Annual Report 2020

ANDIUM
HOMES

Contents

About Us

What we do

Jersey's largest residential developer and landlord, managing more than 4,500 properties and providing homes and landlord services for more than 10,000 Islanders.

Directors		
Richard McCarthy CBE	Chair	Appointed 22 January 2021
Sir Mark Boleat	Chair	Retired 31 December 2020
Jason Laity		
Judy Beaumont		
Colin Russell		Retired 30 June 2020
Elaine Bailey		Appointed 1 February 2020
Julian Box		Appointed 17 February 2020
Jonathan Day		Appointed 17 February 2020
Ian Gallichan	Chief Executive	
Lindsay Wood	Finance Director	Appointed 1 January 2020

Company secretary

Fiona Halliwell

Country of incorporation

Jersey

Address of the registered office

33-35 Don Street
St Helier, Jersey, JE2 4TQ

Legal form of the entity

Private company limited by guarantee.

Auditors

Baker Tilly Channel Islands Limited
PO Box 437
1st Floor, Kensington Chambers
46/50 Kensington Place
St Helier
Jersey, JE4 0ZE

Bankers

HSBC
Halkett Street
St Helier
Jersey, JE4 8NJ

Solicitors

Corporate, employment & residential management

BCR Law LLP
12 Hill Street
St Helier
Jersey, JE2 4UA

Residential conveyancing

Bedell Cristin
26 New Street
St Helier
Jersey, JE2 3RA

Commercial property development

Viberts
Viberts House
Don Street
St Helier
Jersey, JE4 8ZQ

Chairman's Statement

Richard McCarthy CBE

Although 2020 was a challenging year, Andium was able to focus on maintaining key services to Clients and assisting Government to protect the most vulnerable

I was appointed Chairman of Andium on 21 January 2021 and took on the leadership of a company which has achieved many objectives since its creation, in particular arresting the decline in the former States owned social housing stock, which now meets the Decent Homes Standard and is being improved further to enhance the experience for Clients.

In these very early days of my tenure, I have been impressed with the ambition, dedication and passion demonstrated by my fellow Board Members, the Executive Team and the small but energetic team of housing professionals who deliver the services.

There has been a significant investment in technology across all of the companies activities but particularly in respect of providing means for Clients to communicate with us in different ways through our Client App and Web Portal. These initiatives undoubtedly helped many Clients through the worst of the restrictions created by the Coronavirus pandemic, helping lessen its impacts and reduce isolation.

The company has set itself the target of delivering 3,000 new homes by 2030 and has really hit the ground running; 1,132 homes are either complete or in contract, the States has transferred land for 130 new homes and there is potential for additional sites for another 265 homes, and private site acquisitions have been identified for another 528. The company has also looked critically at its existing portfolio and developed opportunities for intensification of existing sites to provide an additional 868 homes and valuable local investment.

All the indications are that the Island needs more homes, the last Objective Assessment of Housing Need report suggested up to 7,000 homes by 2030. Our feeling is that more of these could be for social rented use or as low-cost home ownership for first time buyers – creating more opportunities for sustainable communities and maximum benefit for the Island as a whole. I look forward to working closely with Government, and in particular the Minister for Housing & Communities, as I lead Andium in rising to the challenges ahead.

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I would like to express my sincere thanks to my predecessor Sir Mark Boleat, who as Interim Chair last year oversaw a process to help redefine our arrangements with the Government as both our Shareholder and partner. I will look to build on the excellent foundations that he established.

I would also like to reflect my thanks for the warm welcome I have had from my fellow Board members, our Chief Executive, Ian Gallichan and the Executive Team.

Richard McCarthy CBE, Chair
31 March 2021

Chief Executive's Review

Ian K Gallichan

2020 was an extraordinary year. The global Coronavirus Pandemic was an unprecedented event and one which it appears will be with us for some time to come.

Like many businesses Andium has had to adapt to new ways of working in order to maintain the delivery of services to Clients. The enormity of the challenge posed by the pandemic cannot be understated and as a company we are proud of the resilience of our people, our finances and our technology.

We had already begun a journey of digital transformation which gave us the agility to work from home during the periods of lockdown. Our Client App, Andium@Home has been in place for some time and in 2020 we added a WebPortal version to this making it more accessible for Clients with desktop computers rather than Smartphones and Tablets. These applications give Clients the ability to manage their tenancies themselves, something that many tenants valued when it was not possible for them to engage with us face to face. In 2021 we will add more functionality to Andium@Home particularly in repairs reporting and monitoring which will electronically connect our customers with the contractors who provide maintenance services on our behalf.

Our investment in agile working technologies meant that in many areas of our business, services suffered very minimal impact during even the most restricted period of lockdown. Other than where Government instructions stopped services, for instance people were generally discouraged from moving home, our core services all operated quite normally. Importantly for our Clients our responsive maintenance services, including our 24-hour emergency maintenance service continued to provide essential repairs and much needed reassurance.

The Government was keen to support vulnerable people during the lockdown period and quickly recognised that there would be instances where people would need to move home in an emergency. We were pleased to be able to assist significantly by providing both expertise and resources to help manage the Emergency Housing Service. We also stepped in to provide homes to a number of urgent housing cases who presented through that service. We also assisted by providing an experienced Project Manager to assist with the project for the procurement and rollout of Personal Protective Equipment.

Many of our tenants are pensioners or those with support needs and we identified early during the lockdown in March that some might be at risk of being isolated or lonely.
We implemented a 'call and check' project for all of our Clients over 65 to check that they were OK and where appropriate to signpost them to available support agencies.

The Minister for Children and Housing (now Minister for Housing & Communities) was particularly concerned about the financial impact of the Pandemic on Clients and was keen to introduce a rent freeze for 2021. We worked closely with the Minister and with the Minister for Treasury and Resources in order to facilitate a rent freeze for all tenants. In doing so, we negotiated a partial compensatory reduction in the level of the financial return we make to Government each year, to minimise the impact that the reduced income will have on our development and maintenance programmes.

The enormity of the challenge posed by the pandemic cannot be understated and as a company we are proud of the resilience of our people, our finances and our technology.

In 2018 the Government formed a Homelessness Cluster to look at the issue of homelessness in Jersey. Andium has been involved from the outset and had representatives on the Homelessness Strategic Board which developed Jersey's first Homelessness Strategy during 2019 and 2020. The report has recently been published and we look forward to working with others to deliver on the actions set out in the report.

Andium has a significant refurbishment and development programme, which ensures that our homes continue to exceed the Decent Homes Standard and that we deliver against our target of 3,000 new homes by 2030. All building projects had to stop for a period during the lockdown. We worked tirelessly with Government and our contractors to devise safe working protocols and certification processes which meant that our sites were the first to reopen and were operational again within 6 weeks, providing valuable stimulus for the economy and ensuring that any delay to the delivery of homes was minimised.

One project which we are particularly proud of in this regard was the refurbishment of Hue Court. This project was one of the leaders in developing safe Coronavirus working practices and we are pleased that despite the time it took to establish those practices and the impact on work on site, the main contractor ROK, was able to complete the project on time and on budget. The homes at Hue Court were being refurbished to provide key worker housing for Health staff, many of them front line workers dealing with the Pandemic; delivery on time and on budget was therefore even more crucial and rewarding.

During 2020 we also delivered a block of ten bespoke apartments at our Le Clos Mourant development adjacent to the FB Fields in St Clement, in conjunction with Health & Community Services, for occupation by Clients who have complex medical, social & communication needs. For many of these individuals it will be the first independent home of their own and represents a significant step up in housing provision for this cohort.

At the end of 2020 we were on site developing more than 550 new homes and actively working on proposals for over 1,800 more on a number of existing or new sites.

The target we have set ourselves is for 3,000 new homes by 2030, an achievable aim provided that sites can be acquired at reasonable value and that our Island's Planning system is focussed on delivering the homes the Island needs, whilst ensuring that we meet legitimate planning requirements. Unfortunately, at times this has proven to be a real challenge. It is essential that we approach each project with active consultation and collaboration, with Planning, the Minister for Housing & Communities, Government generally, and other stakeholders, in order to deliver the very best outcomes possible. We will be working ever more closely with all interested parties to deliver the homes and regeneration that Jersey needs.

Andium is not funded by the taxpayer, something which is often misunderstood. All our revenue comes from the rent paid by our tenants. We return £30.5m per annum of our income to Government and in return we receive approximately £17m of the Housing Component of Income Support paid to us by Government on behalf of tenants who access that benefit.

Property:	Springfield Terrace (Robin Hood site)
Parish:	St Helier
Developer:	In-house
Builders:	Rok Construct Limited
Three Bed	5

Property:	Rosemount Mews
Parish:	St Helier
Developer:	In-house
Builders:	Rok Construct Limited
Three Bed:	2

Andium is therefore a £13.5m net contributor to the public purse each and every year.

Our development activity is funded from borrowing, which is repaid through the rental or sales income from the homes developed. In 2014 the States of Jersey (the States) put in place a £250m Housing Bond, £220m of which has been loaned to us for our projects. We repay the borrowing with interest. In 2020 we also negotiated a further £150m borrowing facility with HSBC and NatWest International so that we can deliver yet more homes. Again, this borrowing will be repaid with interest from our rental and sales revenues.

Andium is a strong company with a sustainable business model which puts us in a great position to deliver and maintain the housing that Jersey needs. As a not-for-profit company, wholly owned by the States, we are in a unique position to deliver homes, at below market prices, which support Government objectives.

Of course, none of this would be achievable without a team of highly skilled, dedicated, and passionate individuals who have worked tirelessly, and at times in difficult circumstances, to ensure that we meet our objectives. Working from home has been a new experience for the vast majority of us. As a business we have worked hard to ensure that the challenges presented by remote working are recognised and a number of initiatives have been introduced to engage staff and take care of their health, safety and wellbeing.

I would also like to thank my fellow Board members for their support and in particular Sir Mark Boleat, who as Interim Chair last year oversaw a process to recruit a number of new Board members.

Sir Mark also initiated the process for the recruitment of our new Chair, Richard McCarthy CBE who commenced his 3-year term as Chair in January 2021. A very warm welcome to Richard.

I am extremely optimistic for the future, safe in the knowledge that at Andium we have a talented and enthusiastic team of Non-Executive Board members and colleagues who can continue to deliver meaningful outcomes for our Clients, Guarantor and other stakeholders.

Ian K Gallichan, Chief Executive
31 March 2021

Delivering growth and regeneration

Over 550 new homes are under construction and due for completion over the next three years.

2020

Springfield Terrace
No. of Properties: 5 homes
Completed: 2020

Le Clos Mourant
No. of Properties: 10 homes
Completed: 2020

Rosemount Mews
No. of Properties: 2 homes
Completed: 2020

Samares, St Clement
No. of Properties: 115 homes
Completed: 2020

2021

Convent Court Low-Rise, St Helier
No. of Properties: 21 homes
Due for Completion: 2021

Samares, St Clement
No. of Properties: 25 homes
Due for Completion: 2021

Le Clos Mourant
No. of Properties: 141 homes
Due for Completion: 2021

Ann Court, St Helier
No. of Properties: 165 homes
Due for Completion: 2022

2022

2023

Summerland, St Helier
No. of Properties: 82 homes
Due for Completion: 2021

La Collette Low-Rise, St Helier
No. of Properties: 147 homes
Due for Completion: 2023

“

Without Andium’s Homebuy scheme we wouldn’t have been able to purchase such a beautiful home. We will forever be grateful to the team at Andium.

– Ian & Sarah, Andium Homebuy clients

Working in Partnership

Working in partnership is a crucial and rewarding part of what we do. Here are some highlights from 2020.

In Partnership with
Construction Industry

In June 2020, our Board approved proposals for an economic stimulus package for the island's construction industry.

Martin Holmes, Chairman of the Jersey Construction Council, said at the time "Andium Homes has been a proactive contributor to the work of the construction industry response team from its inception and we welcome this timely and significant support that will benefit a broad cross section of the local supply chain, from design teams through to contractors and suppliers of all sizes."

Ben Shenton, Acting Chair of Age Concern, with Andium Homes Chief Executive Ian K Gallichan and members of the project team on the site of the new facility. Works commenced in July 2020.

> "Andium has been a proactive contributor to the work of the construction industry response team

In Partnership with & Providing Landlord Service to
The Third Sector

We are landlord to a number of Charity organisations including, Shelter Trust, Causeway, Women's Refuge and Les Amis.

Most recently we partnered with Sanctuary Trust, a homelessness charity, to provide them with an additional building from which to deliver their services. Sanctuary Trust are a key partner in our Supported Housing Group. The additional building will complement their existing two buildings and will not only help them to meet the growing demand that they were seeing, but also to cater for a more diverse group of islanders who were facing homelessness and need support.

In Partnership with
Age Concern

In 2020 we commenced the redevelopment of some outdated apartments at Convent Court in Val Plaisant. The site is directly opposite Windsor House, Age Concern's existing headquarters. This provided an opportunity for us to partner with Age Concern to develop a new purpose built facility for them on the ground floor of a new building which will also contain 21 new apartments.

Ben Shenton, acting Chair of Age Concern Jersey, said at the time "We have been working with Andium Homes for some time to help us find a new base for our services."

"We are absolutely delighted to see the project progressing; the new facility will enable to us to deliver more and better services to our older population."

