ANDIUM
HOMES

Annual Report
2022

Contents

About Us

What we do

Jersey's largest residential developer and landlord, managing more than 4,700 properties and providing homes and landlord services for more than 10,000 Islanders.

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.

Auditor

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

Banker

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, JE4 8ZQ

Commercial property development

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

Chair's Statement

Richard McCarthy CBE

As I reflect on 2022, Andium Homes' many achievements come to mind particularly the ongoing delivery of our development programme and the completion of a further 206 homes.

However, without doubt it was the outstanding and extraordinary response to the tragic events of 10 December 2022 at Haut du Mont, of which I am most proud. Client obsession and Resilience are two of our core values, and there can be no doubt that every single Andium colleague has displayed these values in abundance during this very difficult period. They continue to do so as they provide ongoing support to displaced residents from the Haut du Mont community. The impact that the incident has had on the families and loved ones of those who lost their lives is at the forefront of our minds.

These qualities were again on display in January 2023 with the speed and scale of response to the serious flooding incident at Grands Vaux.

It is in times of adversity such as these that the real value of collaborative and supportive partnerships is truly understood, and the Board and officers have been grateful for the leadership and support of the Council of Ministers as they lead the Island through the recovery process. They will have the unwavering support of everyone at Andium Homes throughout.

We continued to support Government's housing objectives and maintained our close working relationship with our Guarantor, the Minister for Treasury & Resources, and the Minister for Housing & Communities as he develops initiatives to deal with the housing crisis. A particular example of this collaboration was the events in Spencer Close at the very beginning of 2022. The 36 residents of this privately owned apartment complex had effectively been given notice to quit by their landlord who wished to sell the homes.There was a very real risk that several of the residents would have found themselves homeless as a result. Andium was asked if it could assist, and following a period of careful negotiation we were delighted that we could acquire the property and offer reassurance to the residents and to Government.

We also received a request from Government to stop our development work on the former Stafford and Revere Hotel site in Kensington Place, so that the site could be included in new proposals for the future Hospital provision. We were able to assist Government as requested and agreed that Andium is to be fully compensated for the site acquisition and development costs incurred. This is vitally important so that the 106 homes intended for the Kensington site can be replaced elsewhere.

I have already mentioned that we completed an additional 206 new homes last year. Development activity continued at Cyril le Marquand Court and Edinburgh House and we commenced work on two more major sites, The Limes and the former Mayfair Hotel site. During the year we were also able to negotiate the acquisition of 169 new homes on the Northern Quarter site adjacent to the Millennium Town Park.

The north of town has been an area of particular focus for Andium in recent years. Another important project in the regeneration of this area is the redevelopment of the Ann Street Brewery and De Quetteville Court sites, the final planning application for which was submitted in November and subsequently approved by the Planning Committee in March 2022. This will provide an anticipated 249 new homes and a new Headquarters for Autism Jersey, as well as important community and amenity spaces which together contribute to our placemaking initiatives.

Earlier I mentioned client obsession and given this is a core value of ours it will be no great surprise that we are continuously looking at improving services for our clients.

In 2022 we commissioned a Client Experience Project which looked at three key client service elements: our people, our culture and our digital offering.

The project aimed to ensure an evolution in the manner that we offer services to clients, with a focus on getting it right first time.

Client obsession and Resilience are two of our core values, and there can be no doubt that every single Andium colleague has displayed these values in abundance during this very difficult period.

We are taking our colleagues and clients on a digital journey, giving those clients who wish to, the opportunity to manage their tenancy and access our services in a completely different way. We are mindful that some clients prefer a more face-to-face approach and with that in mind we also refurbished our Client Services Centre last year, creating a welcoming space for our existing and future clients.

I am very grateful to my fellow Board Members for their continued hard work and support. As a Board we are well served by an extremely hardworking and effective team at Andium Homes, led by Chief Executive Ian Gallichan and his executive team. They lead a highly skilled, dedicated and professional group of people who time and time again demonstrate their commitment to the Company and our clients. I am immensely proud of everything achieved throughout 2022.

Richard McCarthy CBE, Chair
29 March 2022

Chief Executive's Review

Ian K Gallichan

2022 was a successful year for Andium Homes in many ways, but the tragedy at Haut du Mont, in December, and the loss of 10 lives rather puts all of that into perspective. Our thoughts and prayers remain with those who died and their loved ones.

The relationship we have with our clients is a very personal one, and the loss of life at Haut du Mont is felt acutely by all our colleagues. As we prepare this Annual Report, we are still dealing with the aftermaths of the incident, focussing on the rehoming of our displaced residents and working with the Government of Jersey and investigation teams to establish what caused the explosion.

Whilst the rest of the Annual Report will focus on other areas of the business, our work in supporting residents will continue. Immediately following the tragedy, we found appropriate temporary accommodation for all 29 displaced households, and the vast majority have now moved into new permanent homes. For the remaining displaced households, we have identified new homes and are working closely with those clients to help with their moves.

In 2022, we completed the refurbishment of the second and third block at Le Marais, newly named Le Tour Grebe and Le Tour Dunlin respectively. These buildings provide 112 fully refurbished apartments for rental with 20 of those apartments being made available for keyworkers. We are pleased to support our colleagues in the Health Department in fulfilling their objectives of recruiting essential keyworkers to the Island. In common with the earlier blocks, and indeed our 11 high-rise buildings across the Island, all of the apartments and common areas are protected by fire retardation sprinklers helping to ensure that our residents are safe in the event of a fire.

Alongside these major refurbishments, is a myriad of other less major, but no less important, planned maintenance works which ensure that all our homes continue to meet the decent homes standard, and that we move towards full compliance with the higher, modern facilities standard.

Our Capital Programme is progressing well, and we are on target to deliver 3,000 new homes by 2030. In addition to the 151 homes built in 2021, last year we completed 206 new homes at our developments at Ann Court, now known as Cyril Le Marquand Court, Le Clos Couriard and the final phase of Le Clos Mourant. Work at Cyril Le Marquand Court and La Colette low-rise, now known as Edinburgh House, continued throughout 2022 and are anticipated to fully complete in 2023. Work also commenced on the redevelopment of The Limes, and the former Mayfair Hotel site, which will deliver 331 homes.

Andium is committed to working with the Government of Jersey in support of its various infrastructure projects. During last year, the new Council of Ministers decided to change its approach to the future Hospital Project and engaged with us over our Kensington Place development which was projected to provide 106 new homes. Ultimately, late last year in the revised Government Plan, they agreed to take ownership of the site from Andium, compensating the Company for the land acquisition and other costs incurred in acquiring the site and demolishing the existing buildings. Formal transfer of ownership will take place in 2023.

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Activity with the forward Capital Programme continues with the submission of and the subsequent approval of the planning application of the redevelopment for the Ann Street Brewery site for 249 new homes.

In May last year the States Assembly approved a 3 year Bridging Island Plan which identified sites for the estimated 5 year supply of new social rented and first-time buyer homes. Andium eagerly awaits the publication of the necessary development briefs and supplementary planning guidance to inform the design processes for each site.

