London & Quadrant Housing Trust (‘L&Q’) - Publication of Financial Statements

L&Q today announces the publication of its consolidated audited financial statements for the financial year ended 31 March 2022 which demonstrate how the housing association is investing record amounts to deliver a step change in the quality and safety of existing homes, while transforming services and building thousands of new affordable homes.

All comparatives are to L&Q’s consolidated audited financial statements for the year ended 31 March 2021 (‘2021’).

The financial statements can be accessed via the following link:

https://www.lqgroup.org.uk/investors/financial-performance

A copy of this document has been filed with the National Storage Mechanism.

Highlights

For the year ended 31st March 2022, L&Q achieved turnover of £1,112m (2021: £1,052m), EBITDA of £327m (2021: £374m) and an underlying surplus after tax of £154m (2021: £208m).

- Turnover increased by £60m to £1,112m (2021: £1,052m). Of this, 55% was generated from core social housing lettings activities (2021: 57%). A further 37% (2021: 35%) of turnover was from market sales activity, 3% (2021: 3 %) from market rents and 5% other (2021: 4%).

- EBITDA fell by 13% to £327m (2021: £374m), EBITDA margin was 24% (2021: 30%) and EBITDA interest cover was 222% (2021: 254%). The year-on-year decrease in EBITDA reflects our focus on delivering our strategic objectives and provisions for build defect liabilities (please see below ‘Reconciliation of audited financial statements against trading update’).

- Surplus after tax was £154m (2021: £208m). The lower like for like performance is primarily due to a net impairment charge of £90m (2021: £30m). L&Q’s surpluses will be re-invested back into ensuring the safety of residents, the quality of homes and services, supporting communities, and increasing the supply of new social housing.

- Net debt reduced by £64m to £5,263m (2021: £5,327m) and available liquidity marginally increased to £1,214m (2021: £1,198m) demonstrating continued success to conserve cash flows.

- L&Q continues to maintain a strong financial position with net assets increasing by £174m to £5,587m (2021: £5,413m). The housing properties portfolio grew by £120m to £11,026m (2021: £10,906m). Total reserves stand at £5,587m (2021: £5,413m).

- Housing completions at 4,157 (2021: 2,699) are up 54% year-on-year, of which 61% (2021: 58%) are for social housing tenures. This further demonstrates L&Q’s commitment to maximising its social purpose, while simultaneously, lowering its risk profile for commercial activity.

- L&Q invested £531m (2021: £523m) in new social housing, continued progress against our ambition to tackle the housing crisis. A further £114m (2021: £38m) was invested in private housing we develop ourselves and £76m (2021: £23m) in joint venture partnerships. Profits generated from these activities are re-invested in the delivery of social housing.

- L&Q invested, £274m (2021: £192m) in residents’ homes, which includes investment in fire safety works. Building safety remains a priority, with L&Q continuing the delivery of one of the largest inspection and remediation programmes in the country, covering some 1,800 buildings containing over 32,300 homes. L&Q has completed safety inspections on 556 buildings, including a full intrusive inspection on all 192 buildings that are above 18 metres in height. L&Q became the first major housing association to commit to rectify safety defects for leaseholders in buildings it had built at no cost to them, and at the beginning of 2022 it set a target to fully remediate all potential fire risks in buildings over 18 metres by 2026.

- Through to the financial year ending 31 March 2030, L&Q expects to invest c. £3.2 billion in transforming existing homes and neighbourhoods, in what is believed to be the largest housing investment programme ever undertaken by the sector. This includes our commitment to fire safety works, with further substantial investment to maintain Decent Homes standards, major internal and external works, estate improvements, and energy works to reduce carbon emissions. This investment includes expected spend on routine repairs and servicing, works to enable the re-letting of empty homes and overhead costs.

- A commitment to supporting communities has also continued with another £9m (2021: £8m) invested in the L&Q Foundation.

- Regulatory ratings remain at G1 for governance and V1 for viability.

Commenting on the results Waqar Ahmed, Group Director, Finance said:

“These financial results demonstrate how we remain focused on the delivery of our strategic objectives, which prioritise investment in safety and the quality of existing homes and services.

Our investment in existing homes is coupled with a realistic and sustainable increase in new high-quality homes. At least half of the homes we build will be affordable and any profit we make on open market sales will support our core social purpose. We believe in, and will provide, mixed communities.”

Mr Ahmed added: “Crucial to L&Q’s social purpose is helping residents who are feeling cost of living pressure, or who might need other support. Specialist teams have been recruited to support the most vulnerable residents, and the L&Q Foundation continues to invest in a range of far-reaching initiatives that tackle fuel and food poverty, educational programmes and opportunities for young people.”

Reconciliation of audited financial statements against trading update

On 11 May 2022, L&Q published its unaudited trading update for the year ending 31 March 2022 that excluded further adjustments subject to audit review. Included within the trading update was a £76m initial estimate for impairment (£36m in relation to fixed assets that we intend to hold for lettings and £40m in relation to current assets that we intend to sell). Following the completion of the audit, the following adjustments have been made compared to the trading statement:

- £53m net impairment fixed assets against an initial estimate of £36m in the trading statement. The impact is a £17m increase in operating costs that reduces operating surplus and surplus after tax by £17m.
- £52m net impairment on current assets against an initial estimate of £40m in the trading statement. The impact is a £12m increase in operating costs that reduces operating surplus and surplus after tax by £12m.
- £15m impairment release in joint ventures against an initial estimate of £12m in the trading statement. The impact is a £3m increase in share of profits from joint ventures increasing operating surplus and surplus after tax by £3m.
- A provision for build defect liabilities of £24m and other provisions of £3m not disclosed in the trading statement. The impact is a £27m increase in operating costs that reduces operating surplus, surplus after tax and EBITDA by £27m.
- Other adjustments that increase operating surplus and surplus after tax by £3m.
- Tax on surplus on ordinary activities of £18m against an initial estimate of £9m in the trading statement. The impact is a £9m decrease in surplus after tax.

The following table discloses the impact that these adjustments have had on applicable financial measures disclosed in the trading statement:

Financial Measure	Unaudited Trading Update for the period ending 31 March 2022	Audited Financials for the period ending 31 March 2022	Change
Operating Surplus	£315m	£271m	(£44m)
Surplus after Tax	£207m	£154m	(£53m)
EBITDA[1]	£354m	£327m	(£27m)
EBITDA margin[2]	26%	24%	(2%)
EBITDA interest cover[3]	235%	222%	(13%)
Gross debt to EBITDA[4]	15.6x	16.8x	1.2x

Notes:

[1] Operating surplus – change in value of investment properties – amortised government grant + depreciation + impairment – capitalised major repairs +/-actuarial losses/gains in pension schemes
[2] EBITDA / (turnover + turnover from joint ventures – amortised government grant)
[3] EBITDA / net cash interest paid
[4] Gross debt / EBITDA

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This update may contain certain forward-looking statements reflecting, among other things, our current views on markets, activities and prospects. Actual outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared.

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