"We are absolutely delighted to see the project progressing; the new facility will enable to us to deliver more and better services to our older population"

In Partnership with
Health & Community Services

A dedicated cluster of 10 homes at Le Clos Mourant have been allocated to Clients who have complex medical, social and communication needs. What makes this development unique is that each client holds their own individual tenancy agreement and receives a personalised package of care & support from a care provider of their choice who supports them to live independently within the community. These were the first homes to complete on the final phase of our Le Squez regeneration project. The remainder of the site will complete during 2021 and provide 151 new homes overall.

Le Clos Mourant

In Partnership with
Autism Jersey

In July, we signed Heads of Terms with Autism Jersey, for the refurbishment of Sans Souci on St Saviour's Road, to provide a new and permanent home for the Charity.

Sans Souci, a Grade 3 Listed Building, forms part of the Ann Street Brewery site. We have been working with Autism Jersey for some time to try and meet their need for a new centre from which they can deliver their services, and Sans Souci was subsequently identified as being suitable for that purpose.

Currently in a very poor condition, we are looking forward to carrying out a sensitive refurbishment and extension to the building, during the development of the main Brewery site.

Nick Winsor, Chair of Autism Jersey, said at the time "It is a tremendous achievement to get to this point and we are absolutely thrilled to be working in partnership with Andium. We have been looking for a permanent home for Autism Jersey for some time. The stability that this will bring is very important to the people that we work with and everyone connected with the charity."

"The stability that this will bring is very important to the people that we work with and everyone connected with the charity

In Partnership with
Safeguarding Services

Working in partnership with third sector agencies to address the housing needs of those in society whose needs are not met by the Government's Affordable Housing Gateway.

Andium Homes partnerships

> **Knowing our son has a beautiful forever home that has been purpose built for his community and caters for all his needs has made his move into supported living the right decision for his future. We cannot thank Andium Homes enough and hope future developments will continue to be planned for islanders with special needs.**
>
> – Lisa, Mother of new Andium Homes tenant at Le Clos Mourant

Performance Review

Our strong business model and prudent approach means we can deliver core services, as well as much needed regeneration, in all financial climates.

Our business and objectives

We are Jersey's largest landlord, and manage more than 4,500 tenancies, providing homes and landlord services for more than 10,000 islanders. We are also Jersey's largest developer with a capital programme to deliver 3,000 new rental and first-time buyer homes by 2030.

We set out our objectives for 2020 in our published 2019-2023 Strategic Business Plan, these are summarised below.

- Great services for all.
- Supporting successful lives.
- More homes to buy or rent.
- Delivering growth and regeneration.
- Financial strength and stability.
- Challenging ourselves and developing our people.

More detail in relation to these objectives and deliverables can be found on our website andiumhomes.je .

Our Achievements

2020 was a challenging year for everyone but we are proud that we were able to:

- Prevent any increase in rent arrears whilst ensuring that clients who were struggling financially received the assistance they needed;
- Deliver £13m of investment in our maintenance programme;
- Invest £59.2m in major capital projects; with the majority spent on Hue Court, our flagship Key-Worker project for front line Health staff dealing with the pandemic;
- Sell 58 First Time Buyer homes, offering a first step on the housing ladder with the benefit of up to 25% of the purchase price being deferred indefinitely. Sales generated an additional £20.4m in income to support our capital programme;
- Continue supporting vulnerable clients through our Multi-Agency Safeguarding work;
- Invest in our line of business IT systems giving colleagues the ability to work in flexible and agile ways that ensured continuity of service to clients;
- Support the Government in protecting vulnerable households by helping to resource the Emergency Housing Service, and housing a number of households at risk of homelessness;

- Support our charity tenants including Shelter Trust and Women's Refuge and others;
- Enter into a new lease arrangement with Sanctuary Trust for a new facility in St Helier;
- Secure a £150m revolving credit facility (RCF) from HSBC and NatWest International to provide the necessary development funding now that almost all of the £250m States Bond issued in 2014 has been utilised. Lenders recognised our low-risk business model, providing lending on competitive terms on an entirely unsecured basis;
- Drive efficiency in our business and deliver value for money through the use of technology, adding to the range of digital services available to clients to allow them to manage their tenancies and access services at times which suit them. This investment in digital will continue for some time;
- Play a key role in supporting the local economy by bringing forward the design and tender phase of several key development projects;
- Work with the Ministers for Children and Housing and Treasury & Resources to freeze our rents for the whole of 2021, recognising the impact the pandemic has had on islanders lives;
- Delivered the agreed financial return to the Government of £30.5m. We will continue to make similar returns each year.

Our Challenges

Despite our success, some challenges remained. We recognise these and work proactively to address them where we can through engagement with stakeholders, and using our robust business model to stress test our finances so that we are prepared for new challenges and opportunities. The key challenges we faced in 2020 can be summarised as:

- Obtaining timely planning approval for our increasingly significant Capital programme to ensure that we can deliver the 3,000 homes we have committed to deliver by 2030;
- The Coronavirus pandemic was a challenge for all businesses. We weathered this well in 2020 through a combination of prudent business planning, investment in IT so that we could continue to provide clients with services whilst home working, and innovating with our repairs and development contractors;
- Jersey needs an estimated 7,000 new homes by 2030. Whilst there were fewer moves and we were able to generate less sales income for a period in 2020, once Government restrictions were lifted, it was clear islanders were still keen to move to a new home. Given we provide both rental and homes to buy at below market levels, the demand for our homes remained high as evidenced by the increasing number of applicants on the Affordable Housing Gateway to rent and buy. Servicing this demand through the delivery of more homes is perhaps our biggest challenge.

Our business model

Our business model is funded by the rental income received from our stock of 4,500 homes. We comply with the States social housing rent policy. This requires rents on new tenancies to be charged at up to 90% of market rents, thereafter an annual inflation linked increase is applied, which is capped at 4%. A number of our tenancies pre-date the current rent policy, and others have fallen behind 90% of market as the market has increased at a higher rate than our tenancies. At 31 December 2020, our average rent charge across our homes was equivalent to 79% of market rent.

Income support is available for up to the full amount of rent charged on our homes, dependent on individual circumstances. This differs from private sector rentals for which a cap is imposed and tenants are required to make-up any shortfall.

Our largest outgoing is the return we make to Government each year of £30.5m. Income support received by our clients in relation to their housing costs amounts to approximately £17m. We therefore cover those costs and contribute a further £13.5m towards other Government expenditure.

Our most significant operational expenditure is maintenance at around £13m each year. Ongoing investment at this level, plus the investment in our high-rise refurbishment programme, enables us to maintain our homes at the Decent Homes Standard and increase standards further over time.

We have a very strong balance sheet with fixed assets of more than £1billion and borrowing of only £218.4m. We enter in to borrowing to deliver new homes, with the income from those homes used to repay the borrowing. As well as rental income, we also receive proceeds from the sale of a number of both our existing and new homes. This reduces our borrowing requirements and therefore our interest costs.

Our ability to borrow makes our business model scalable. We are able to deliver the large number of homes required for both the rental and purchase market, offering products at below market rates.

Our business model is dependent on Government policy in a number of areas, most notably the relationship between the States rent policy and the financial return we deliver to Government each year. We work closely with Government to inform policy decisions being considered, to ensure our business model remains robust and capable of delivering the outcomes the island needs.

Financial strength and stability continue to be essential to provide secure homes for all who need them. Our business model is sustainable, with borrowing repayable within 20 years.

Value for money

One of the key benefits of creating the Company was to enable all retained surpluses to be reinvested within the business for affordable housing purposes providing a strong incentive to make best use of efficiency gains.

Demonstrating and achieving value for money is essential to provide our Guarantor with confidence that its investment is being managed efficiently, as well as to provide optimum services to our Clients.

We receive no funding from the taxpayer and to ensure that we are making the most of our income we constantly look for opportunities to improve efficiency in ways which also deliver business improvements and enhance the client experience. We were already investing in technology to allow Clients to manage aspects of their tenancy themselves or in order to communicate with us digitally. We had also begun a journey towards providing colleagues with the technology to allow them to work flexibly and in an agile way, something which stood us in good stead during periods where Government have required us to work from home in support of their strategy for keeping people safe from Coronavirus.

Our key performance indicators are benchmarked against UK housing associations, which are included on pages 24 and 25, therefore providing indications where efficiencies may be available as well as identify opportunities in our services.

Financial review of the year

We are pleased to report an operating surplus before depreciation and impairments of £7.5m (2019: £5.8m) compared to the budgeted surplus of £5.6m. This is after returning the agreed £30.5m (2019: £29.7m) to Government. Surpluses are re-invested into the business, primarily to fund maintenance of a capital nature.

Statement of Comprehensive Income review

The actual versus budget results for 2020 are set out below.

	Actual	Budget	Difference
	£'000	£'000	£'000
Rental income	52,513	51,572	941
Other income	2,468	2,254	214
Maintenance	(12,995)	(13,832)	837
Maintenance costs capitalised	4,314	4,984	(670)
Staff costs	(3,778)	(3,994)	216
Other expenses	(4,589)	(4,916)	327
Operating surplus before the return to the Guarantor, depreciation and impairment	**37,933**	**36,068**	**1,865**
Return to the Guarantor	(30,474)	(30,474)	-
Operating surplus before depreciation and impairment	**7,459**	**5,594**	**1,865**
Interest payable and similar charges	(4,265)	(4,625)	360

Rental income

Our primary source of revenue is the rental income we receive from our rental homes, which currently provides a gross return of 5.1%. We have exceeded budgeted income primarily due to:

- Movements in our capital programme which provided more rental income than budgeted. In the case of preparing for our refurbishment for the first block at Le Marais, we rehoused outgoing residents later than anticipated due to Coronavirus restrictions. This resulted in less lost rent than budgeted.
- The impact lockdown had on our lettings, which reduced the number of moves and lost rent that this creates whilst the homes are prepared for the next tenant. When moves returned to normal levels, they were subsequently re-let more quickly than budgeted, therefore further reducing lost rent between tenancies.

Rental income increased by 5.5% year on year which is partially attributable to the application of the States social housing rent policy, which reflects both the annual uplift and homes let at 90% of market rent during the year. The key driver for the increase this year, however, is a net increase in the number of homes by 75 (100 homes at our Samares development, 10 homes at our Le Squez phase 4 development, and 5 homes at Robin Hood corner, less the sale of 40 homes from existing stock).

Maintenance and other expenses

Maintenance continues to be our most significant operational cost at £13m each year. We managed to maintain our repairs and maintenance service despite the Coronavirus restrictions being in place for a significant part of the year. Our homes achieved 100% Decent Homes compliance during the prior year. Our objective now is to ensure this is maintained and to achieve the Modern Facilities standard, which will ensure that all of our homes have kitchens and bathrooms which meet the latest standards.

£2.7m of other expenses relate to property specific expenditure such as utility costs, rates and buildings insurance. £0.5m relates to the management and acquisition of sites acquired for future development and expenses in relation to property sales. The remainder is the cost of delivering the landlord services for our approximately 4,500 homes, which equates to 2.6% of our rental income.

Return to the Government

We delivered £30.5m to the Government in 2020, which is an increase of 2.7% compared to the previous year. Approximately £17m is received by our Clients in receipt of housing benefit and so our return represents a net contribution to Government of approximately £13.5m.

We will continue to deliver this return to Government every year, with an annual inflation linked adjustment.

Operating surplus before depreciation and impairment

Our operating surplus of £7.5m is used to fund maintenance of a capital nature and contribute towards interest costs on our loans.

Statement of Financial Position

We present a strong asset position with overall net assets of £872m, an increase of £34.2m since 2019. The most significant items are our housing properties, cash and borrowing.

	2020	2019	Movement
Balance sheet item	**£'000**	**£'000**	**%**
Housing properties	1,033,065	964,431	7.1
Cash and cash equivalents	32,089	45,671	(29.7)
Borrowing	(218,388)	(194,026)	12.6

Housing properties

The balance of £1,033m relates to our housing stock of rental homes, sites currently under construction and land purchased for redevelopment.

In 2020, we invested £63.5m in Construction costs, delivering homes at Samares, Le Squez phase 4, Robin Hood and Rosemount whilst moving key projects forward at Summerland, La Collette and Ann Court. We also completed the refurbishment at Hue Court and commenced the refurbishment at Le Marais.

We recognised a £47m uplift in value of our stock, over and above depreciation and impairment charges totalling £18.6m, which accounted for an additional £28.4m in value.

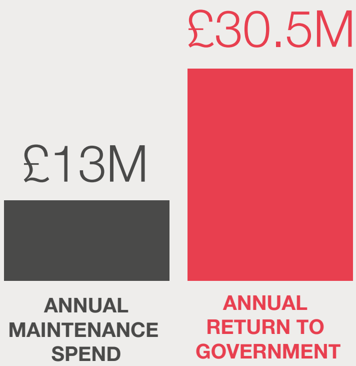
We also sold properties with a gross value of £23.8m to First Time Buyers under our affordable ownership scheme Andium Homebuy.

Cash and borrowing

We are now fully committed to the funds made available through the States Bond and therefore secured an additional facility of £150m with HSBC and NatWest International during 2020 to deliver further new homes in our pipeline. We will begin drawing on this facility during 2021.

Our cash balance has reduced since 2019 as we continue to fund new and existing capital projects from cash first, prior to accessing our new borrowing facility.