Andium has always prided itself on being more than just a landlord and developer. We focus on developing communities which include the value-added spaces and amenities that make our developments a place people aspire to live in and visit and fundamental to great placemaking. Some examples of this are in the form of our community rooms at several of our developments and spaces like the pocket park at Cyril Le Marquand Court. This was also key to our suggestion that the former Gasworks site acquired by Andium in 2017, be given over as an extension to the Millennium Town Park. An alternative use for that site was proposed in the Bridging Island Plan which would see the site being used for a new town Primary School. We continue to support the Government of Jersey's decision-making in that regard.

ESG has become a focal point for all businesses, and we believe we are ahead of the game in that field, whether that is through our placemaking activities, building communities or the support we offer to third sector partners and the Government of Jersey. We are working on formalising an ESG Strategy for our longer-term approach.

The Council of Ministers formed a new strategic property and land decision-making group 'Future Places'. This group has set about reviewing the potential uses for surplus Government sites, working collaboratively with States-owned entities such as Andium and the States of Jersey Development Company. One of the key decisions reached in 2022 was the high-level proposals for the redevelopment of the St Saviour's Hospital site with Andium being asked to come up with outline proposals for an affordable housing redevelopment. I look forward to developing the proposals for this exciting project. This approach taken by Future Places demonstrates a marked increase in the level of collaborative work between the Government and States-owned Entities.

Our business model which returns £29million a year to the Government of Jersey, relies on the social housing rents' policy and the sale of 60 of our existing homes each year. Those sales are made to first-time buyers, some of whom will be existing tenants, registered with the Minister for Housing and Communities Assisted Purchase Pathway.

These buyers can apply to defer up to 25% of the purchase price of the home for an indefinite period. The deferred sum is repaid when the property is next conveyed. Despite seeing interest rates increase in the second half of last year, we were still able to achieve our sales targets, generating £22million in income which was reinvested into our Capital Programme, reducing our reliance on borrowing. This created 58 new homeowners, who would not have been able to purchase in the open market.

Achieving the excellent outcomes of the Company can only happen with the right people with the right skills. In 2022, we took the opportunity to look at resources within the business to consider where demand for our services is growing. For example, our unique specialised services team who support many vulnerable households and work collaboratively with Government agencies and the Third sector, ensuring that many of our fellow Islanders have the opportunity to live independently. We have increased our resources in this and other areas to ensure we are well-placed to continue to provide our vital services and deliver our Capital Programme.

The devastating and challenging end to the year highlights the resilience and dedication of our people, which is the very foundation on which Andium Homes is built. Their hard work and passion for our clients is what sets us apart as a social housing provider to over 10,000 Islanders and fulfilling our vision of great homes and services for all who need them. I am tremendously proud of them all, I am also grateful for the continued support of the Board, who provide valuable oversight and governance which ensures the business remains sustainable and on a sound footing.

Ian Gallichan

Ian K Gallichan, Chief Executive
29 March 2023


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Haut du Mont

Like the rest of the Island, we went to our beds on the night of 9th December not knowing what devastating news we would be awoken by the following morning. The explosion of one of our buildings at Haut du Mont, resulting in the loss of ten lives, represented the saddest and most challenging time we have ever faced. The thoughts and prayers of everyone at Andium Homes remain with those who died, with their families and friends, and with the other residents who lost their homes, friends and neighbours.

In the immediate aftermath of the explosion Government declared a major incident and Andium Homes' own major incident plan was put into action to support the emergency services and to take care of the 40 residents from the estate who were forced to evacuate their homes.

An emergency evacuation reception centre was established with the support of the Parish of St Helier and numerous businesses, charities and individuals, who offered support to the residents who had been forced to leave their homes in the middle of the night, in most cases with nothing but the clothes they were wearing at the time. We are particularly grateful for the significant donations from Marks & Spencer, Matalan, Sports Direct, the Co-Op and Aztec. Jersey Telecom also provided mobile phones for residents, and assisted them with setting up the new phones, and making those important calls to family.

Within hours of the incident it was apparent that all 36 homes on the development were going to be inaccessible for some considerable time, six had been completely destroyed and the adjacent blocks suffered irreparable damage. We spent time speaking with residents, understanding their needs and offering reassurance that they would be provided with everything they needed.

We implemented an emergency rehousing plan and within four hours temporary accommodation had been secured for all the displaced residents, either in self-catering accommodation or in fully furnished homes of our own. Residents were provided with cash, clothes, food parcels, toiletries, telephones, and importantly, the promise that they would continue to be supported.

We have been humbled by the bravery and resilience of these residents, and have come to know each and every one of them well. Haut du Mont was a strong community before the incident occurred, and one of our first priorities after finding temporary accommodation for residents was to re-connect them with each other. Regular coffee mornings have been held for the group, supported by the Parish of St Clement and their team of volunteers, to enable updates to be given and additional support to those that needed it. Residents have welcomed these meetings and valued the sensitive delivery of what has sometimes been difficult information by the GoCrisis Team, who have been engaged by the Government to also assist residents in the re-patriation of their belongings.

It is not possible to mention everyone who has assisted us in supporting the displaced residents since the day of the explosion, but we would like to acknowledge and thank the Community Support Hub, made up of colleagues from Customer & Local Services, Adult Mental Health, the States of Jersey Police and Adult Social Care.

Andium colleagues within the Support Hub have been particularly focused on ensuring residents were found new permanent homes and had everything they needed to settle in. It has been an emotional journey for residents, as the realisation of what happened, and what they have lost, is better understood. Our support will remain in place for as long as it is needed.

Investigations into the cause of the explosion continue. Although the exact source of the explosion has not been confirmed, it is known that mains gas was not being used by the residents at Haut du Mont, and that all heating, hot water, and cooking appliances were powered by electricity.

The long-term future of the Haut du Mont site is uncertain, it remains cordoned off and under the control of the States of Jersey Police and the Health & Safety Inspectorate who are investigating the incident. With our wholehearted support a Government led Regeneration Strategy has been commissioned which will consider how the Island as a community will recover from the incident, the future of the site and how the residents who died can best be remembered.


Business Excellence

Our Vision and Values

Our Vision and Values guide our Strategic Approach:

Our Vision

Great homes and services for all who need them

Our core values are the principles we believe in

Client obsessed

We are obsessed with delivering an excellent, consistent and personal client experience - every time.

Results driven

We work hard to deliver tangible, commercial and sustainable benefits to our clients and for our Island, in collaboration with our key stakeholders.

Passionate

We are passionate, dynamic and proud to be part of Andium Homes.

Resilient

We are resilient, positive and self-motivated when working in a demanding, fast paced and ever-changing landscape.

Courageous

We are courageous, pro-active and enjoy pushing the boundaries, in design, innovation and service delivery.

Acting with Integrity and Respect

We act with integrity and honesty and build mutual trust and respect amongst ourselves, with our clients, our Guarantor and other stakeholders.

Our Strategies

Housing is a long-term endeavour and to ensure we are thinking ahead we have identified a number of key strategic areas with long-term outcomes.

