

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 2024 which demonstrate how the housing association is continuing to meet its stated objectives to divert a greater level of expenditure towards resident's existing homes and address its strategic priorities of health & safety, quality of homes and improving services.

All comparatives are to L&Q's consolidated audited financial statements for the financial year ended 31 March 2023 ('2023').

L&Q's flagship £3 billion Major Works Investment Programme is already improving the safety, comfort and environmental performance of residents' homes. L&Q invested £326m (2023: £347m) in its maintenance programme last year, which includes critical fire safety works. Through L&Q's ten major works partners, improvement has been carried out on 1,595 kitchens, 1,543 bathrooms, 1,519 windows and 175 roofs. L&Q residents have played a pivotal role in shaping the programme and how it is delivered

L&Q's financial results have been delivered against a backdrop of high interest rates and inflation, a 7% rent cap, political and regulatory change, and broader skills and materials shortages in our supply chains. Despite the challenges faced, EBITDA increased to £343m (2023: £313m). In the year-ended 31 March 2024, L&Q achieved an operating surplus of £333m (2023: £162m) with a marginal increase in net debt to £5.4bn (2023: £5.2bn). Available liquidity at c.£1bn (2023: £1.2bn) demonstrates that L&Q has a well-capitalised balance sheet that can absorb risk.

The financial statements can be accessed via the following link:

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

A copy of this document will shortly be filed with the National Storage Mechanism.

Highlights

- For the year ended 31st March 2024, L&Q achieved turnover of £1,122m (2023: £1,176m), EBITDA of £343m (2023: £313m) and an underlying surplus after tax of £117m (2023: £40m).
- Turnover decreased by 5% to £1,122m (2023: £1,176m). Of turnover, 63% (2023: 56%) was generated from core social housing lettings activities. A further 27% (2023: 37%) was from market sales activity (including shared ownership first tranche sales), 5% (2023: 4%) from market rents and 5% from other activities (2023: 3%).
- EBITDA increased by 10% to £343m (2023: £313m), EBITDA margin was 28% (2023: 22%) and EBITDA interest cover was 142% (2023: 169%). The year-on-year increase in EBITDA reflects our focus on delivering our strategic objectives, against a backdrop of inflationary pressures. (please see below 'Reconciliation of audited financial statements against trading update').
- Surplus after tax was £117m (2023: £40m). The improved performance is primarily due to a materially lower net impairment charge of £18m (2023: £109m) and lower downward valuation of investment properties of £30m (2023: £85m). 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 increased by £169m to £5,413m (2023: £5,244m) and available liquidity at just over £1bn was broadly stable (2023: £1.2bn) demonstrating continued success to conserve cash flows.

- L&Q continues to maintain a strong financial position with total assets less current liabilities at £13,667m (2023: £13,185m) and net assets at £5,721m (2023: £5,615m). The housing properties portfolio grew by 2% to £11,617m (2023: £11,354m).
- Housing completions at 2,955 (2023: 4,047) of which 68% (2023: 71%) were 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 £424m (2023: £598m) in new social housing, demonstrating continued progress against our ambition to tackle the housing crisis and £2m (2023: £11m) in new market rent properties. A further £123m (2023: £51m) was invested in private housing for sale we develop ourselves and £24m (2023: £62m) in joint venture partnerships. Profits generated from non-social housing activities are re-invested in the delivery of social housing.
- L&Q invested £326m (2023: £347m) 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 over 2,000 buildings (low rise and high rise) containing over 32,000 homes. By April 2024, L&Q had completed inspections on 1,467 buildings with 218 buildings requiring remediation. Of these, remediation had started at 60 buildings with a further 47 buildings already complete. Work is continuing at pace on the programme, with our current progress detailed in the notes below⁵.
- L&Q's Major Works Investment Programme is the industry's largest investment programme – almost £3bn over 15 years – to improve the safety, comfort, and environmental performance of resident's homes. This will see all L&Q homes maintained to the Decent Homes Standard – a technical standard set by the government for social housing.
- The charitable L&Q Foundation has played a vital role in continuing to support those who need it with L&Q investing £8m (2023: £10m) into the L&Q Foundation. Using the HACT Wellbeing Valuation Approach methodology the work of the Foundation created £27m of social value in the year (2023: £21m). This impact was generated through programmes directed at helping residents into work, supporting their financial confidence and easing the burden of debt, through delivery of physical wellbeing activities, volunteering opportunities, and social clubs for residents to strengthen their connectedness with their community.
- Regulatory ratings are at G1 for governance and V2 for viability.

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

Waqar Ahmed, L&Q's Group Director of Finance, said: "In recent years our sector has faced unprecedented economic volatility, policy shifts and funding uncertainties, but we cannot and will not shy away from these challenges because the first responsibility of any housing association is to provide safe and affordable homes in which people can live comfortable, healthy lives. It is a shocking fact that one in 23 children in London are homeless, and there is an urgent need for more high-quality social housing to meet the scale of this crisis.

"L&Q has a very clear strategy, but we retain the ability to adapt our business to respond to challenges whilst delivering robust financial results with strong year-on-year performance. Working in partnership with residents, we have simplified and adapted our business and carried out a major balance sheet review over the past year. This has enabled us to achieve our primary aims of maintaining financial viability whilst ensuring residents receive the quality homes and services they deserve."

Reconciliation of audited financial statements against trading update

On 10 May 2024, L&Q published its unaudited trading update for the year ending 31 March 2024 that excluded any further adjustments that are subject to audit review such as impairment and provisions. In the trading statement, there was no provision made for impairment, but guidance was given that L&Q estimated impairment to be in the range of £25m to £65m.

Following the completion of the audit, the following adjustments have been made compared to the trading statement:

- A £21m impairment on fixed assets and £3m impairment release on current assets under development, against a net release of impairment of £9m shown in the trading statement. That increases operating costs and reduces operating surplus and surplus after tax by £27m. There is no impact on EBITDA.
- A decline in the change in value of investment properties of £30m against £16m shown in the trading statement decreasing operating surplus and surplus after tax by £14m. There is no impact on EBITDA.
- A £7m increase in share of profits from joint ventures, that increases operating surplus, surplus after tax and EBITDA by £7m
- A £12m increase to capitalised major repairs, that reduced EBITDA by £12m. There is no impact on operating surplus and surplus after tax.
- A £2m increase in amortised government grant that increases turnover and increases operating surplus and surplus after tax by £2m. There is no impact on EBITDA
- Tax credit on surplus on ordinary activities of £4m against an initial estimate of £0m in the trading statement increasing surplus after tax by £4m.

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 2023	Audited Financials for the period ending 31 March 2023	Change
Operating Surplus	£366m	£333m	(£33m)
Surplus after Tax	£147m	£117m	(£30m)
EBITDA ¹	£349m	£343m	(£6m)
EBITDA margin ²	29%	28%	(1%)
EBITDA interest cover ³	144%	142%	(2%)
Gross debt to EBITDA ⁴	16.1x	16.3x	0.2x

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

⁵ Building safety progress is continuing, as detailed in L&Q's Building Compliance monthly data return for August 2024. L&Q has now completed inspections on 1,486 buildings, with 220 requiring remediation. Remediation is currently in progress on 47 buildings, with a further 63 buildings now complete.

ENDS

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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