HOUSING OVER 10,000+ ISLANDERS



4,500+ RENTAL HOMES

FIRST TIME BUYER SALES

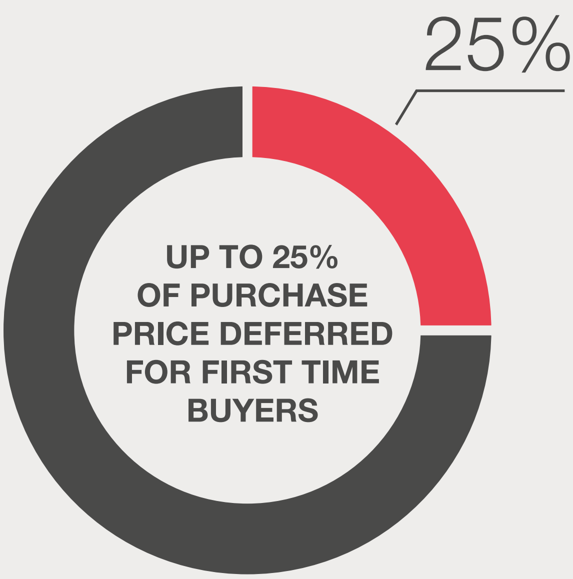
58 HOMES SOLD

132 NEW HOMES COMPLETED

DIGITAL INCLUSION

18% OF CLIENTS USING CLIENT APP / WEB PORTAL

12% INCOMING CLIENT CONTACTS MADE DIGITALLY



220+ ESTATES

AT THE CLOSE OF 2020

100% DECENT HOMES STANDARD

Key Performance Indicators

Our KPIs enable us to measure our continued improvement and to compare our activities with others in the sector.

	2020 Actual	2020 Target
Great services for all		
Overall client satisfaction	99%	90%
Occupancy	99.2%	99.5%
Rent collected as a % of rent charged	100.6%	100.0%

We collected all of the rent charged during the year.

	2020 Actual	2020 Target
Supporting successful lives		
Investment in communities	£0.01	£0.01

For every £100 spent by the business we invest £1 on the wider community.

	2020 Actual	2020 Target
More homes to buy and rent		
Number of existing properties sold	40	50
Net proceeds from existing property sales	£13.7m	£13.2m
Number of new properties sold	18	16
Net proceeds from new properties sold	£6.7m	£5.8m
Mean number of unlet properties at month end	32	<30
Average re-let time in days	31	<25
Rent loss due to voids as a % of rent due	0.75%	<1.0%
Tenancy turnover (annualised)	5.6%	7%

Our rental homes were let efficiently in light of the pandemic restrictions, providing homes for those most in need. We also sold 58 homes in 2020, making homeownership a reality for those unable to purchase in the private market.

	2020 Actual	2020 Target
Delivering growth and regeneration		
% of homes meeting the Decent Homes Standard	100.0%	100.0%
New supply delivered – social housing units	132	177
(of which are affordable sales)	17	15
Ratio of planned maintenance to response repairs	68%	69%
New supply as % of stock – social housing units	2.9%	4%
Reinvestment	£1.32	£1.84

We delivered 132 new homes in the year, with more homes due for completion in 2021, and maintained our 100% Decent Homes standard.

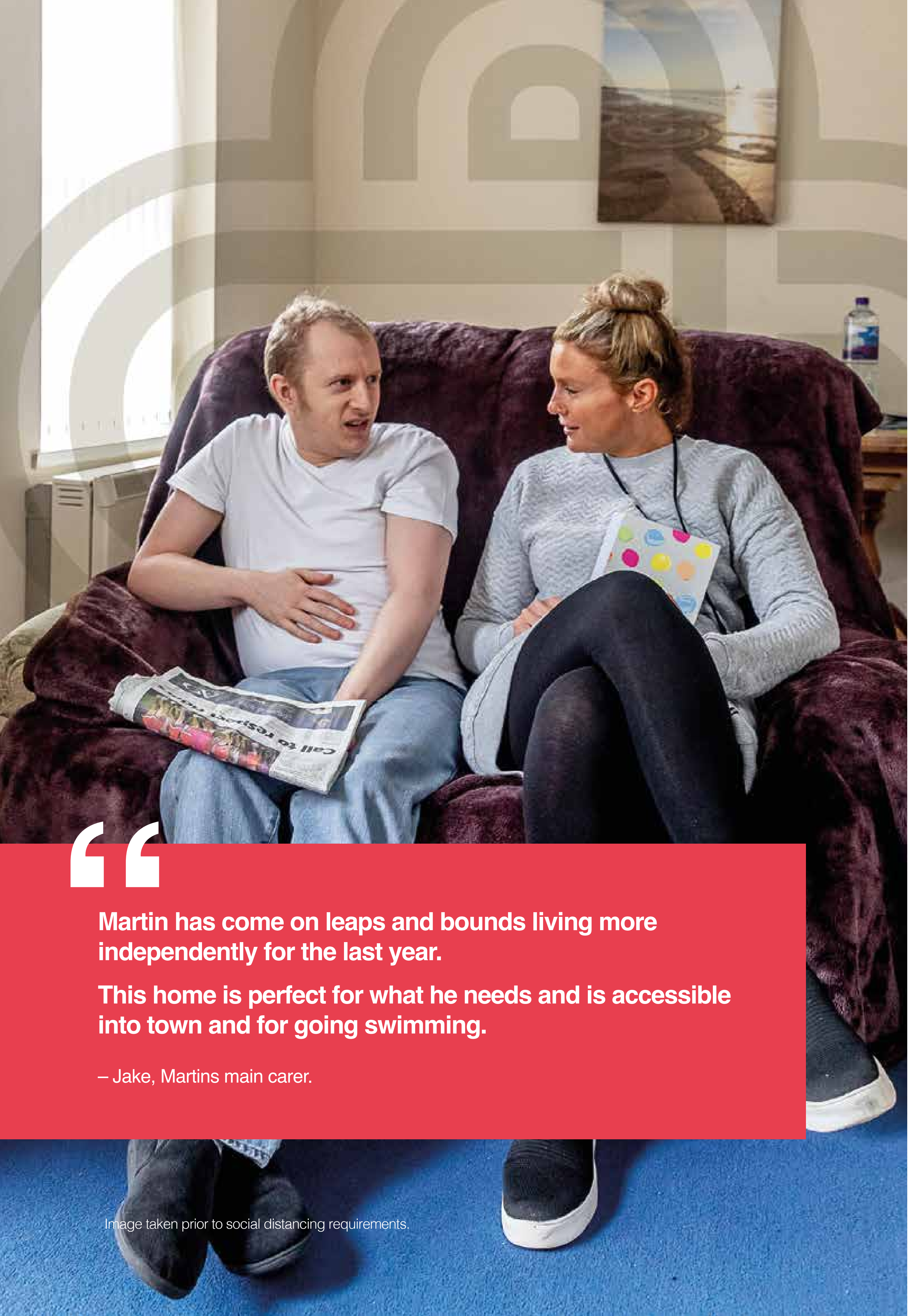
Maintaining financial strength and stability		
Minimum rent charged as a % of market rent	79%	81%
Operating margin – overall (pre-return)	64%	64%
Operating margin – social housing lettings (pre-return)	65%	65%
Interest capacity – earnings as a % of interest (pre-return)	991%	663%
Gearing (interest / assets)	21%	22%
Return on capital employed	4%	4%
Headline social housing cost per unit	£6,561	£7,146
Management cost per unit	£1,101	£1,106
Maintenance cost per unit	£1,914	£1,941
Major repairs cost per unit	£2,954	£3,480
Service charge cost per unit	£386	£411
Other social housing cost per unit	£207	£209
Overhead costs as % of turnover	10%	10%

On average across our approximately 4,500 homes, we charge equivalent to 79% of market rents. Our financial KPIs highlight our strong position and demonstrate that the majority of our expenditure is directed to maintaining our homes.

Challenging ourselves and developing our people		
Average colleague sickness levels	5	<5
Staff turnover in year	4%	<12%

Staff wellbeing has been a priority during this extremely challenging year. Ensuring all staff have the support they need to balance their work and home lives has been a focus of the whole team.

Targets are based on original benchmarks taken from UK Sector 2017 median, UK Housemark 2017 and UK Personnel Today 2014 or UK Monster, where applicable.



Martin has come on leaps and bounds living more independently for the last year.

This home is perfect for what he needs and is accessible into town and for going swimming.

– Jake, Martins main carer.

Image taken prior to social distancing requirements.

Principal Risks and Uncertainties Facing the Company

The Coronavirus pandemic is a reminder that even the most unlikely risks can occur. Although we could not predict what 2020 had in store, we can ensure a robust business model able to adapt to changing circumstances.

Risks

The Company has a Risk Management Policy and Strategy in place that identifies its risk appetite for different forms of risk and ensures active management of identified risks.

Fundamental to the Company's risk management is the maintenance of a corporate risk register identifying and scoring risks with involvement at all levels of the business.

Key risks are identified and mitigations put in place through the regular review thereof, as well as through monitoring of internal business process and performance, taking into account relevant external factors.

The results of the activities of the risk function are used to inform and focus the decision-making processes within the organisation.

Generally, we are a low-risk company, with significant assets, low borrowing and a high demand for our services. The key risks that the company faces are for the most part outside of our control. However, comprehensive measures are in place to mitigate those risks should they occur.

The most significant risks to the business are set out below:

Coronavirus

- The Coronavirus pandemic presents a risk to all aspects of our business including our ability to sell and let properties, our ability to progress capital projects and our ability to provide services to our clients.
- This risk has, however, now reduced to a manageable level, albeit that the longer term impact on the housing market is not yet known.
- The threat is constantly monitored and managed via a pandemic specific business continuity plan and through long term scenario financial planning.

Sharp economic downturn

- A general sharp economic downturn presents a risk for us as our business model assumes an ability to rent and sell our homes in the current market.
- We monitor the potential impact and are able to adjust our plans to ensure our business model remains robust. The strength of our balance sheet provides several options to manage certain levels of downturn. For example, we can adapt the speed of construction of new homes if market circumstances require.
- Our position, and that of our Clients, is strengthened because Income Support is available for up to the full amount of rent that we charge and is paid directly to us from Government.

Change in government policy

- Our business model is reliant on the relationship between the States rent policy for social housing and our financial Return to Government. It is also reliant on our Client's ability to access Income Support towards their rent.
- If the Government were to reduce its support for social rented housing either through a change to its rents policy or reduced income support for social housing rental costs, this would be a significant risk to our business model.
- In such scenarios, we are less able to deliver the capital programme or our services to clients, unless a compensatory reduction in the Return to Government is agreed. This was the approach taken in relation to the 2021 rent freeze, albeit that this still resulted in a loss for the company which could not be sustainable for a second year.
- Decisions in relation to other Government policies, for example around Planning, Immigration, Keyworkers, Homelessness, and the oversight of Incorporated Bodies may also have an impact on our business.
- This risk is mitigated through working closely with Government to ensure the impact of policy changes are understood by the Company and Government.

Lack of available land with planning permission

- Land use in Jersey, as in many other communities, is politically controversial. While there is general agreement that more housing is needed, there is also general agreement that new development should be strictly controlled.
- Currently, the biggest risk to Andium's future expansion is its inability to obtain sites with the appropriate planning permission, whether it be from Government transferred land, more efficient use of its own land or from the private market.
- This risk is mitigated as far as possible by liaising closely with the Minsters for both Treasury & Resources and Housing & Communities, and also the Planning Authority to ensure our challenges are understood.
- In recent years supply has been restricted while demand has increased. This has resulted in increasing house prices and rental costs, as well as higher land costs. The most sustainable way to tackle this is to increase the supply of new homes.

Increased capital project costs

- Capital project costs are a challenge because construction industry inflation in Jersey has exceeded RPI in recent years. Increasing costs can be caused by several factors including slow release of land, inflationary increases and an increased demand for the work provided by our contracting partners.
- There is a risk that capital projects become financially unviable which would slow the pace of delivery of new homes.
- Once planning permission has been received and development contracts have been signed, this risk predominantly falls away as contracts are generally fixed price, therefore this risk relates to our ability to progress future capital projects.
- This risk is mitigated through an efficient design and procurement process to ensure projects represent value for money, through the inclusion of appropriate contingency sums and by working closely with the construction industry to provide a predictable pipeline of work. We also seek to engage early with the planning division of the Department for Growth, Housing and Environment to understand their views and include this in our designs.

Governance

The Board operates at the highest standards of corporate governance.

Andium Homes is a company limited by guarantee, wholly-owned by the States, represented by the Minister for Treasury and Resources. Our governance arrangements are set out in our Articles of Association, which were included in the legislation establishing the Company. The Articles of Association provide for a Memorandum of Understanding (the "MoU"), which puts in place an accountability framework appropriate to a business wholly owned by the States.

The MoU emphasises a "no surprises approach" and specifies those issues on which the agreement of the Guarantor must be sought. The Memorandum was first drafted in 2014 and an updated agreement is currently being reviewed with Government.

The Board complies with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council.

The Board

The Board is collectively responsible for the governance of the company. This role includes –

- Setting the Company's strategic aims.
- Providing the leadership necessary to deliver the aims.
- Establishing the culture, values, and ethics of the company.
- Supervising the management of the business.
- Ensuring that the Company complies with relevant laws and regulations.
- Being accountable to the Guarantor in accordance with the requirements of the MoU.
- Agreeing an annual update to the strategic business plan and operating budget.