In developing our Strategic Framework we have taken into account that the Government of Jersey worked with Island stakeholders to develop the Jersey Performance Framework setting Key Island Outcomes to work towards.

As Jersey's largest landlord and biggest residential developer we play a major part in the Affordable Living outcome, and will do all that we can to ensure that "Islanders live in secure, quality homes" which is one of the key measures used by Government.

Results and Performance at a Glance
2022

Client Excellence

Measure	2022	2021
Properties Let	99%	99%
Arrears as % of Gross Rent Charged	0.83%	0.79%
Average Re-let Time	28 days	25 days
Assisted Purchase Pathway Applications	2,030	1,554

Innovation

Measure	2022	2021
Clients Subscribed to Digital Services	55%	44%
Client Contacts Self-Service Generated	35%	24%

Partnership

Measure	2022	2021
Investment in Communities	£1,040k	£900k
Clients housed through partnership pathway	53	47

Great Homes

Measure	2022	2021
New Affordable Homes	206	151
Homes Meeting Decent Homes Standard	100%	100%
Investment in Delivering New Homes	£75m	£67m
Number of Andium Homebuy Sales	58	83

Business Excellence

Measure	2022	2021
Rental Income	£57m	£55m
Return Paid to Government	£29m	£30m
Interest Paid to Government	£10m	£11m
Gearing	27%	23%

Delivering Growth and Regeneration

995 new homes are in contract or under construction and due for completion over the next five years. Many of these employ Modern Methods of Construction (MMC) and intensify the use of existing sites or regenerate brownfield sites.

Cyril Le Marquand Court, St Helier
85 New Homes
Due for Completion: 2023

The Limes, St Helier
130 New Homes
Due for Completion: 2024

767 homes

2023

999 homes

2024

Edinburgh House, St Helier
147 New Homes
Due for Completion: 2023

Pomme D'Or Car Park, St Helier
12 New Homes
Due for Completion: 2024

MMC = **Modern Methods of Construction**

Mayfair Hotel, St Helier
201 New Homes
Due for Completion: 2025

Ann Street Brewery, St Helier
249 New Homes
Due for Completion: 2026/2027

1,141 homes
2025

1,398 homes
2026

1,762 homes
2027

Pomme D'Or - Garage Infill, St Helier
2 New Homes
Due for Completion: 2025

Northern Quarter, St Helier
54 New Homes
Phase 1 Due for Completion: 2025

Northen Quarter
115 New Homes
Due for Completion: 2026

Performance Review

With more new homes delivered and focus on business excellence, our prudent financial approach continues to support the business to deliver on its key strategic aims.

Our Business and Objectives

We are Jersey's largest landlord, and manage more than 4,700 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.

At the end of 2022 we started work on our 2023-2025 Strategic Business Plan, with publishing planned in 2023, during which we refined the strategies as noted on page 12.

Our Challenges

2022 has been, by far, Andium's most challenging year.

The tragic disaster at Haut du Mont puts all our activities and plans in to perspective. Our response saw our colleagues prioritise our displaced residents, using all resources necessary to ensure they were provided with a new home, new clothes and any other items they needed. From the outset, we worked tirelessly to provide those displaced residents with the comfort that they would be looked after and provided with stable homes.

2022 was also a challenging year economically, and in particular, for those directly employed or sub-contracted to work for Camerons Limited, a major contractor on Island, who announced it was going in to liquidation in early 2023. As Camerons Limited were part way through delivering our Cyril Le Marquand project, we stepped in and worked closely with a new contractor to ensure the successful continuation of works on site, seeking to minimise the impact on clients already living in completed homes and those individuals working on the site.

Global events have also seen levels of inflation and interest rates not experienced for many years, coupled with supply chain issues in relation to building and maintenance works. Whilst Andium suffers additional costs in this regard, we do not pass this on to our clients as our rental income is capped at 80% and annual increases are capped at 4%.

We continue to take a long-term view and perform regular stress testing of our business projections to ensure the impact of the current economic climate is understood. Our strategy is to maintain a consistent approach in the delivery of our services, the level of maintenance investment, our Return to our Guarantor, and the pipeline of new homes.

This provides our clients and contracting partners with confidence in our services and ongoing investment in the construction industry. Our business model, although not immune from the economic climate and therefore experiencing higher costs, is sufficiently robust to respond to the economic challenges faced.

The housing market has continued to be a challenge for the entire Island with average house prices increasing by 11% in 2022. This reconfirms the importance of our Capital Programme, and the effect new supply could have on stabilising prices, making it essential that we continue to deliver new homes at pace.

Higher interest costs also impacts homeowners. With our Homebuy product, we continue to defer up to 25% of the purchase price of our homes, which has enabled property sales to continue through the year. The increase in interest costs may well see the housing market stabilise, after several years of high growth.

In these challenging times, we are maintaining a keen focus on delivering new homes and improved services for our clients, and will look to continually innovate to ensure we are able to achieve this.

Our Capital Programme is well established and whilst each opportunity presents new and varied risks, we continue to progress at pace, with 995 homes under construction or in contract, and we are on track to deliver 3,000 new homes by 2030.

We are confident in our ability to continue to deliver the new homes the Island needs, even given the challenging economic headwinds.

Our Achievements

Despite the wider economic challenges, the Andium business model continued to perform well placing us in a strong position to secure further borrowing from the private lending market in 2023 to fund our continuing Capital Programme.

Our long-term, sustainable view, sees us continue to deliver for our clients and provide confidence to the construction industry, through these difficult economic times of high inflation and increasing interest rates.

The key financial highlights are:

- £14m investment in our maintenance programme;
- £85m investment in major capital projects; notably £11m on acquiring the Northern Quarter which will deliver 169 new homes;

- 58 First-Time Buyers created, 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 £22m in income to support our Capital Programme;
- Delivery of 206 new homes;
- £16.8m investment on Spencer Close, protecting 36 private sector tenants and families from the prospect of losing their homes;
- Continued support for vulnerable clients through our Multi-Agency Safeguarding work;
- Continued development of our digital services to enhance business performance, in conjunction with our office improvement works, which put the client and our digital services at the forefront of our strategy;
- Supported the Government through our management of the Assisted Purchase Pathway;
- Supported our charity tenants including Shelter Trust, Women's Refuge and others, including providing a new headquarters for the Women's Refuge;
- Activated the Accordion Facility of £25m increasing our revolving credit facility (RCF) to £250m;
- Worked with the Ministers for Housing and Communities and Treasury & Resources to freeze our rents for the whole of 2022, recognising the continued impact the pandemic has had on Islanders' lives;
- Worked with the Government of Jersey to support a new 80% rent policy. This means our clients will not pay more than 80% of market rent for their home, and they will continue to benefit from restricted annual increases and Income Support being available up to the full amount of rent they are charged; and
- Delivered the agreed financial return to the Government of £28.6m.

Our Business Model

Our business model is funded by the rental income received from our stock of 4,700 homes, with the rent now charged at up to 80% of market rents, thereafter an annual inflation linked increase is applied, which is capped at 4%. Our average rent charge equates to 70% 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 £28.6m. Income Support received by our clients in relation to their housing costs amounts to approximately £19.2m.

