension schemes	(4)	-	**(4)**
Reclassification of cash flow hedge reserve	159	36	**195**
Total recognised surplus/(deficit) relating to the year	**(90)**	**14**	**(76)**

Alignment of accounting policies

Both ETL and LQHT were registered housing providers, preparing financial statements in accordance with FRS102, the Housing SORP 2014 and the Accounting Direction for Private Registered Providers for Social Housing 2015.

All accounting policies and procedures were aligned over the year preceding the transfer of engagement, and there were not considered to be any significant adjustments required.

A £2m intercompany interest adjustment was made in 2017 results to eliminate the balances within interest receivable and interest payable between ETL and LQHT.

All outstanding intercompany balances between ETL and LQHT totalling £429m at the transfer of engagement date were eliminated within debtors due after more than one year and creditors due after more than one year.

Other minor presentational adjustments were made between classification of short term and long term creditors in the prior year.

Notes to the financial statements for the year ended 31 March 2018

36. Details of Transfer of engagement (continued)

	Immediately prior to transfer of engagement		Total presented in Statement of Financial Position
Aggregate carrying value of the net assets of each company as at 31 March 2018	LQHT 2018 £m	ETL 2018 £m	**Combined** **2018** **£m**
Fixed assets			
Housing properties	7,537	1,125	**8,662**
Other tangible fixed assets	29	30	**59**
Equity investment in subsidiaries	913	-	**913**
Investments - jointly controlled entities	8	-	**8**
Investments - HomeBuy equity loans	105	14	**119**
Investment properties	-	7	**7**
Investments - Real Lettings property fund	10	-	**10**
	8,602	**1,176**	**9,778**
Debtors due after more than one year	**919**	**33**	**952**
Current assets			
Land and properties for sale and work in progress	56	9	**65**
Debtors	67	7	**74**
Cash and cash equivalents	116	12	**128**
	239	28	**267**

Creditors: amounts falling due within one year	**(245)**	**(34)**	**(279)**
Net current assets/(liabilities)	**(6)**	**(6)**	**(12)**
Total assets less current liabilities	**9,515**	**1,203**	**10,718**
Creditors: amounts falling due after more than one year	**3,355**	**710**	**4,065**
Deferred social housing grant	**2,021**	**50**	**2,071**
Grant on HomeBuy equity loans	**90**	**14**	**104**
Derivative financial liabilities	**-**	**-**	**-**
Provisions for liabilities	**15**	**1**	**16**
Net pension liability	**22**	**13**	**35**
Net assets	**4,012**	**415**	**4,427**
Capital and reserves			
Share capital	**-**	**-**	**-**
Revenue reserve	**2,127**	**235**	**2,362**
Cash flow hedge reserve	**-**	**-**	**-**
Revaluation reserve	**1,885**	**180**	**2,065**
	4,012	**415**	**4,427**

Photo: a view of the communal gardens at the East Village, Stratford.

05

Other company information

Other company information

Executive Directors

David Montague CBE (Chief Executive)

Waqar Ahmed (Group Finance Director)

Andy Brown (appointed 9 October 2017)

Mike Donaldson

Diane Hart

Tom Nicholls

Olu Olanrewaju (resigned 31 December 2017)*

Yvonne Arrowsmith (resigned 31 December 2017)*

Rahul Jaitly (resigned 31 December 2017)

Jerome Geoghegan (resigned 19 January 2018)

Tim Mulvenna (resigned 31 January 2018)

***Note:** Resigned from Executive duties on 31 December 2017 and resigned from their employment at L&Q on 6 April 2018.

Secretary and registered office

Emuoborohwo Siakpere
29-35 West Ham Lane
Stratford
E15 4PH

Statutory auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Banker

Barclays Bank plc
Level 28, 1 Churchill Place
Canary Wharf
London
E14 5HP

Registrations

Registered Society number:
30441R
Regulator of Social Housing number:
L4517

Photo: Residents enjoying the open spaces at Beaulieu Oaks, Chelmsford.

For more information

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