Image taken prior to social distancing requirements.

The Board is responsible for the operation of the business and it has a range of important stakeholders, not least the public of Jersey as the ultimate owner of the business. The Company is responsible for housing around 10% of Jersey's population and has been given a major role in meeting future housing needs and in providing housing for people in need of additional support and for key workers.

The Chair is responsible for the leadership of the Board and ensuring its effectiveness in every respect. The Non-Executive Directors constructively challenge and help support the development of the business by bringing strong independent judgement, knowledge, and experience to the Board's discussions.

The Board has established Risk and Audit, Remuneration and Nomination Committees. The Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources to carry out their duties.

The Board has also established a Capital Programme Subgroup, which gives detailed consideration to major capital projects. Reports on the work of the Committees and the Subgroup are on the following pages. The Terms of Reference and current membership are on the Company's website.

The day-to-day operation of the Company is the responsibility of the Chief Executive and his Executive team.

Composition of the Board

The Articles of Association stipulate that the Board comprises a maximum of nine Directors -

- A minimum of four and a maximum of five Independent Directors.
- A minimum of one and a maximum of two Tenant Directors.
- The Chief Executive and the Finance Director of the Company.

The Independent and Tenant Directors are appointed in accordance with the requirements of the Jersey Appointments Commission, which provide for an open and transparent process. However, there is provision for the Guarantor to appoint one Director and to make appointments on grounds of urgency, although with the approval of the Commission. The Guarantor must approve appointments of Independent and Tenant Directors. The formal arrangement for the appointment of Chair is that the Board makes a recommendation to the Guarantor. Independent and Tenant Directors are appointed for three-year terms and cannot serve for more than nine years in total. The two Executive Directors are appointed by the Board.

The Board currently comprises

Richard McCarthy CBE	Chair	Appointed 22 January 2021
Jason Laity	Independent Director	Appointed by the Minister 1 November 2019, extended on 4 December 2020 for a period of up to 6 months from 1 November 2020
Judy Beaumont	Tenant Director	Appointed 1 January 2017, Re-appointed 1 January 2020
Elaine Bailey	Independent Director	Appointed 1 February 2020
Julian Box	Independent Director	Appointed 17 February 2020
Jonathan Day	Independent Director	Appointed 17 February 2020
Ian Gallichan	Chief Executive	Appointed 1 July 2014
Lindsay Wood	Finance Director	Appointed 1 January 2020

Three Directors left the Board during 2020

Sir Mark Boleat	Term of office as Chair ended 31 December 2020
Colin Russell	Term of office as Director ended 30 June 2020
Michael Jones	Resigned as a Director with effect from 3 February 2020

Jason Laity has been appointed Senior Independent Director by the Board with his appointment extended on 4 December 2020 for a period of up to 6 months from 1 November 2020. This position provides a sounding Board for the Chairman and serves as an intermediary for the other Directors.

Sir Mark Boleat and Richard McCarthy met the test of independence as defined in the UK Corporate Governance Code. The Board consider that, Jason Laity, Elaine Bailey, Julian Box and Jonathan Day continue to meet the test of independence as defined in the Code. The Articles stipulate that one or two Directors are “Tenant Directors” as opposed to “Independent Directors”. However, the Board considers that Colin Russell and Judy Beaumont meet the test of independence as defined in the Code.

The Board met 12 times during 2020. This includes 1 meeting to which only Non-Executive Directors were invited to attend. The Board met a further 4 times to specifically discuss the impact of the Coronavirus pandemic on the Company.

Attendance at Board meetings was as follows:

	Attended / Eligible to attend		Attended / Eligible to attend
Sir Mark Boleat	11 / 12	Jonathan Day	10 / 10
Jason Laity	11 / 12	Colin Russell	7 / 7
Judy Beaumont	11 / 12	Michael Jones	0 / 1
Elaine Bailey	11 / 11	Ian Gallichan	11 / 11
Julian Box	9 / 10	Lindsay Wood	11 / 11

Board effectiveness review

The Board conducted a basic effectiveness review in 2020, which assessed the Board as effective.

The level of review was proportionate to the short time the new Board had been in existence and the impact of the pandemic.

Nominations Committee report

The responsibilities of the Committee cover –

- Reviewing the size, composition and structure of the Board and making recommendations to the Board for changes.
- Succession planning.
- Identifying and recommending to the Board candidates to fill vacancies on the Board.

The following members served on the Committee during the year –

- Sir Mark Boleat (Chair of the Committee to 9 July 2020) (Retired as Chair of the Company 31 December 2020)
- Jason Laity (appointed Chair of the Committee 9 July 2020)
- Jonathan Day (appointed as Director & to the Committee 17 February 2020)
- Elaine Bailey (appointed to the Committee 9 July 2020)
- Colin Russell (retired 30 June 2020)

The Committee met five times in 2020. All the members of the Committee at that time were present at the meetings. The activities of the Committee covered –

- The recommendation to the Board in January and February 2020 that Elaine Bailey, Julian Box and Jonathan Day be appointed non-executive Directors.
- The review of the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board.
- The recommendation to the Board in December 2020 that Richard McCarthy CBE be appointed Chair.

Equality and diversity

We are committed to providing a workplace where colleagues are treated fairly and able to give their best. The equality & diversity policy was updated in 2020 to further encourage equality, diversity, and inclusion in the workplace. Its aims are to create a working environment which promotes dignity and respect for all, and where individual differences and the contributions of all staff are recognised and valued.

This commitment includes training all employees about their rights and responsibilities under the policy. These responsibilities include staff ensuring the organisation provides equal opportunities in employment, and prevent bullying, harassment, victimisation, and unlawful discrimination.

The gender balance of employees at all levels of the business at the end of 2020, were:

Male
Female

Non-executive Board members

Directors and senior staff

Delivery colleagues

The gender pay gap shows the difference in the average hourly pay (mean and median) between men and women in a workforce and is calculated as the difference between the average hourly pay of men and women as a proportion of average hourly pay of men.

The gender pay gap reflects the distribution and relative proportions of men and women across an organisation. It does not take into consideration any differences in the role that male and female employees perform or their seniority.

The gender pay gap for employees at Andium indicates that on average men earned 37% more than women in 2019, and in 2020 the gap reduced to 35%.

Whilst men and women are appropriately paid for their roles, a gap is created as the higher paid roles are, more often, filled by men. We recognise that there is more work to be done and with the ongoing development of flexible working we hope this has a positive outcome on the pay gap.

Risk and Audit Committee report

The responsibilities of the Committee cover –

- Oversight of the Company risk policy and processes, including current risk exposures of the Company and making recommendations to the Board.
- Keeping under review the effectiveness of the Company's internal financial and non-financial controls against best practice.
- Monitoring the integrity of the financial statements of the Company, including recommending approval of the Annual Report to the Board.
- Considering and making recommendations to the Board, to be put to the Guarantor for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- Overseeing the external audit of the Annual Report.
- Oversight of the compliance function including monitoring management's responsiveness to findings and recommendations.
- Reviewing the Company's arrangements for whistleblowing, fraud and the prevention of bribery and corruption.

The following members served on the Committee during the year –

- Jason Laity (Chair, appointment extended on 4 December 2020 for a period of up to 6 months from 1 November 2020)
- Michael Jones (until 3 February 2020)
- Elaine Bailey (appointed as Director & to the Committee 1 February 2020)
- Julian Box (appointed as Director & to the Committee 17 February 2020)

The Committee met four times in 2020. Jason Laity attended all four meetings. Michael Jones attended the meeting held while he was a Board member. Elaine Bailey attended all of the meetings held since her appointment and Julian Box attended two of the three meetings held since his appointment.

The main activities of the Committee in 2020 were –

- Recommending the approval of the 2019 Annual Report to the Board, which accepted the recommendation and duly approved the report. In forming the recommendation, the Committee worked with the Executive team to gain comfort over the internal control environment and the key accounting issues.
- Meeting with the external auditors at both the planning and final stages of the audit to understand their audit approach, the results of their work and how they determined that the annual report was fit for purpose.
- Reviewing the Company's risk management and internal control systems. The Committee concluded that they represented good practice. When risks to the business emerge, mitigations are put in place to bring the risks within tolerable levels and the Committee considers that these are dealt with proportionately. Work to embed the function in the business has been effective and this will continue to be an area of continuous improvement.
- Oversight of the Company's financing strategy which resulted in the Company amending its loans with the Government and entering in to a £150m revolving credit facility with HSBC Bank Plc and Natwest International. The Committee provided oversight of the project, including reviewing new risks and mitigations put in place.

Remuneration Committee report

The responsibilities of the Remuneration Committee cover–

- Determining the remuneration policy and actual remuneration of the Executive Directors and the Chair.
- Reviewing and making recommendations on the level and structure of the remuneration of the Senior Executives not on the Board.

In undertaking its work the Committee is required to comply with the terms of the MoU, specifically –

- Agreeing in advance with the Guarantor "any changes to the level of remuneration paid to Non-Executive Directors".
- Agreeing with the Guarantor in advance of their taking effect "changes to either the structure or quantum of remuneration paid to Executive Directors for their executive responsibilities in the business".

The following members served on the Committee during the year and up to the date of the publication of this report –

- Jason Laity (Chair, appointment extended on 4 December 2020 for a period of up to 6 months from 1 November 2020)
- Sir Mark Boleat (retired 31 December 2020)
- Colin Russell (retired 30 June 2020)
- Jonathan Day (appointed as Director & to the Committee 17 February 2020)
- Richard McCarthy CBE (appointed as Company Chair & to the Committee 22 January 2021)

The Committee met three times in 2020. Colin Russell and Jonathan Day attended both meetings held while they were Board members. Jason Laity and Sir Mark Boleat attended all the meetings.

Remuneration policy

On an ongoing basis, Executive Director salaries are reviewed annually by the Remuneration Committee with recommendations made to the Board, prior to seeking approval from the Guarantor in advance of material changes taking effect.

The Remuneration Committee endeavours to ensure the value of remuneration packages for these roles matches the Board's policy on market position and sits appropriately against comparable organisation benchmarks. In doing so, the Remuneration Committee is responsible for ensuring Executive Directors are rewarded fairly and appropriately for the responsibility and accountability associated with the delivery and management of the Company.

Image taken prior to social distancing requirements.

Directors remuneration

The total remuneration of the Directors for the year ended 31 December 2020 is set out below:

	Total 2020	Total 2019
	£	£
Executive Directors		
Ian Gallichan	192,780	192,780
John Hamon (1 January to 21 October 2019)	-	115,910
Lindsay Wood (Appointed 1 January 2020)	124,320	-
Non-executive Directors		
Sir Mark Boleat	40,000	6,667
Frank Walker OBE	-	33,333
Jason Laity	20,000	3,333
Judy Beaumont	20,000	20,000
Jane Martin	-	10,000
Heather Bestwick	-	16,667
Michael Jones (to 3 February 2020)	1,839	20,000
Colin Russell (to 30 June 2020)	10,000	20,000
Elaine Bailey (appointed 1 February 2020)	18,333	-
Jonathan Day (appointed 17 February 2020)	17,500	-
Julian Box (appointed 17 February 2020)	17,500	-
Total	**462,272**	**438,690**

During 2020 the fees paid to Non-Executive Directors were the same as in 2019 - £40,000 for the Chair and £20,000 for the other Non-Executive Directors. Figures which differ from these amounts reflect the period served during the year.

No bonuses or benefits in kind were paid to Executive or Non-Executive Directors in 2020 or 2019 other than the pension contributions noted below.

Pension contributions

The Company participates in a multi-employer defined benefit pension scheme operated by the States. Employer pension contributions made in relation to Executive Directors in the period are set out below:

	2020	2019
	£	£
Ian Gallichan	29,303	27,760
John Hamon	-	16,691
Lindsay Wood	18,897	-
Total	**48,200**	**44,451**

External appointments

The Executive Directors did not hold any external Directorships in 2020 or 2019.

Capital Programme Subgroup Report

The responsibilities of the Capital Programme Subgroup cover -

- Reviewing and recommending the Capital Programme to the Board.
- Advising the Board of the risks and opportunities presented by the programme.
- Reviewing individual feasibility studies for capital projects.
- Reviewing proposed contractual arrangements for delivery of significant capital projects.
- Delegated approval for specified projects as agreed by the Board.

The following members served on the Subgroup during the year and up to the date of the publication of this report –

- Sir Mark Boleat (Chair) (retired as Company & Subgroup Chair 31 December 2020)
- Elaine Bailey (Chair from 27 January 2021)
- Richard McCarthy (appointed as Company Chair & Subgroup member 22 January 2021)
- Judy Beaumont
- Ian Gallichan

The Subgroup met three times in 2020. All meetings were attended by all members of the Subgroup, with the exception of Richard McCarthy CBE who was appointed in 2021.

The main activities of the Subgroup in 2020 were:

- Detailed review of capital projects.
- Approval of project budgets and appointment of contractors.
- Approval of heads of terms and revisions to development agreements.
- Considering the benefits of specific modern methods of construction.
- Considering the results of the fast-track economic stimulus exercise.
- Review of the capital programme.

Complaints and appeals procedure

Andium has a complaints and appeals policy in place and published on the website. All complaints and appeals are overseen by the Head of Internal Control. There were three formal complaints and one appeal during 2020.

Sustainability Report

Andium Homes recognises its environmental responsibilities and seeks to minimise the impacts of its operations upon the environment.