In 2022, we therefore covered those costs and contributed a further £9.4m towards other Government expenditure.

Our most significant operational expenditure is property maintenance at around £14m each year. Ongoing investment at this level, plus the investment in our high-rise refurbishment programme, enables us to maintain our homes to the Decent Homes standard and also achieve close to 100% of the higher Modern Facilities standard with full compliance anticipated in 2023.

We have a strong balance sheet with fixed assets of more than £1.2bn and borrowing of only £328m. 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, however, the impact of the current interest rate environment has increased our forecast interest costs. Our ability to repay the borrowing continues to be reliant on future income, be that sales proceeds or rental, and so we are reliant on a stable housing market in the long-term.

Financial strength and stability continue to be essential to provide secure homes for all who need them. We perform rigorous stress testing on the model, with the following mitigations available were risks to become out of tolerance:

- Re-profiling the Capital Programme
- Mixed tenure sites to incorporate some open market products
- Increased opportunity to build on States' land
- Borrow over a longer period
- Increase existing property sales
- Reduced financial return to Government

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 are continually investing in technology to allow clients to manage aspects of their tenancy themselves or in order to communicate with us digitally.

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 £12.7m (2021: £10.7m) compared to the budgeted surplus of £11.1m. This is after returning the agreed £28.6m (2021: £30.2m) to Government. Surpluses are re-invested into the business, primarily to fund maintenance of a capital nature and contribute towards interest costs, and ultimately to repay borrowing taken out to fund the delivery of new homes.

In 2022, we also reported an increase in the valuation of our rental properties of £72.0m, offset by depreciation and impairment of £17.8m. This equates to 4.7% of the value of our homes, against an 11% increase in local house price inflation over the same period. In line with accounting standards, rental properties are valued using the Discounted Cash Flow method, which uses the future net rental income to value the homes at their Existing Use Value (as Social Housing). Although these are non-cash movements they do indicate that our rental income is not growing at the same rate as the private market, predominantly due to our rents being set at 80% of market, and the 4% cap on annual rent increases.

Statement of Comprehensive Income Review

The actual versus budget results for 2022 are set out below.

	Actual	Budget	Difference
	£'000	£'000	£'000
Rental income	57,107	56,214	893
Other income	2,326	1,935	391
Maintenance expenditure	(7,701)	(7,820)	119
Staff costs	(4,724)	(4,806)	82
Other expenses	(5,706)	(5,635)	(71)
Operating surplus before the return to the Guarantor, depreciation and impairment	**41,302**	**39,888**	**1,414**
Return to the Guarantor	(28,613)	(28,816)	203
Operating surplus before depreciation and impairment	**12,689**	**11,072**	**1,617**
Interest payable and similar charges	(7,961)	(7,712)	(249)

Rental income

Our primary source of revenue is the rental income we receive from our rental homes, which currently provides a gross return of 5.0%. We have exceeded budgeted income primarily due to:

- Movements in our Capital Programme which provided more rental income than budgeted. La Tour Grebe (Block G Le Marais), Le Clos Couriard (Summerland) and three phases at Cyril Le Marquand Court (Ann Court) were delivered earlier than financially forecast.
- The homes at Spencer Close have generated an additional rental income that was not anticipated at the time the budget was established.
- Our lost rental income through void properties was lower than budgeted due to properties continuing to be let efficiently.

Rental income increased by 4.6% year on year. Rents were frozen during 2022, so this increase is fully attributable to the net increase in new homes, and additional income created when existing homes were re-let after a tenancy came to a natural end. The key driver for the increase this year is the delivery of the final phase at Le Clos Mourant and Le Clos Couriard from January 2022, the delivery of Le Marais refurbishment (La Tour Grebe and La Tour Dunlin) from April 2022 and delivery of Cyril Le Marquand Court from July 2022 onwards. These additional homes, when coupled with the delivery of homes throughout 2021 which now have a full years' rental income, generate the increase year on year.

Maintenance and other expenses

Maintenance continues to be our most significant operational cost with £7.7m recognised in the income statement this year, with an additional £7.1m spent on maintenance of a capital nature. We achieved our target of 98% compliance with the higher Modern Facilities standard, being kitchens and bathrooms at the latest standard, as well as continuing to achieve 100% Decent Homes compliance. We are on track to achieve 100% compliance of both standards in 2023.

Staff costs represent employment costs for our small team of valued colleagues. We have increased the number of people directly employed to service the increased demand as the number of homes under our management grows, and to deliver our substantial Capital Programme which is now progressing at pace.

£3.2m of other expenses relate to property specific expenditure such as utility costs, rates and buildings insurance. £0.8m relates to the management and acquisition of sites for future developments and expenses in relation to property sales. The remainder is the cost of delivering the landlord services for our homes, which equates to 3.0% of our rental income.

Return to the Guarantor

We delivered £28.6m to the Government in 2022, which reflects the adjustments made to compensate us for the rent freeze in 2022 and the notional income support savings the Government have made following the move to an 80% rent policy.

We will continue to deliver a significant return to Government every year, in line with our Transfer Agreement with Government.

Operating surplus before depreciation and impairment

Our operating surplus of £12.7m is used to fund maintenance of a capital nature of £7.1m and contribute towards the interest costs on our loans of £8.0m.

Statement of Financial Position

We continue to show a strong balance sheet position with overall net assets of £907m (2021: £840m), with the increase primarily due to the delivery of another 206 new homes during the year which have a substantial uplift when first revalued.

The most significant items are housing properties, cash and borrowing.

	2022	**2021**
Balance sheet item	**£'000**	**£'000**
Housing properties	1,142,879	1,042,265
Cash and cash equivalents	13,554	16,956
Borrowing	(327,970)	(247,741)

Housing properties

The balance of £1,143m relates to our housing stock of rental homes, sites currently under construction and land purchased for redevelopment.

Housing valuations increased by 4.7% year on year. The homes are valued based on their existing use as social housing. During the year, whilst working with our valuation experts JLL and local market agents, we received updated rental valuations for all our housing stock, to ensure the 80% of market rent applied in the valuations is current.

In 2022, we invested a further £92m in construction, refurbishment, and land acquisition costs, with the significant purchase of the Northern Quarter site during the year. We continued to progress key projects at The Limes, La Collette, Cyril Le Marquand Court and The Mayfair, whilst also completing refurbishments at two of the tower blocks at Le Marais (La Tour Grebe and La Tour Dunlin).

Our property sales team also had another successful year, with £29m of homes sold to First Time Buyers through our Andium Homebuy scheme.

Cash and borrowing

We continue to be fully committed to the funds made available through the States Bond (via the Housing Development Fund) and have drawn the full amount available. After extending our external Revolving Credit Facility (RCF) with HSBC, Natwest International and Lloyds Bank Corporate Markets PLC, Jersey Branch in 2021 to £225m, we continued to drawdown with £101.5m drawn at the year end.

With significant capital expenditure during the year, we activated the Accordion facility on the RCF which extended the total commitment by £25m, to £250m, to ensure ongoing compliance with our Treasury Management Policy.

