

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 2021 which show how it has performed strongly throughout the pandemic and laid the foundations for a record £1.9 billion investment in homes and services.

All comparatives are to L&Q's consolidated audited financial statements for the year ended 31 March 2020 ('2020').

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 2021, L&Q achieved turnover of £1,052m (2020: £915m), EBITDA of £374m (2020: £303m) and an underlying surplus of £208m (2020: £179m).

L&Q has delivered a material improvement in EBITDA margins, interest coverage and debt metrics that are ahead of previous guidance and reflect stronger than expected financial performance during the pandemic, particularly in relation to completions, sales and rent arrears. Available liquidity at greater than £1.1bn demonstrates that L&Q has also been successful in implementing prudent measures to conserve cash flows.

- Turnover increased by £137m to £1,052m (2020: £915m), the highest L&Q has ever achieved. Of this, 57% was generated from core social housing lettings activities (2020: 62%). A further 35% (2020: 30%) of turnover was from market sales activity, 4% (2020: 5%) from market rents and 4% other (2020: 3%).
- EBITDA increased by 23% in the year to £374m (2020: £303m), EBITDA margin was 30% (2020: 26%) and EBITDA interest cover was 254% (2020: 193%). The year-on-year improvement in EBITDA reflects the prudent financial measures that L&Q implemented during the pandemic.
- Surplus after tax was £208m, which was £29m ahead of like for like performance in the previous year (2020: £414m, which included the £235m gift on acquisition of Trafford Housing Trust). 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 to £5,327m (2020: £5,371m) through careful cash conservation and management.
- The Group continues to maintain a strong financial position with net assets increasing by £186m to £5,413m in the year (2020: £5,227m). The housing properties portfolio grew by £351m to £10,906m (2020: £10,555m) with the additions from a mix of capital maintenance works and continued growth from the development programme. Total reserves stand at £5,413m (2020: £5,227m).
- Despite the on-set of the pandemic and temporary closure of construction sites last year, housing completions at 2,699 (2020: 2,439) are up 11% year-on-year, of which 58% (2020: 49%) are for social housing tenures. This shift in the balance of tenure further demonstrates L&Q's commitment to maximising its social purpose, while simultaneously, lowering its risk profile for commercial activity.
- During the year L&Q invested £523m (2020: £882m) in new social housing, as we make progress with our ambition to tackle the housing crisis. We also invested a further £38m (2020: £86m) in private

housing we develop ourselves and £23m (2020: £55m) in partnerships through joint ventures to generate profits to re-invest in the delivery of social housing.

- While the pandemic has impacted L&Q's repairs and maintenance service, £190m (2020: £231m) was invested in residents' homes, which includes investment in fire safety works. The safety of residents and staff is L&Q's number one priority, and it is delivering one of the UK's largest building inspection programmes. Since the Grenfell tragedy L&Q has already spent over £100m on building safety. More than £20m has been spent on the installation of Waking Watches or temporary fire alarm systems where necessary, which has not been recharged to residents.
- Over the next seven years, £1.9 billion will be invested to transform existing homes and neighbourhoods, in what is believed to be the largest housing investment programme ever undertaken by the sector. Of this, £339m has been committed 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 will be in addition to spending 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 £8 million invested in the L&Q Foundation. For every £1 invested L&Q has created over £3 of social value, and supported thousands of people throughout the pandemic - helping people lead independent lives, secure employment and transforming the fabric of neighbourhoods to create thriving and sustainable communities.
- The last year has also seen L&Q Living providing care and support services to people with a wide range of needs throughout the pandemic. This includes older people, people with learning difficulties and mental health needs, and people affected by homelessness. The CQC rated 100% of care schemes as outstanding or good.
- Despite operational challenges as a result of the pandemic, customer satisfaction with maintenance services remained unchanged at 71%.
- Top tier regulatory ratings were retained, with a G1 for governance and a V1 for viability.

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

"Despite the extraordinary operating environment of the past year, L&Q's flexibility, agility, discipline, strong governance and the ongoing support of our lenders and investors demonstrates how financially robust the L&Q Group is.

Earlier this year, we launched a new five-year strategy which prioritises investment in safety and the quality of existing homes and services. Because of our strong financial performance, we are able to commit to a landmark £1.9bn housing investment programme. This will enable us to make substantial improvements to L&Q homes and neighbourhoods across the country."

Mr Ahmed added: "This renewed focus on existing homes and services will not diminish L&Q's commitment to tackling the UK housing crisis through investment in new homes and Modern Methods of Construction with an annual programme of at least 3,000 completions projected for the medium term. We will also continue supporting vulnerable residents and awarding grants to causes that promote aspiration, confidence and opportunity through the L&Q Foundation, which is now in its tenth year."

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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