This Sustainability Report is the first of its kind to be included in one of our annual reports and contains information on key areas of environmental performance. We will continue to develop and enhance this information in future years.

We are committed to managing our environmental performance and resource use to help deliver efficiency savings. We are also committed to reducing the environmental impacts caused by the day-to-day operation of our services by:

- complying with the requirements of environmental legislation and approved codes of practice;
- raising awareness and encouraging participation in environmental matters;
- encouraging similar environmental standards from all suppliers and contractors;
- participating in discussions about environmental issues.

Highlights of 2020 include:

- Our new homes, our refurbishment programme and planned maintenance projects focus on energy efficiency to reduce costs for Clients and for the company;
- With the phased handover of the Samares Nurseries site, the wildlife corridor which runs around the site came into first use;
- On the Le Squez Phase 4 site we have extended the eastern cycle route;
- Our Strategic Portfolio Review now includes Energy Performance Certificate ("EPC") reporting for all of our homes, with works ongoing to allow for real-time reporting on the energy efficiency of our stock;
- We have added solar panels to the roof of our office at Don Street;
- Our limited fleet of cars maintained for business use are now electric;
- The introduction of waste recycling bins throughout our Don Street office;.
- The launch of more digital platforms for communication with our Clients reducing paper waste. We printed 63,000 less sheets of paper than in 2019, which is the equivalent of 8 trees;
- Our redundant IT hardware equipment has been repurposed, resulting in zero-waste.

Andium understands the important role it must play to assist in the delivery of the Government strategy to achieve carbon neutrality by 2030. This will also involve working with our Clients to assist them on this journey. We will continue to increase our focus on this important area of our business and develop the breadth and depth of our reporting around it.

Directors' Report

ANDIUM HOMES LIMITED.
Registration No. 115713

The Directors of the Company present their report and the audited financial statements of the Company for the year ended 31 December 2020.

Directors of the Company

The following served as Directors of the company between the beginning of 2020 and the date of signing of this report:

Richard McCarthy CBE	Chair	Appointed 22 January 2021
Sir Mark Boleat	Non-executive Chair	Appointed 1 November 2019, retired 31 December 2020
Jason Laity	Non-executive Director	Appointed 1 November 2019 , extended on 4 December 2020 for a period of up to 6 months from 1 November 2020
Michael Jones	Non-executive Director	Appointed 1 July 2014, Re-appointed 1 July 2017, Resigned 3 February 2020
Judy Beaumont	Non-executive Tenant Director	Appointed 1 January 2017, Re-appointed 1 January 2020
Colin Russell	Non-executive Tenant Director	Appointed 1 July 2014, Retired 30 June 2020
Elaine Bailey	Non-executive Director	Appointed 1 February 2020
Julian Box	Non-executive Director	Appointed 17 February 2020
Jonathan Day	Non-executive Director	Appointed 17 February 2020
Ian Gallichan	Chief Executive	Appointed 1 July 2014
Lindsay Wood	Finance Director	Appointed 1 January 2020

No other persons have served as Directors during the period.

Future developments

An analysis of future developments is described in the Chief Executive's Review and Performance Review earlier in this document.

Post balance sheet date events

On 14 January 2021 the Planning Committee did not recommend our revised plans for the former Gas Works site for approval. The strategy for this location is under review.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware.

Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Appointment of auditors

The audit services contract was put out to tender in 2019 to enable the Company to compare the quality and effectiveness of the services of the incumbent auditor with those of other audit firms. As a result of this process Baker Tilly Channel Islands Limited were re-appointed for a 5 year period, with a 3 year break clause, commencing year end 31st December 2019.

Statement of Directors' Responsibility

The Statement of Directors' responsibility is presented separately on page 44. The Company implements "best practice" from the UK Corporate Governance Code with a separate governance report included on page 30.

By Order of the Board.

Richard McCarthy CBE, Chair
31 March 2021

Lindsay Wood, Finance Director
31 March 2021

Directors' Responsibilities Statement

The Board of Directors is responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

The Board of Directors is responsible for preparing the Annual Report including the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements as described in the Financial Review, earlier in this document. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

In preparing those financial statements, the Board of Directors 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 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Make an assessment of the Company's ability to continue as a going concern.

The Board of Directors is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board Responsibility Statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.
- The annual report includes a fair and balanced review of the development and performance of the business and the position of the Company with a description of the principal risks and uncertainties that they face.

By order of the Board

Independent Auditor’s Report to the Guarantor of Andium Homes Limited

Opinion

We have audited the financial statements of Andium Homes Limited (“the Company”) for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable Jersey law, the Statement of Recommended Practice for Registered Social Housing Providers (“SORP”) and Financial Reporting Standard 102 (“FRS 102”) as issued by the Financial Reporting Council (collectively “applicable UK Accounting Standards”).

In our opinion the financial statements:

- give a true and fair view of the Company’s affairs as at 31 December 2020 and of its deficit for the year then ended;
- have been prepared in accordance with applicable UK accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law, 1991 as amended.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including the Financial Reporting Council (FRC’s) Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISA’s (UK) require us to report to you where:

- the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified in our audit.

Significant risks and our response

(i) Rental income

The risk

As rental income is the Company’s major source of revenue and is a material item in the Statement of Comprehensive Income, the recognition of rental income is a significant risk.

Our response

Our audit procedures with respect to rental income included but were not limited to: (i) tests of control of new tenants, to ensure the rental recorded in the tenant management software reconciles to the rental per the tenancy agreements which confirm the rental and other charges. (ii) We re-calculated rental income at year end to ensure the rental increases are accurately recorded. (iii) We tested the rental recorded and ensured it agreed to the active tenancies for the period the rental was recorded, and that it was recorded in the correct financial year.

(ii) Housing properties

The risk

Housing properties are a material item in the Statements of Financial Position and there is a risk of overstatement of this item as housing properties may not be appropriately owned and recorded by the Company. There is also a risk that housing properties held by the Company are materially misstated because the housing properties are not appropriately valued by the Company or valuer, or that depreciation and impairments are not appropriately assessed and recorded.

Our response

We noted management have engaged a housing valuation expert ("the valuer") to determine the fair value of housing properties at 31 December 2020 (updated from a valuation at 30 September 2020). We reviewed the competence, capabilities and objectivity of the valuer and we reviewed and assessed the significant assumptions used in the models calculating the fair value of housing properties. We also communicated with the Guarantor's auditor and the valuer, where the significant assumptions in the valuation model were scrutinised and challenged. We recalculated the basis for determining depreciation and we assessed the relevant impairment indicators and ensured impairments were appropriately recorded. We also performed tests of detail on additions and disposals of housing properties and capitalisation of maintenance expenditure in the financial year.

(iii) Maintenance expenses

The risk

There is a risk that maintenance expenses are not appropriately accounted for, due to items which should have been capitalised.

Our response

In conjunction with the testing of housing properties described in (ii) above, we selected a sample of maintenance expenses to determine the appropriateness of the classification of the expense and scrutinised maintenance accounts for any additional expenditure which was deemed to require capitalisation.

(iv) Rental arrears

The risk

There is a risk that rental arrears may be materially misstated because of inappropriate accounting treatment of rental debtors which should be provided for and written off.

Our response

We obtained management's list of rental debtors and assessed whether the provisions applied were appropriate and calculated accurately. We also reviewed debtors with impairment indicators and ensured they were appropriately provided for.

(v) Disclosure and presentation of financial statements

The risk

There is a risk the disclosure and presentation of the financial statements may be materially misstated particularly on public benefit entity requirements.

Our response

We reviewed the accounting policies of the Company to ensure they are in accordance with applicable UK Accounting Standards. We also reviewed the financial statement notes and all other reporting made (e.g. key performance indicators) to ensure they are in accordance with FRS 102, the SORP and the UK Corporate Governance Code (where applicable) and are consistent with the accounting records.

(vi) COVID-19

The risk

There is an uncertainty risk due to COVID-19. This may impact the valuations of the housing stock, recoverability of rental arrears, the cash flow budgets and other areas.

Our response

We have remained professionally sceptical throughout our engagement, challenged management and external experts on the impact of COVID-19 during the year as well as the likely impact in the future to ensure any impact has been adequately reflected in the financial statements.

Our application of materiality

In accounting terms, a material error is one that, if it were unadjusted, would cause a user of the financial statements to alter his view of those statements or the results or the financial position of the entity being reported on. Materiality, therefore is incapable of monetary definition, since it has both quantitative and qualitative elements. Auditors examine accounts on a test basis. The level of testing we have carried out is based on our assessment of the risk that an item in the financial statements may be materially misstated.

We assess risk both at the overall financial statement level and at the individual item level. The nature and volume of audit work we have conducted is directly related to our risk assessments. We plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole.

In making our assessment and cognisant of the challenges of defining materiality, we considered a threshold of £11,096,524 to be an indicator of materiality for the financial statements as a whole. This threshold was based on 1% of gross assets. Assets are considered to be the most important benchmark for the primary users of the financial statements. We have reported, to the Risk and Audit Committee, all corrected and uncorrected misstatements we identified through our audit with a value in excess of £554,826, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

In addition, we have allocated specific materiality for income, expenses, debtors and creditors. We considered a threshold of £549,791 to be an indicator of materiality for these specific areas based on 1% of income. Specific materiality has been used in these areas due to their lower value and to ensure we have performed adequate audit work in these areas. We have reported, to the Risk and Audit Committee, all corrected and uncorrected misstatements we identified through our audit, in these areas, with a value in excess of £27,490 in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach is risk based and focuses on identification of key business risks and those areas of operation that are considered significant to the results for the year and the position at the statement of financial position date. It focuses on the robustness and effectiveness of the Company's internal control environment established by management to ensure sound operational and financial control and the mitigation of risk.

The audit approach is a balance between systems and controls reliance, analytical review and detailed substantive testing (including obtaining independent third-party confirmations) and is determined by assessment of the internal control environment and factors influencing inherent risk.

During our preliminary visits and planning phase of our audit we updated our understanding of the business environment, including internal controls established by the finance, leadership and executive team, along with the Board of Directors and respective Committees (referred to for purposes of this document as "management") where these are relevant to the audit. This ensured a robust and efficient audit at the execution stage. Where possible, we seek to validate and subsequently place reliance on the controls that are in place, in order to increase the efficiency of our audit work. Our audit comfort comes from evaluating and validating how management monitor and control the business and financial risks.

Based on our understanding of the business, from the preliminary visits and planning phase of our audit, we undertook substantive testing on significant balances, transactions and disclosures in line with our risk assessment including the results of the work performed at the planning phase.

The delivery of the audit service is designed to build on the knowledge and experience we have gained from our interim review. The approach is reviewed and updated on an on-going basis to address new issues and developments as they emerge and through our meetings and discussions with management.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the audited financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- we have not received all the information and explanations which to the best of our knowledge and belief are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which we are able of detecting irregularities, including fraud, is through our procedures which are detailed below:

- analytical procedures on significant and material balances and corroborated the information therein with underlying agreements;
- journal testing including an analysis of journals to assess if there were unusual entries pointing to irregularities, including fraud; and
- confirmed all bank balances against counterparties' confirmations and reviewed the controls associated with the bank reconciliations as well as processing of payments.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were re-appointed by the Company, on 1 June 2019. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Risk and audit committee.

Use of this report

This report is made solely to the Company's Guarantor, as a body, in accordance with Article 113A of the Companies (Jersey) law 1991, as amended. Our audit work has been undertaken so that we might state to the Company's Guarantor those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Guarantor as a body, for our audit work, for this report, or for the opinions we have formed.

Ewan John S

Ewan John Spraggon
For and on behalf of Baker Tilly Channel Islands Limited
Chartered Accountants
St Helier, Jersey

1 April 2021

Statement of Comprehensive Income

for the year ended 31 December 2020

	Notes	2020	2019
		£'000	£'000
Rental income		52,513	49,798
Other income		2,468	2,867
Operating costs (excluding depreciation and impairment)		(17,048)	(17,163)
Operating Surplus before the return to the Guarantor, depreciation and impairment	2	**37,933**	**35,502**
Return to the Guarantor	3	(30,474)	(29,673)
Operating Surplus before depreciation and impairment		**7,459**	**5,829**
Depreciation and impairment	2,7,8,9,11	(18,985)	(27,939)
Operating deficit		**(11,526)**	**(22,110)**
Fair value gains on financial instruments	10	763	1,859
Interest receivable and similar income		129	248
Interest payable and similar charges	4	(4,265)	(3,967)
Realised surplus from disposal of financial assets		101	62
Deficit for the year		**(14,798)**	**(23,908)**
Other comprehensive income			
Unrealised surplus on revaluation of housing properties	7,11	48,735	38,399
Unrealised surplus on revaluation of other assets	8	265	1,014
Total comprehensive income for the period		**34,202**	**15,505**

The notes on pages 54-75 form part of the financial statements.