The RCF is on variable interest terms and in recognition of the volatile interest rate environment in 2022, we fixed our interest rate exposure in July 2022 on £50m of our RCF balance, as we forecast RCF drawings will not drop below £50m for the remainder of the life of the RCF. The interest rate swap is fixed at 2.58% and was valued as a £2.9m asset at year end.

We continue to manage the cash position alongside the external facility to ensure we only hold cash that is required in the short-term.

Our excellent quality social rental portfolio continues to grow and is better able to meet the needs of those registered with the Affordable Housing Gateway.

Key Performance Indicators

Measuring business performance allows us to closely monitor activity and stay ahead of emerging trends ensuring we continue to deliver great homes and services.

	2022 Actual	2022 Target
Client Excellence		
Overall client satisfaction	81%	82%
Rent collected as a % of rent charged	99.7%	± 100.0%
Arrears as a % of rent charged	0.83%	≤ 1.00%
Average re-let time in days	28	≤ 25

This year, for the first time, we conducted the Housemark STAR survey which is the best practice customer satisfaction framework for the UK housing sector, and therefore able to tell us how well we are doing and how this compares to UK Housing Associations. The initial results are positive and we will work to improve these over time.

	2022 Actual	2022 Target
Great Homes		
Major Refurbishments completed	99	99
New supply delivered - social housing units	206	159
Ratio of planned maintenance to response repairs	75%	± 70%
% of homes meeting the Decent Homes Standard	100%	100%
% of homes meeting the New Modern Facilities Standard	98%	≥ 97%

New supply delivered was ahead of target due to the earlier than budgeted delivery of 47 homes at Cyril Le Marquand Court (Ann Court).

Our continued significant investment in our homes resulted in us achieving our target for the % of homes meeting the New Modern Facilities Standard, as well as maintaining 100% of homes meeting the Decent Homes Standard.

Innovation

	2022 Actual	2022 Target
% of Client contacts self-service generated	35.0%	≥ 35.0%
% of Clients subscribed to digital services	55.0%	≥ 55.0%
Fossil Fuels – Number of litres of oil burned	801	≤ 15,000

The % of Clients subscribed to digital services has increased in 2022, in line with target, due to new and existing clients signing up to our digital services.

The number of litres of oil burned demostrates the Company's commitment to carbon neutrality.

Partnership

	2022 Actual	2022 Target
Investment in Communities	£1,040k	≥ £900k
Number of Clients housed through the Partnership Pathway	53	± 28
Number of Tenancies supported by the Specialised Services Team	285	± 250

The number of clients being supported by our Specialised Services Team has increased over the last few years. The team participate in a variety of multi-agency meetings and support a wide range of clients to safeguard them from harm, assist in sustaining their tenancy and prevent homelessness.

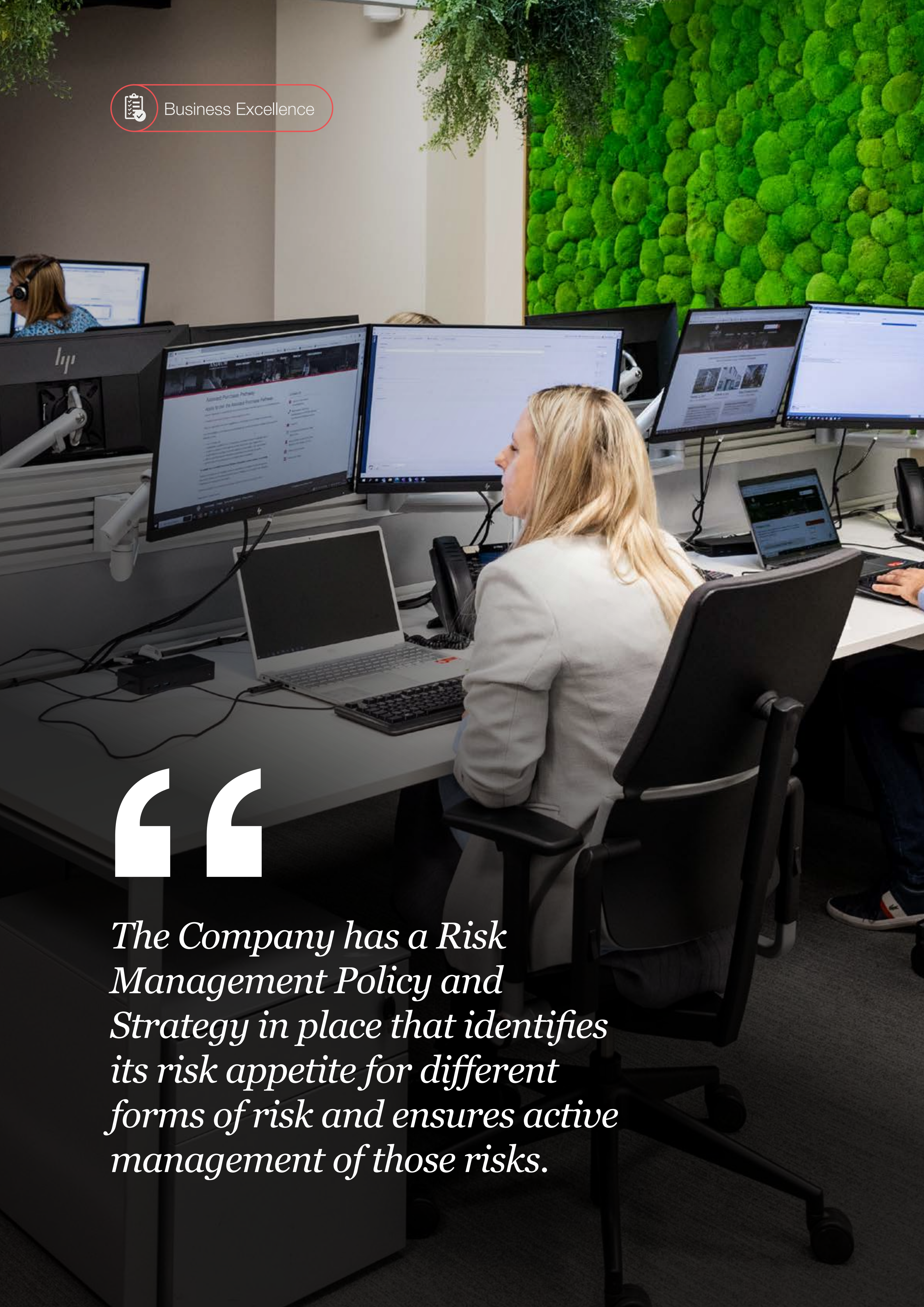
Business Excellence

	2022 Actual	2022 Target
Financial		
Number of unlet properties	48	≤ 30
Tenancy turnover (annualised)	6.9%	± 5%
Net proceeds from existing property sales	£22.9m	≥ £22.0m
Net proceeds from new properties sold	£0.6m	≥ £0.6m
Gearing (interest / assets)	27%	± 29%
Headline social housing cost per unit	£7,280	± £6,853
Maintenance cost per unit	£1,643	± £1,708
Major repairs cost per unit	£3,603	± £3,085
Other social housing costs per unit	£2,034	± £2,059
Asset Cover Ratio (min 150%)	356%	±343%
Interest Cover Ratio (min 120%)	305%	± 246%
Wellbeing		
Staff turnover in the year	19%	± 12%
Average colleague sickness levels	4.9 days	≤ 5 days

The number of unlet properties at year-end is higher than target due to the delivery of 26 new homes at Cyril Le Marquand Court (Ann Court) in December 2022.

The delivery of new homes has also had an impact on our tenancy turnover rate, with new properties being let to both new clients and existing clients looking to right-size.

Our staff turnover figure exceeded target for the year, which includes several retirees during the year.



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 those risks.

Principal Risks and Uncertainties Facing the Company

With the Island's largest property portfolio and a construction programme to deliver 3,000 new homes, we have a broad spectrum of risks to manage. We take a proactive approach to risk management ensuring we understand our business and have appropriate mitigations in place.

Risks

We take risk management extremely seriously, most notably in relation to those risks that can impact our Clients' safety and continuity of our service delivery.

We also manage risks that could prevent us from achieving our longer term strategic objectives.

Fundamental to the Company's risk management approach and policy is the maintenance of a corporate risk register owned by the Board and regularly reviewed by the Risk & Audit Committee.

Key risks are identified through our broad understanding of the business and the environment in which we work, and through regular risk workshops. Mitigations are put in place through the regular review and analysis of individual risks as well as concentrations of risk.

We also monitor changes in risks through the review of internal business process and performance.

The following pages outline the principal risks faced by the Company.

Health & Safety

Health and safety standards are our greatest priority for clients, colleagues and contractors alike.

We have an in-house health and safety team with the required skills and expertise to perform their roles. In conjunction with our maintenance teams, the team ensures that regular safety inspections are in place including ensuring that required general risk and fire risk assessments take place as legislated.

Health and safety requirements are also extended to our contractors who are required to pass competency assessments.

We have also safeguarded against fire risks by installing sprinkler systems and completed a programme of replacing fire doors across all of our high rise buildings. We have routine engagement with Jersey Fire and Rescue Services on a regular basis.

The tragic incident at Haut Du Mont in December demonstrates the importance of prioritising health and safety procedures, which we will continue to do with the high level of focus it requires.

Business Continuity

Business continuity can be impacted in a number of ways such as the displacement of clients from their homes, a pandemic, collapse of a maintenance contractor or cyber security attacks.

We maintain a business continuity plan which evolves with our business. Elements of this plan have been tested through the Covid-19 pandemic, the loss of a contractor, and recent incidents where clients have sadly been displaced from their homes. At such times, we prioritise Client well-being and continuity of our services.

Cyber-attacks remain a threat that can impact any business. We manage this through mandatory cyber security awareness training to all colleagues and relevant contractors, as well as obtaining Cyber Essentials certification annually and having the appropriate insurance policies in place. We also invest in a suite of technologies which enable us to proactively monitor vulnerabilities and threats through a 24/7 monitoring service.

Attracting, Retaining, and Developing Talent

Ensuring we have skilled colleagues that can deliver on the growth of the Company whilst providing consistent, caring and compassionate services for our clients is essential.

Attracting, retaining, and developing our colleagues, including a number of new colleagues that have joined the team recently, is a key focus area for the business. Succession planning is also a key focus to ensure we can continue to deliver for our clients over the long-term, without interruption or delay.

Change in Government Policy and Stakeholder Alignment

Our business model continues to be underpinned by the relationship between the States rent policy for social housing and our financial Return to Government, and our continued ability to sell homes through our Andium Homebuy scheme.

As a States Owned Entity, Andium is also impacted by several other Government policies in relation to Income Support, Planning, the re-zoning of land, immigration, and Homelessness strategies. In addition, our memorandum of Understanding with Government requires us to agree certain matters with the Government in advance of them taking effect.

Proactive stakeholder engagement and alignment in our strategic planning and key decisions is vital in the achievement of our strategic objectives, including meeting our 3,000 new homes target.

We continue to work closely with Government policy makers and our Guarantor so that we can comment and where appropriate, advise on any policy changes or political decisions that are likely to impact our plans and operations and ensure the implications are understood by the Company and Government.

Ability to Deliver the Capital Programme

Our capital programme is an essential part of Jersey's economy providing a pipeline of work for the local construction industry and new homes for Islanders.

The programme faces several challenges including securing land with planning permission on which to develop and capacity constraints within the local construction industry. In particular, recent increases in construction inflation and interest rates have added pressure on achieving viable projects.

We manage these risks through early engagement with key stakeholders, including the Guarantor and the Planning Department. We utilise Modern Methods of Construction to reduce build periods (and to progress on our journey to net zero) and we obtain regular market analysis from industry experts to monitor inflation.

This risk is actively managed by the Capital Programme Sub-group (CPSG), with a key focus on efficient design and providing a clear pipeline of work to contractors and sub-contractors to maximise efficiencies.

Long-Term Financial Stability

This risk includes potential effects of economic uncertainty, and in particular the impact that market drivers such as inflation, interest rates, house prices and rents have on long term business model viability. In this period of high inflation, the cap of 4% on our annual rent increases adds further stress to our business model.

We have a strong balance sheet which provides several options to mitigate this risk, which are listed on page 18.

We manage this risk through performance of long-term business modelling, and ensuring our long-term commitments to our Guarantor are clear, which enables us to assess potential impacts and adjust our plans to ensure the business model remains robust.

Our position, and that of our clients, is strengthened because Income Support is available for up to the full amount of rent we charge and is paid directly to us from Government.

Environmental Sustainability

Adapting to the opportunities and challenges of achieving carbon neutrality, and at the same time making sure we adapt to meeting the impacts of a changing climate on our homes, is a key focus for our business.

We are embracing the opportunity to align with the Government's sustainability targets by developing a robust Environmental, Social and Governance (ESG) strategy in collaboration with our clients and key stakeholders, with a programme already in place to achieve carbon neutrality.

Sustainable Growth and Efficiency

To achieve our ambitious business plan, we have recognised the need to grow the business to ensure we deliver our target of 3,000 new homes and provide continually improving services. This includes maintaining good quality data, with appropriate security measures and data protection controls.

Unmanaged growth can lead to poor service delivery, inefficient operations and non-compliance to best practice or regulations.

We manage this risk through a continuous cycle of business process reviews centred on efficiency, digitalisation and maintaining a strong internal control environment.

Environmental, Social and Governance

Doing things right and doing the right things

Corporate Social Responsibility - how we enhance society and the world around us for our stakeholders has been at the heart of everything Andium does since our incorporation.

Environmental, Social and Governance ("ESG") Reporting is a way to demonstrate to our clients, partners, stakeholders and Guarantor how we regenerate sustainably and affordably; act with social responsibility; and observe good governance. In other words, how we do things right and how we do the right things.