Statement of Financial Position
for the year ended 31 December 2020

	Notes	2020	2019
Fixed Assets		**£'000**	**£'000**
Housing Properties	7	1,033,065	964,431
Property, Plant and Equipment	8	7,081	7,024
Investment Properties	9	380	385
Financial Assets	10	29,764	26,291
		1,070,290	**998,131**
Current Assets			
Housing Properties held for sale	11	4,565	3,390
Debtors	12	2,710	3,290
Cash and cash equivalents	14	32,089	45,671
		39,364	**52,351**
Amounts Falling due within one year:			
Creditors	15	(2,682)	(2,382)
Accrued expenses	16	(16,089)	(15,781)
Borrowing	17	(19,752)	(18,413)
		(38,523)	**(36,576)**
Net Current Assets		**841**	**15,775**
Total assets less current liabilities		**1,071,131**	**1,013,906**
Amounts falling due after more than one year			
Borrowing	17	(198,636)	(175,613)
Net Assets		**872,495**	**838,293**
Capital and reserves			
Housing property revaluation reserve		299,650	250,915
Other assets revaluation reserve		2,107	1,842
Retained earnings		570,738	585,536
	26	**872,495**	**838,293**

The financial statements were approved by the Board of Directors and authorised for issue on 31 March 2021 and were signed on its behalf by:

Richard McCarthy CBE, Chair

Lindsay Wood, Finance Director

The notes on pages 54-75 form part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2020

	Housing property revaluation reserves	Other assets revaluation reserves	Retained earnings	Total reserves
	£'000	£'000	£'000	£'000
Balance at 1 January 2019	212,516	828	609,444	822,788
Deficit on ordinary activities	-	-	(23,908)	(23,908)
Other Comprehensive Income for the year	38,399	1,014	-	39,413
Balance at 31 December 2019	250,915	1,842	585,536	838,293
Deficit on ordinary activities	-	-	(14,798)	(14,798)
Other Comprehensive Income for the year	48,735	265	-	49,000
Balance at 31 December 2020	**299,650**	**2,107**	**570,738**	**872,495**

See note 26 for a description of the reserves.

The notes on pages 54-75 form part of the financial statements.

Cash Flow Statement

for the year ended 31 December 2020

	Notes	2020	2019
		£'000	£'000
Net cash inflow from operating activities	24	**8,647**	**9,661**
Returns on investments and servicing of finance			
Interest and similar charges received		129	248
Interest and similar charges paid	4	(10,267)	(7,730)
Net cash outflow from returns on investments and servicing of finance		**(10,138)**	**(7,482)**
Capital expenditure and financial investment			
Additions to Housing Properties	7	(57,311)	(55,674)
Additions to Housing Properties held for sale	7,11	-	(4,858)
Purchase of Property, Plant and Equipment	8	(151)	(111)
		(57,462)	**(60,643)**
Reduced by:			
Redemption of housing bonds	10	807	878
Sale of housing properties net of bonds issued	5	20,392	17,089
Net cash outflow from capital expenditure and financial investment		**(36,263)**	**(42,676)**
Financing			
Repayment of borrowing	17	(1,345)	(23,044)
Borrowing drawn down	17	25,517	69,544
Net cash inflow from financing		**24,172**	**46,500**
(Decrease)/Increase in cash in the period		**(13,582)**	**6,003**
Opening cash and cash equivalents balance		45,671	39,668
Closing cash balance	14	**32,089**	**45,671**

The notes on pages 54-75 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2020

1. Principal Accounting Policies

a) Statutory information

Andium Homes Limited (“the Company”) is a Company limited by guarantee and incorporated in Jersey. The registered office is 33-35 Don Street, St Helier, Jersey, JE2 4TQ. The Company is a public benefit entity.

b) Statement of compliance

The financial statements as at 31 December 2020 have been prepared in accordance with FRS 102. Although not a requirement, in the interest of best practice, the financial statements have also been prepared in accordance with the Statement of Recommended Practice (“SORP”) for Registered Social Housing Providers 2014. The principal accounting policies have been applied consistently throughout the year and preceding period.

c) Basis of accounting

The financial statements have been prepared under the historical cost accounting convention modified for the revaluation of fixed assets and financial instruments at fair value. The financial statements have been prepared in sterling which is the functional currency of the Company.

d) Going concern

The Board of Directors considers annually the appropriateness of preparing the Company’s financial statements on a going concern basis. Matters which are taken into account in this process include:

i. The prevailing economic climate, both internationally and locally and its impact, if any, on the Company’s viability;

ii. The financial position of the Company; and

iii. The short, medium and long term financial prospects resulting from financial modelling carried out in support of the Company’s business plan.

In the absence of any fundamental shortcomings raised as a result of the above exercise, the Board of Directors considers the going concern assumption underlying the preparation of the Company’s financial statements to be appropriate.

e) Rental income

Rental income represents income from social lettings which include contributions received for properties known as “Cottage Homes”. Previous legislation required these properties to be allocated to applicants under a different allocation policy, whereby instead of rental income, the Clients would make contributions to the running of these homes. The legislation has been repealed, and any new Clients now fall under the same criteria as the remaining social housing properties, with no change to existing Clients.

f) Other income

Other income represents rental income from investment properties, land acquired for future development, car park fees, utility charges and insurance reclaims. Tenant service charges are levied on a basis intended to cover appropriate service costs each period.

g) Net assets transferred from the States of Jersey

On 18 October 2013 the Royal Court of Jersey registered the Social Housing (Transfer) (Jersey) Law 2013 (the “Transfer Law”) to enable the transfer of the assets from the States to a private company incorporated in Jersey. The Social Housing (Transfer) (Jersey) Regulations 2014 (“Regulations”) which came into force immediately after the Transfer Law specified all net assets to be transferred to the Company. On the transfer date, the assets, rights and liabilities of the States of Jersey that are specified in the Regulations were transferred to the Company. The values assigned to the assets, rights and liabilities were determined with reference to the Regulations.

h) Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash that are subject to an insignificant risk of changes in value.

i) Housing properties and housing properties held for sale

Housing properties are initially recognised at cost to include: its purchase price; any costs directly attributable to bringing the asset into the condition necessary for it to generate rental income; and any borrowing costs directly attributable to the acquisition, construction and production of the asset.

After initial recognition housing properties (including the land on which it is situated) are valued at Existing Use Value for Social Housing ("EUV-SH") on an annual basis. The aggregate surplus or deficit on revaluation is the difference between the cost of the property less accumulated depreciation and the amount of the valuation. Revaluation surplus is recognised in other comprehensive income and transferred to the housing property revaluation reserve.

Impairments, including the reversal of impairments, are recognised when a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the Statement of Comprehensive Income.

Works to existing housing properties will generally be capitalised under the following circumstances:

i. Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or

ii. Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing housing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income. The major components are deemed to be land as well as those listed in part l) below.

Assets under construction, including land and buildings acquired for future development, are held at cost less any impairment until they become available for letting.

Housing properties identified for sale are classified as housing properties held for sale.

j) Investment properties

The Company carries its investment property at fair value, with changes in fair value being recognised in other comprehensive income and accounted in equity.

k) Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs related to the property sold are removed from the financial statements at the date of sale. Any surplus on disposal is recognised in the Statement of Comprehensive Income. Depreciation on these properties ceases at the date they are classified as held for sale.

l) Depreciation – housing properties

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property. On initial acquisition of a new housing property the deemed cost of each component is allocated as a percentage of the total cost. The expected useful life of each component is as follows:

	Expected Life (Years)
Structure	**80**
Roof	**30 – 50**
Windows and Doors	**30 - 40**
Kitchen	**30**
Stairs	**60**
Wiring and Electrical Installations	**30**
Plumbing and Installation	**30**
Builders Work in connection with service	**30**
Lifts	**30**
Partitions	**60**
Wall, floor and ceiling finishes	**30 - 60**
Sundry Builders work	**60**
Balconies	**60**
External works including underground Drainage	**40**

Land that forms part of the housing property is not depreciated.

Periodic reviews are undertaken to establish whether a charge needs to be made for any financial impairment that has arisen to reduce the value of any class of property to an amount less than historical cost and accumulated depreciation. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any impairment would be recognised in the Statement of Comprehensive Income. Refer to note 7 for the value of any impairment losses recognised.

m) Property, plant and equipment

The office premises is carried at fair value less accumulated depreciation.

Other fixed assets (other than housing property, infrastructure assets, and office premises) are stated at cost less accumulated depreciation.

Depreciation is charged on a straight line basis as follows:

Office Premises	**50 years**
Infrastructure assets	**50 years**
IT Systems Development	**10 years**
IT Equipment	**5 years**
Vehicles	**5 years**

Infrastructure assets and office premises were valued at fair value. The aggregate surplus or deficit on revaluation is the difference between the cost of the asset less accumulated depreciation and the amount of the valuation. Revaluation surplus is recognised in other comprehensive income and transferred to the 'Other Assets Revaluation Reserve', except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit is charged (or credited) to the Statement of Comprehensive Income.

n) Impairment of fixed assets

Where indicators of impairment have been identified, an impairment assessment is carried out and any required charges are recognised in the Statement of Comprehensive Income.

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. Impairments of fixed assets are recognised in the Statement of Comprehensive Income.

o) Leases

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

i. fulfilment of the arrangement is dependent on the use of a specific asset or assets. Although a specific asset may be explicitly identified in an arrangement, it is not the subject of a lease if fulfilment of the arrangement is not dependent on the use of the specified asset; and

ii. the arrangement conveys a right to use the asset. This will be the case where the arrangement conveys to the purchaser the right to control the use of the underlying asset.

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

p) Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are derecognised when the associated contract ceases, at which point the financial asset or financial liability is disposed of with any associated gain or loss recognised in the Statement of Comprehensive Income.

Financial assets

i. Housing bonds

Housing bonds are issued to eligible purchasers of housing stock initially valued as the difference between the agreed cash price and the fair market value of the property. The bond is repaid to the Company when the property is next conveyed. Subsequently the bond value is measured at fair value which is linked to the fair value of the underlying housing property. Changes in the fair value of the bonds are recognised in profit and loss. Fair value of the bonds is initially calculated as the proportionate difference between the fair market price of the property and the agreed cash price. Subsequently, fair value is obtained at each year end by applying the latest published Jersey Housing Price Index (HPI) to the bonds initial fair value.

ii. Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Comprehensive Income for the excess of the carrying value of the trade debtor over the present value of the future cash flows. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in the Statement of Comprehensive Income.

Financial liabilities

i. Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

ii. Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

q) Pension costs

The Company participates in a multi-employer defined benefit pension scheme operated by the States. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable to the Company. As it is not possible to readily identify the Company's share of the scheme, the scheme is accounted for as defined contribution scheme (rather than a defined Benefit Scheme in line with FRS 102) and contributions by the Company are charged to the Statement of Comprehensive Income as they fall due. Refer to Note 19.

r) Taxation

The Company is not subject to taxation under Jersey Income Tax.

Goods and Services Tax (GST) is accumulated over each quarter where the net balance due or receivable is settled with the Jersey Taxes Office.

s) Provisions and contingencies

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. All material contingent losses are disclosed with an estimate of the financial effect, its legal nature and details of any security.

t) Disclosure exemptions

The Company is a “qualifying entity” in terms of FRS 102 as the Company’s results are included in the consolidated financial statements of the States which can be found by searching “Annual Report” on the gov.je website.

The Company has taken advantage of the following exemptions:

i. FRS 102.33.11 – Exemption from related party disclosure requirements 33.9 in relation to a state that has control, joint control or significant influence over the reporting entity.

ii. FRS 102.9.9(b) – Exemption from producing consolidated financial statements on the basis that the interest in the subsidiary is held exclusively with a view to subsequent resale.

u) Frequency of reporting and comparative information

The financial statements of the Company are to be issued annually as at 31 December.

v) Key related parties

The Board of Directors of the Company and the States are considered to be the key related parties.

w) Critical accounting judgements

No significant judgements have been made in the preparation of these financial statements.

x) Key sources of estimation uncertainty

The following are the key assumptions and estimates which affect the amounts reported for assets and liabilities at the year-end and the amounts reported for income and expenditure during the year:

i. Useful lives of tangible fixed assets

Tangible fixed assets are depreciated on a systematic basis based on management’s best estimate of the assets’ useful life. This estimate is based on a variety of factors such as the expected use, any legal, regulatory, or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses (see notes 7 & 8).

ii. Impairment of assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or an Existing Use Value calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm’s length transaction on similar assets or observable market prices (see notes 7 & 11).

iii. Valuation of housing and investment properties

The Company carries its housing properties on an Existing Use Value. Revaluation deficits or surpluses are recognised in other comprehensive income and accumulated in equity. In determining the value, assumptions are made of the discount rate, future costs to be incurred such as management costs, total repair costs and the amount of bad debts and voids (see note 7).

The Company carries its investment properties at fair value. Revaluation deficits or surpluses are recognised in other comprehensive income and accounted in equity (see note 9).

The Company’s housing and investment properties were valued as at 31 December 2020 by independent professionally qualified valuers who hold a recognised professional qualification and have experience in the properties valued. The Company reviews the valuations performed by the independent valuers for financial reporting purposes.

iv. Goods received and not invoiced

Amounts for goods received and not yet invoiced have been calculated based on an agreed schedule of rates and an assessment made at year end as to the stage of completion of work provided with reference to either the agreed schedule of rates or quotations obtained before commencement of works (see note 16).

v. Estimates of value of work in progress for housing properties under construction

Housing properties under construction are valued using valuation certificates provided by suppliers or, where such a certificate is not available, management estimates are made with reference to lead professionals, associated contracts, and stage of completion. Estimation uncertainty, by its very nature, carries an inherent risk that there may be a material difference from the fair value disclosed in the financial statements when compared to any final realisable value (see note 7).

vi. Bad debt provisions

Specific bad debt provisions are determined on a systematic basis based on management's best estimate of likelihood of receipt. This estimate is based on a variety of factors including the debtors' personal and financial situation (see note 12).

y) Investments in subsidiaries

Investments in subsidiaries are recognised at cost less impairment.