Andium's Approach to Sustainability

To ensure we can be held accountable and challenge ourselves, we have reviewed the Sustainability Reporting Standard for Social Housing (the "SRS") to better understand how this voluntary disclosure framework can be applied. The framework has 12 themes and 48 criteria for ESG reporting by housing associations. These are qualitative and quantitative and are identified as core and enhanced requirements to demonstrate strong ESG performance.

The SRS was set up in response to concerns that ESG investment in social housing was being inhibited by the absence of a common reporting standard. As with many other sectors across the economy, there had been a multitude of ESG reporting frameworks, resulting in reporting that lacked transparency and was prone to inconsistency. Moreover, it was apparent many housing providers were being asked to report on ESG criteria not relevant to the social housing sector.

ESG Area*	Theme	Theme name
Social	T1	Affordability and Security
	T2	Building Safety and Quality
	T3	Resident Voice
	T4	Resident Support
	T5	Placemaking
Environment	T6	Climate Change
	T7	Ecology
	T8	Resource Management
Governance	T9	Structure and Governance
	T10	Board and Trustees
	T11	Staff Wellbeing
	T12	Supply Chain Management

** SRS Criteria v1.2 – Spring 2022*

The standard is enabling housing providers to report on their ESG performance in a transparent, consistent, and comparable way. This is making it easier for lenders and investors to assess the ESG performance of housing providers, identify ESG risks and pursue opportunities to create positive social and environmental outcomes.

Our Environmental, Social and Governance Strategy will be developed in further detail during 2023 taking this guidance into account and in full consultation with our clients and key stakeholders.

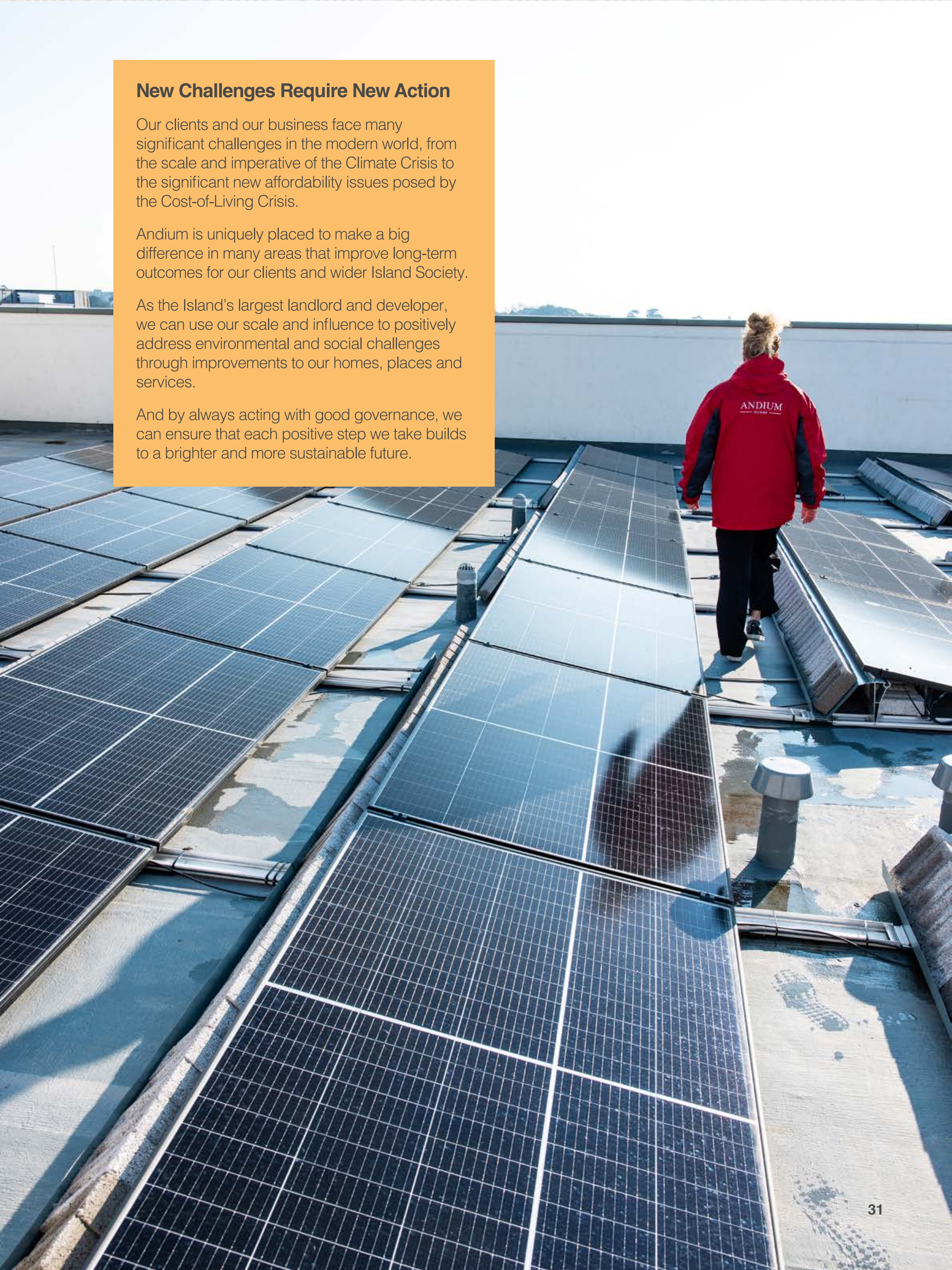
New Challenges Require New Action

Our clients and our business face many significant challenges in the modern world, from the scale and imperative of the Climate Crisis to the significant new affordability issues posed by the Cost-of-Living Crisis.

Andium is uniquely placed to make a big difference in many areas that improve long-term outcomes for our clients and wider Island Society.

As the Island's largest landlord and developer, we can use our scale and influence to positively address environmental and social challenges through improvements to our homes, places and services.

And by always acting with good governance, we can ensure that each positive step we take builds to a brighter and more sustainable future.



Environmental

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; and
- Participating in discussions about environmental issues.

Highlights of 2022 include:

- Removal of all remaining fossil fuel communal boilers at the end of 2022;
- Over 100 Solar panels now installed to roofs including Andium Court and Hue Court with Plaisant Court and Windsor Court planned imminently;
- Window triple glazing retrofitted to 77 properties this year;
- Agreement reached with Evie Installation which has enabled 20 Evie electric car shares available across the Island with a further six planned early next year;
- Completed pilot of an energy monitoring system in 20 of our homes, for digitalisation of thermal performance and other environmental factors. A wider scope and strategy is being formed to provide actual real-time energy performance monitoring through sensor equipment. This will also allow our clients to better understand energy usage, condensation, temperature and ventilation;
- 49% of communal lighting has been converted to smart energy efficient LED lighting;
- A partnering agreement has been reached with the Jersey Electricity Company for the future placement of electric car chargers on Andium Homes' estates; and
- Bat boxes incorporated into our current developments to encourage biodiversity and ensure any wildlife displaced during construction has a home reinstated.

Andium understands the important role it must play to assist in the delivery of the Government strategy to achieve carbon neutrality by 2050.