2. Operating Deficit

Operating deficit is stated after charging

	2020	2019
	£'000	£'000
Depreciation	13,996	13,444
Impairment	4,989	14,495
Wages and Salaries	3,169	3,078
Social Security costs	169	158
Other Pension costs	432	422
Repairs; cyclical, planned, day to day	8,681	8,744
Auditors remuneration - audit services	47	46
Other expenses	4,542	4,681
Other staff costs	8	34

3. Return to Government

	2020	2019
	£'000	£'000
Return to Government	30,474	29,673

On 22 July 2014 the Company entered into an agreement with the States acting through the Minister for Treasury and Resources, the Guarantor for the Company, to provide a return payable by the Company to the Government to the base amount of £6,737k per quarter, starting from 1 July 2014. The base amount would be subsequently increased annually in quarter three, by the June Jersey Retail Price Index ("RPI") of the same year.

During 2018, the basis of the return was changed. It was agreed with the Government that:

- The increase in the return due in Q3 2018 be deferred to Q1 2019, and thereafter the increase will take effect on 01 January each year, and
- The base amount of the return be increased by the September Jersey RPI, with a minimum increase of 1.75% and a maximum increase of 3.25%.

The change in basis of the return was made in conjunction with a change in the States social housing rent policy which deferred annual uplifts in rent charges to 1 January (previously 1 October). Rent uplifts continue to be inflation linked and now also include a minimum and maximum increase of 2.5% and 4.0% respectively.

During 2020, and as a direct consequence of the Coronavirus pandemic, it was further agreed with the States that we would not apply our annual uplift to rent charges for the year commencing 1 January 2021. To limit the impact of this rent freeze on our business model, a partially compensatory reduction in the return was agreed, which reflected the budgeted savings the States would make through its income support payments.

The annual payment of the return continues indefinitely. It is the view of the Board of Directors that the annual return payable should be classified separately from the transfer of net assets at incorporation and recognised as an expense in the Statement of Comprehensive Income.

4. Interest Payable and Similar Charges

	2020	2019
	£'000	£'000
Interest on loan agreements with States of Jersey	3,847	3,967
Interest and fees on Revolving Credit Facility	418	-
Total interest costs	**4,265**	**3,967**

The interest charge on loan agreements with the States of £3,847k (2019: £3,967k) comprises £3,757k (2019: £3,874k) of interest and £90k (2019: £93k) of bond set-up fees which are amortised over the lifetime of Loan 1 (note 17).

On 26 February 2020 the Board authorised the signing of a sterling revolving credit facility agreement for £150 million. On 28 February 2020 the Company signed the facility agreement. This facility enables Andium to progress future capital projects in line with its strategic business plan. To date, no funds have been drawn from the facility. Utilisation fees of £318k (2019: £nil) have been charged in the year and £100k (2019: £nil) of arrangement fees amortised over the life of the facility.

Further finance costs of £6,192k (2019: £3,763k) have been capitalised and are included within additions to assets under construction (note 7). The weighted average interest rate applicable to the Company borrowings is 4.8%. Interest from the two facilities is apportioned to the projects under construction and is added to the cost of the development until it is available for use, at which point subsequent interest on related borrowing is charged to the Statement of Comprehensive Income.

5. Surplus on Sale of Housing Properties

	2020	2019
	£'000	£'000
Gross Proceeds	23,808	20,233
Net Asset Cost (Cost less accumulated depreciation)	(23,808)	(20,233)
Gain / (loss) on sale	**-**	**-**

Housing properties are revalued at the date of being identified for disposal and sold at that level, hence incurring no gain or loss on disposal. Gross proceeds is the total amount of cash received being £20,392k (2019: £17,089k) plus housing bonds issued during the period £3,416k (2019: £3,144k) which are repayable to the Company on next conveyance of the property, see note 10.

6. Employee Information

	2020	2019
The average full time equivalent number of persons employed in the period was:	50	47
The average number of persons employed in the period was:	51	49

	2020	2019
	£'000	£'000
Staff costs (including Directors emoluments):		
Wages and salaries	3,169	3,078
Social security costs	169	158
Pension costs	432	422
Other staff costs	8	34
Total staff costs	**3,778**	**3,692**

7. Housing Properties

	Held for letting	Land acquired for future development	Under construction	Total housing properties
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2020	913,319	26,904	84,963	1,025,186
Additions (note a)	4,314	-	59,189	63,503
Transfer from under construction to held for letting	44,451	-	(44,451)	-
Disposals (note 11)	(23,278)	-	-	(23,278)
Revaluation	34,045	-	-	34,045
At 31 December 2020	**972,851**	**26,904**	**99,701**	**1,099,456**
Depreciation and impairments				
At 1 January 2020	(50,781)	(9,974)	-	(60,755)
Charged during the period	(13,632)	-	-	(13,632)
Net impairments recognised	(10,105)	-	-	(10,105)
Impairments reversed	5,116	-	-	5,116
Revaluation	12,985	-	-	12,985
At 31 December 2020	**(56,417)**	**(9,974)**	**-**	**(66,391)**
Net book value as at 31 December 2020	**916,434**	**16,930**	**99,701**	**1,033,065**
Net book value as at 31 December 2019	**862,538**	**16,930**	**84,963**	**964,431**

a) Additions of £63,503k (2019: £64,295k) is reflected as £57,311k (2019: £55,674k) additions to housing properties and £nil (2019: £4,858k) additions to housing properties held for sale in the cash flow statement as the above amount includes £6,192k (2019: £3,763k) of finance costs capitalised. These finance costs are included as part of 'interest and similar charges paid' within the cash flow statement.

b) Where indicators of impairment have been identified at the asset level, an impairment assessment is carried out and those charges recognised in the Statement of Comprehensive Income. Impairments recognised are net of prior year reversals for ongoing refurbishment work. Valuations have been carried out as at 31 December 2020 by Jones Lang LaSalle IP Incorporated (an independent valuer) using the discounted cash flow method. The valuations have been prepared using the Existing Use Value for Social Housing, as required by the SORP. Valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Professional Standards, 2017, Global and UK Edition (the "Red Book"). The key assumptions used within the discounted cash flow calculations are as follows:

2020

Assumption	Core stock	High-rise stock	Newly developed stock	Hostels
Discount rate	5.75%	6.5% - 7.0%	5.75%	5.75%
Management costs	£750	£750	£750	£750
Total repair costs	£1,930	£1,955 - £23,700*	£1,450	£1,598
Bad debts, voids	1.5%	1.5%	1.5%	1.5%
Re-let rates	5.0%	5.0%	5.0%	5.0%

*assumption reflects the refurbishment costs at the four high-rise blocks at Le Marais, for which works were contracted during the year.

2019

Assumption	Core stock	High-rise stock	Newly developed stock	Hostels
Discount rate	5.75%	7.0%	5.75%	5.75%
Management costs	£650	£650	£650	£700
Total repair costs	£1,568	£3,168	£1,425	£1,326
Bad debts, voids	1.5%	2.0%	1.5%	1.5%
Re-let rates	5.0%	5.0%	5.0%	5.0%

Had no revaluation been performed the carrying value of these properties would be as follows:

	Held for letting	Land acquired for future development	Under construction	Total housing properties
Historical Cost	**£'000**	**£'000**	**£'000**	**£'000**
Carrying Value 31 December 2020	618,768	16,930	99,701	735,399
Carrying Value 31 December 2019	611,902	16,930	84,963	713,795

8. Property, Plant and Equipment

	Office premises	IT Systems Development	Infrastructure assets	Vehicles	IT Equipment	Total other fixed assets
Cost	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
At 1 January 2020	3,422	532	4,338	41	-	8,333
Additions	24	38	-	23	66	151
Revaluation	-	-	265	-	-	265
At 31 December 2020	**3,446**	**570**	**4,603**	**64**	**66**	**8,749**
Depreciation						
At 1 January 2020	(738)	(122)	(436)	(13)	-	(1,309)
Charged during the period	(63)	(40)	(235)	(8)	(13)	(359)
Revaluation	-	-	-	-	-	-
At 31 December 2020	**(801)**	**(162)**	**(671)**	**(21)**	**(13)**	**(1,668)**
Net book value as at 31 December 2020	**2,645**	**408**	**3,932**	**43**	**53**	**7,081**
Net book value as at 31 December 2019	**2,684**	**410**	**3,902**	**28**	**-**	**7,024**

Internal valuations have been carried out for Office Premises and IT Systems Development as at 31 December 2020. This resulted in a revaluation of £nil (2019: £nil). Infrastructure Assets form part of the States Asset Valuation as at 31 December 2020. The basis of this asset valuation is depreciated replacement cost based upon useful remaining life. These have been carried out in accordance with 'RICS Valuation - Global Standards 2017', UK Edition, except where agreed departures or assumptions have been made in accordance with the Government's instructions. This resulted in a revaluation of £265k (2019: £1,014k).

9. Investment Properties

	2020	2019
	£'000	**£'000**
At 1 January	385	390
Depreciation Charge	(5)	(5)
Revaluation	-	-
At 31 December	**380**	**385**

Investment properties consist of commercial properties rented at market rates. Valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Professional Standards, January 2017, Global and UK Edition (the "Red Book"). In 2016 CBRE performed the valuation making certain assumptions on tenure, letting, taxation, town planning and the condition and repair of the buildings and sites. Given these assumptions still apply in 2020 no further revaluation was performed and our review confirmed a depreciated valuation of £380k (2019: £385k).

10. Financial Assets

Housing bonds	2020	2019
	£'000	£'000
At 1 January	26,291	22,104
Redeemed during the period	(706)	(816)
Issued during the period	3,416	3,144
Unrealised surplus in the period	763	1,859
Valuation at period end	**29,764**	**26,291**

Where a property is sold as an affordable home, purchasers are able to apply for a deferred payment up to a maximum of 25% of the price of the home. The deferred payment is secured as a second charge or 'bond' against the property. The bond does not pay or accrue interest during the life of the purchaser's ownership of the property. However on alienation of the property the amount repaid to the Company will be the percentage equivalent of the market value at the time of repayment. The value of the deferred payment cannot decrease below its initial value. At the end of each financial year the housing bonds are revalued in line with the Jersey House Price Index with any unrealised deficit or surplus recognised in the Statement of Comprehensive Income. All housing bonds are considered to be non-current as the underlying properties are not expected to be sold within one year.

During the year, the Company sold 15 properties at Clos Du Foyer, St Clement, which is part of the Samares Nurseries site. These homes were sold using Andium Homebuy, however, the bonds issued remain with the properties in perpetuity, passing on to new purchasers each time the property is alienated. These bonds can only be repaid to the Company in exceptional circumstances. This was a requirement of the Planning Obligation Agreement to ensure the properties remain affordable in perpetuity. Bonds issued under this scheme during the period amounted to £2,235k (2019: £nil) and are recognised at nil value.

Surplus on disposal of bonds redeemed totals £101k (2019: £62k) from total receipts of £807k (2019: £878k).

11. Housing Properties Held for Sale

	2020	2019
	£'000	£'000
At 1 January	3,390	1,222
Transferred from Social Housing Assets (note 7)	23,278	16,839
Additions	-	4,858
Disposals (note 5)	(23,808)	(20,233)
Impairments	-	(9)
Revaluation	1,705	713
At 31 December	**4,565**	**3,390**

12. Debtors

		2020	2019
		£'000	£'000
Amounts falling due within one year:			
Rental debtors – current		767	643
Rental debtors – other		1,244	1,379
Deposits received		-	(16)
GST Receivable		643	508
Less	Provisions for former tenant rental debts	(334)	(338)
	Provision for non-tenant debts	(112)	(94)
		2,208	**2,082**
Other debtors		502	1,208
		2,710	**3,290**

Provisions relate only to rental debtors that are not current and have been identified specifically after individual assessments have been made for each debtor. There are no general provisions for debtors. The total of current rental debtors past due but not impaired amounts to £555k (2019: £514k).

13. Leases

	2020	2019
	£'000	£'000
Minimum lease payments receivable:		
Within one year	13,964	13,988
Within one to five years	26,224	26,295
More than five years	1,063	139
	41,251	**40,422**

Leases, being generally tenancy agreements for residential properties entered into:

i. prior to 1 January 2010 have a one week notice of cancellation,

ii. between 1 January 2010 and 1 May 2013 when the Residential Tenancy (Jersey) Law 2011 came into force, carry a one month notice of termination, and

iii. between 1 May 2013 and 31 December 2016, 3 months' notice of termination; and

iv. post 1 January 2017 tenancies have fixed terms ranging from 1 to 5 years. Tenants have the right to give early notice on these tenancies, however the majority of tenancies are expected to run the full course and so are disclosed as such.

There are also a number of leases in place for commercial premises; with various remaining lease periods, ranging from 1 to 8 years.

14. Cash at Bank and Cash Equivalents

	2020 £'000	2019 £'000
Short term cash investments	32,089	45,671
	32,089	**45,671**

15. Creditors

	2020 £'000	2019 £'000
Trade Creditors	-	44
Deferred income	2,682	2,338
	2,682	**2,382**

16. Accrued Expenses

	2020 £'000	2019 £'000
Return to the Guarantor	7,619	7,418
Goods and services received but not yet invoiced	8,470	8,363
	16,089	**15,781**

17. Borrowing

	2020 £'000	2019 £'000
Loan instalments are due as follows:		
Within one year	19,752	18,413
After one year:		
Between one and five years	-	31,537
In over five years	198,636	144,076
	198,636	**175,613**

On 17 November 2014, the Company entered into 3 separate loan agreements with the States. The first loan agreement was put in place to repay advances totalling £38,429k. The advances were made to the States of Jersey Housing Department, prior to the incorporation of the Company, by the States Treasury & Exchequer in order to fund capital projects. This includes projects noted in P.40/2012 Social Housing Schemes: Funding. The liability to repay the advances was transferred to the Company on incorporation along with the other assets and liabilities of the Housing Department.

Further loan agreements have subsequently been entered into with the States of. All loans are set out in the table below:

Loan	Total Loan Amount/ Facility	Brought Forward at 01/01/2020	Amount Drawn 2020	Amount Repaid in 2020	Amount Outstanding at 31/12/2020	End Date of Loan
	£'000	£'000	£'000	£'000	£'000	£'000
Loan - 1	38,429	31,732	-	-	31,732	31/12/2033
Loan - 2	4,741	4,239	-	-	4,239	31/12/2032
Loan - 3	9,675	8,902	-	-	8,902	31/12/2032
Loan - 5	2,659	2,532	-	-	2,532	31/12/2033
Loan - 6	2,149	2,081	-	-	2,081	31/12/2038
Loan - 7	7,119	7,036	-	-	7,036	31/12/2042
Loan - 9	4,991	4,791	-	-	4,791	31/12/2039
Loan - 10	10,037	9,902	-	-	9,902	31/12/2043
Loan - 11	7,050	7,050	-	-	7,050	31/12/2021
Loan - 12	47,183	40,802	-	-	40,802	31/12/2041
Loan - 13	16,966	1,345	-	(1,345)	-	31/03/2020
Loan - 14	52,278	37,831	8,209	-	46,040	31/12/2048
Loan - 16	5,081	-	-	-	-	31/12/2019
Loan - 17	37,800	10,967	2,920	-	13,887	31/03/2046
Loan - 18	21,332	9,606	5,932	-	15,538	31/12/2047
Loan - 19	15,133	6,917	5,356	-	12,273	31/12/2039
Loan - 20	17,640	9,002	3,700	-	12,702	31/03/2021
Total Loans	300,263	194,735	26,117	(1,345)	219,507	
Set up costs	-	(709)		90	(619)	
Total Liability	**300,263**	**194,026**			**218,888**	
Revolving Facility	**150,000**	**-**	**-**	**-**	**-**	28/02/2025
Arrangement fee	**-**	**-**	**(600)**	**100**	**(500)**	
Total Combined Liability	**450,263**	**194,026**			**218,388**	

Loan repayments of £1,345k were made during the year (2019: £23,044k).

Interest on all loans with the States is paid quarterly at a fixed interest rate of either 4.3% per annum (Loans 1 to 8 and Loan 10) or 5% (Loans 11 to 20 and Loan 9). The effective rate of interest charged on the first loan (after consideration of the loan setup costs) is 4.7% per annum. Loan repayments are due on the end date of the loan.

Loan setup costs of £1,190k incurred on initiation of the first loan agreement have been set off from the balance of the loan due and are realised over the term of this loan agreement. The total value of loan setup costs yet to be released is £619k (2019: £709k).

On 28 February 2020 the Company entered into a sterling revolving credit facility for £150m with HSBC Bank Plc and NatWest International. On the same date it was agreed that all loans entered into with the States would be varied halting repayments until the end of each loan period, with the fund maintained at capacity.

Interest on the revolving facility is floating and charged at a margin plus LIBOR, where a LIBOR interest period of 1, 2, 3 or 6 months is agreed as appropriate. The total value of the loans available but not yet drawn at year end is £150m (2019: £nil).

There are two covenants in place on the revolving facility:

Asset Cover – the ratio of total fixed assets to total gross debt, which should be no less than 150% on the last day of the financial year, and

Interest Cover – the ratio of an agreed mechanism for EBITDA (Earnings Before Interest Tax Depreciation and Amortisation) plus the proceeds of the sale of homes from our existing portfolio of stock, to net finance charges, which should be no less than 120% on the last day of any half year.

Both covenants were complied with during the year.

Borrowing drawn down per the cash flow statement is £25,517k (2019: £69,544k). This comprises amounts drawn of £26,117k (2019: £69,544k) less the arrangement fee paid on the revolving credit facility of £600k (2019: £nil). This arrangement fee has been set off from the balance of the loan due and is realised over the term of the facility. The total value of loan setup costs yet to be released is £500k (2019: £nil).

18. Capital Commitments

Development expenditure contracted less certified or accrued as at 31 December 2020 amounted to £163,806k (2019: £91,837k).

19. Pension Costs

The Company participates in the Public Employees' Pension Fund ("PEPF") which covers the Public Employees Contributory Retirement Scheme ("PECRS") and the Public Employees Pension Scheme ("PEPS") operated by the States, which whilst a final salary scheme (PECRS) and an average revalued earnings scheme (PEPS), are not conventional multi-employer defined benefit schemes as the Company is not responsible for meeting any ongoing deficits in the schemes. The assets of the schemes are held separately from those of the Company.

Contribution rates are determined by an independent actuary so as to spread the costs of providing benefits over the members' expected service lives.

Pension contributions for the Company's staff to this scheme during the year amounted to £432k (2019: £422k).

Because the Company is unable to readily identify its share of the underlying assets and liabilities of PEPF under FRS17 "Retirement Benefits", contributions to the scheme have been accounted for as if they are contributions to a defined contribution scheme.

Actuarial valuations are performed on a triennial basis, the most recent published valuation being as at 31 December 2018. The main purposes of the valuation are to review the operation of the scheme, to report on its financial condition and to confirm the adequacy of the contributions to support the scheme benefits.

The conclusion of the latest published valuation is that there is a deficit in the PECRS scheme assets at the valuation date of £1.1m, and a surplus in the PEPS scheme assets of £3.26m. Because the schemes are accounted for as if they are defined contribution scheme, no account has been taken of the Company's potential share of these deficits / surpluses.

A new cycle of triennial actuarial valuations will be performed for the PEPS defined contributions scheme commencing December 2019.

Copies of the latest Annual Accounts of the scheme, and of the States, may be obtained online or from the States Treasury and Exchequer, 19-21 Broad Street, St Helier, JE1 3PB.

20. Ultimate Parent Undertaking

The Board of Directors consider the Guarantor to be the Ultimate Parent Undertaking. The role of the Guarantor and the Andium Homes' Board is established in the Andium Homes Memorandum and Articles of Association adopted by the States on 5 June 2014. This is further clarified in the Memorandum of Understanding between the Minister for Treasury and Resources and the Company entered in to in July 2014 which is currently under review.

The Company is contractually bound to pay a quarterly return to the Guarantor. The amount of this return is £7,618k per quarter and incurs an inflation linked increased annually on 1 January. As a consequence of the rent freeze agreed in light of the Coronavirus pandemic, this amount has been revised for 2021 (see note 3).

21. Related Party Transactions

Members of the Board of Directors, Colin Russell (retired 30 June 2020) and Judy Beaumont, held tenancies with the Company during the period. These tenancies were granted under the Company's allocations policy, with rent under normal terms.

Borrowing (note 17) and interest expense as presented on the face of the Statement of Comprehensive Income and Balance Sheet are due to the States. Terms and conditions of the loans are described in note 17.

All assets and liabilities acquired on incorporation of the Company have been transferred from the States. The Company also participates in the defined pension plan operated by the States. Refer to note 19.

Directors' remuneration is illustrated on page 38 of the Annual Report.

22. Risks and Uncertainties

Financial risk management

Overview

The Company holds the following financial instruments: financial assets (deferred payment bonds); trade debtors (rent receivable); cash and cash equivalents; trade creditors (invoices payable); and borrowing (States loans and Revolving Credit Facility) (note 17). The Company has exposure to the following risks from its use of these financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks. Quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to determine risk appetite, implement controls to mitigate risks and to monitor this on an ongoing basis. Risks and mitigating controls are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's bank deposits and receivables from Clients.

Cash

The creditworthiness of the Company's main bankers, HSBC Bank plc is under periodic review. HSBC Bank plc holds a current short-term credit rating of P-1 (2019: P-1), as issued by Moody's.

Before placing cash with any bank, the Company has due consideration to both investment return and credit risk.

Receivables

The Company's exposure to credit risk is reduced by the risk being spread across 4,500 tenancies and approximately 56% of income being received directly from Government in relation to Income Support benefit.

Early engagement with Clients experiencing rent arrears, together with their ability to claim Income Support, resulted in only a very marginal increase in arrears during the first lockdown period. We have since seen these return to more normal levels, which are in themselves very low compared to comparable UK Housing Associations.

The Board does not consider credit risk to be a significant risk due to the credit rating of the bank cash is held at and there have been no recent significant debt write-offs.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Per the Company's Treasury Management Policy, Andium monitor actual versus forecast cash flow on a monthly basis to ensure short term cash flow is maintained and there is available liquidity to fund contracted capital expenditure for a minimum of 18 months. The Company's 40-year business model also provides long term assurance.

Due to the controls in place, the Board does not consider liquidity risk to be a significant risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company has no foreign currency risk as all transactions and balances are in Pound Sterling (GBP).

Interest rate risk

The risk that interest payable on borrowing is higher than expected and interest achieved on cash surpluses is lower than anticipated.

Interest on borrowing is both fixed (States Bond) and floating (Revolving Credit Facility). The floating rate exposure to movements in LIBOR is mitigated through the company's interest rate hedging policy which includes entering into relevant hedging instruments if certain trigger points are reached.

Cash flow forecasts assume immaterial interest income, mitigating this risk.

Inflation risk

The risk that inflation causes expenditure to increase at a rate higher than anticipated.

If construction expenditure were to increase at a rate in excess of the Retail Price Index ("RPI") the Company is potentially exposed to this risk for future projects. Our rental income is linked to RPI, with an annual uplift of RPI + 0.75%, however this is capped at 4%, therefore any increase in construction price inflation in excess of 3.25% will require other forms of mitigation. Currently this risk is mitigated through the design and procurement process which ensure projects represent value for money, with the inclusion of appropriate risk sums. The Company also works closely with the construction industry to provide a predictable pipeline of work.

During 2021, our rental income will not increase by RPI + 0.75% following the agreement with the Guarantor to to forgo this increase in the wake of the Coronavirus pandemic. This impacts our business model as we continue to expect inflation on construction and other costs. We have partially mitigated this exposure through an agreed reduction in our financial return to the Guarantor, however there is a residual balance uncovered which our modelling has demonstrated we can absorb for this one off adjustment to the rents policy. Any further changes to the rent policy would require further compensating adjustments to our costs in order to achieve our objectives.

Market risk, specifically inflation risk, is considered to pose the Company a significant risk in relation to the progression of future capital projects. The ultimate mitigation is to not enter into new contracts if viable schemes could not be achieved.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes and infrastructure, and from external factors other than credit, markets and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

A detailed review of key risks can be found within the risk section of this report ("Principle risks and uncertainties"). This summarises the most significant risks included on our risk register and encapsulates operational risk as well as credit, liquidity and market risk.

23. Contingent Liabilities

As at 31 December 2020, the Board of Directors noted there were no contingent liabilities (2019: £545k).

The guarantee in place during the prior year, for transportation of waste from the gas holder on the former Gas Works site, was rescinded once the shipments had been accepted for disposal at the approved UK facility thus eliminating the contingent liability. This was on 7 September 2020.

24. Net Cash Inflow from Operating Activities

	2019	2019
	£'000	£'000
Operating deficit	(11,526)	(22,110)
Depreciation and impairment	18,985	27,939
(Increase)/decrease in debtors	580	(1,319)
Increase in creditors	608	5,151
Net cash inflow from operating activities	**8,647**	**9,661**

25. Analysis of changes in net debt

	At 01 Jan 2020	Cash flows	Other non-cash changes	At 31 Dec 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	21,981	(13,678)	-	8,303
Cash equivalents	23,690	96	-	23,786
	45,671	**(13,582)**	**-**	**32,089**
Borrowings				
Debt due within one year	(18,413)	1,345	(2,684)	(19,752)
Debt due after one year	(175,613)	(25,517)	2,494	(198,636)
	(194,026)	**(24,172)**	**(190)**	**(218,388)**
Total	**(148,355)**	**(37,754)**	**(190)**	**(186,299)**

26. Reserves

The Company's reserves are as follows:

The retained earnings reserve represents cumulative profits or losses, including fair value gains on financial instruments and realised surplus from disposal of financial assets. It also includes the net assets transferred from the States on incorporation. This was a non-cash transaction of £678,000k in July 2014. Net assets transferred from the States were treated as a non-exchange transaction with no related performance conditions and were realised in full in the Statement of Comprehensive Income in the year it occurred.

The revaluation reserves represent the cumulative effect of revaluations of housing properties and other assets which are revalued to fair value at each reporting date.

There are no restricted or ear-marked reserves.

27. Post Balance Sheet Events

On 14 January 2021 the Planning Committee did not recommend our revised plans for the former Gas Works site for approval. The strategy for this location is under review.

ANDIUM

HOMES