> *We are committed to managing our environmental performance and resource use to help deliver efficiency savings.*

Social

We're not just a housing provider...

£294k
Spent on Medical Adaptations
We go above and beyond for clients who require additional assistance in their home

£430k
Value of Parking Permits Provided Free of Charge
We understand that it's not just our clients who require access but also their carers and loved ones.

0%
Rent increase
Protecting our clients with a rent freeze in 2022 when the Jersey Private Rental Index increased by 11%.

7
Community Facilities
Our community rooms and facilities are extensively used by residents and our partners to support community engagement and cohesion.

£20k
Spent on Digital Inclusion Activities
Including investing in free Wi-Fi facilities at 5 locations and delivering new services at our offices to help clients on their digital journey.

£5.7m
In Deferred Payment Bonds
Assisting 58 first time buyers with purchasing a home.

£610k
Financial Support for Charities
We provide reduced rents for a number of charities we partner with.

The development of 3,000 new homes by 2030 is to ensure we continue to meet the requirements of our existing and new clients.

Working with our Clients and Partners

One of our Core Values is 'Client Obsession'. These are strong words, but ones which run to the heart of our culture and something that we strive to demonstrate in everything that we do. The development of 3,000 new homes by 2030 is to ensure we continue to meet the requirements of our existing and new clients. Islanders become an Andium client in three ways:

Clients looking to rent an affordable home

We provide homes through the Affordable Housing Gateway managed by Customer and Local Services

We provide homes for those Islanders who require affordable rented housing, charging rent at up to 80% of the market rate.

In April 2022, the eligibility criteria for the Affordable Housing Gateway was expanded as a result of the States of Jersey 'Fair Rents Plan' to introduce more balance to the eligibility rules and better reflect the true need for social housing in the Island. This expansion included reducing the entry age for those without children from 50 down to 40 years, lowering the single income limit to £23k and introducing a household savings limit of £70k.

In 2022, we created 523 new tenancies.

This expansion gives us the opportunity to provide homes for more Islanders, with further expansions anticipated over the next few years.

Clients looking to purchase an affordable home

We provide homes for affordable purchase under our Andium Homebuy scheme to clients registered on the Assisted Purchase Pathway, the waiting list managed by us for those looking to buy

For any Islanders who are interested in buying a home but need some financial help to do so, they may be eligible to apply to join the Assisted Purchase Pathway. To be eligible, applicants must be over 18 years old, be residentially qualified to live in Jersey, do not own property elsewhere in the world and are able to meet the long-term financial commitment of purchasing a property.

In 2022, we created 58 new first-time buyers through the scheme.

Our Sales team manages the pathway and provide clients the opportunity to obtain assistance from the Andium Homebuy Scheme, whereby first-time buyers can purchase a home utilising a deferred payment of up to 25% of the market value on a range of properties, from 1-bedroom flats to 4-bedroom houses.

Clients looking for additional support

We have developed and manage the Partnership Pathway, where individuals who do not necessarily meet the Housing Minister's criteria to automatically join the Affordable Housing Gateway, and are in receipt of a support package to live independently, can apply for a home with us.

This provides these clients with an opportunity to live independently, with appropriate support.

We housed 53 clients through the Partnership Pathway during 2022.

The Partnership Pathway is also used to help identify complex or bespoke housing needs that are not currently provided for across our general needs housing stock. With this data then used by our capital development teams to inform the type of homes we will deliver on our future developments.

Our Partnership with Sanctuary Trust (New Street)

Most recently we partnered with Sanctuary Trust, a homelessness charity, to provide them with an additional building from which to deliver their services. 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 facing homelessness.

All of the homelessness Charities we support are key participants in the Multi-Agency Partnership Pathway.

“

Without Andium’s ongoing support, we would not have been able to open our third shelter last year. Their donation of the property in New Street, as well as the furniture they gave us for individual and communal rooms, means we can now provide accommodation and support to a further six men facing homelessness and hardship in the Island. This much-needed facility is the final stage of the journey for our residents before they live independently again.

Sarah Tumelty, General Manager

Andium Homes Partnerships

Working in partnership is a crucial and rewarding part of what we do.

We are landlord to several charity organisations including, The Shelter Trust, Sanctuary Trust, Causeway, Women's Refuge and Les Amis. Please see our partner organisations below:

> *This place is a really nice house to live in; airy and bright, with decent facilities. Those of us living here definitely respect that and are grateful to everyone who made it happen.*
>
> A Sanctuary Trust Resident

> *The Board recognises the crucial role it plays in driving good governance practices.*

Governance

The Board recognises the crucial role it plays in driving good governance practices.

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 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.

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 People, 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 Sub Group, which gives detailed consideration to major capital projects.

Reports on the work of the Committees and the Sub Group 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 Non-Executive Directors.
- A minimum of one and a maximum of two Tenant Non-Executive Directors.
- The Chief Executive and the Chief Finance and Operations Officer (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, 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 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	Senior Independent Director	Appointed 1 November 2019, Re--appointed 17 April 2021
Judy Beaumont	Tenant Director	Appointed 1 January 2017, Re-appointed 1 January 2020, Re-appointed 1 January 2023
Elaine Bailey	Independent Director	Appointed 1 February 2020, Re-appointed 1 February 2023
Julian Box	Independent Director	Appointed 17 February 2020, Re-appointed 17 February 2023
Jonathan Day	Independent Director	Appointed 17 February 2020, Re-appointed 17 February 2023
Ian Gallichan	Chief Executive	Appointed 1 July 2014
Lindsay Wood	Chief Finance and Operations Officer	Appointed 1 January 2020

No Directors left the Board during 2022.

Jason Laity is the Senior Independent Director appointed by the Board. This position provides a sounding board for the Chair and serves as an intermediary for the other directors.

Richard McCarthy, Jason Laity, Elaine Bailey, Julian Box and Jonathan Day continue to meet the test of independence as defined in the UK Corporate Governance Code. The Articles stipulate that one or two directors are "Tenant Directors" as opposed to "Independent Directors". However, the Board considers that Judy Beaumont also meets the test of independence as defined in the Code.

The Board met 8 times during 2022.

Attendance at Board meetings was as follows:

	Attended / Eligible to attend		Attended / Eligible to attend
Richard McCarthy CBE	8/8	Julian Box	8/8
Jason Laity	8/8	Jonathan Day	8/8
Judy Beaumont	7/8	Ian Gallichan	8/8
Elaine Bailey	7/8	Lindsay Wood	8/8

Board Effectiveness Review

The Board commissioned an external review in September 2021 with the initial report being delivered in March 2022. The review used the principles and provisions of the UK Corporate Governance Code 2018 (the Code), as a benchmark of best practice, alongside the specific requirements of the MoU.

In the opinion of this review the Andium Homes Board takes its responsibilities seriously and operates in a professional manner, compliant with the principles of the code as they apply to the Company. Furthermore, in the opinion of the reviewer, the Board currently provides effective governance of the organisation and is actively engaged in continuous improvement.

The aim of the review was to ensure that the Board can continue to meet challenges during this period of growth and change. In particular the recommendations aim to:

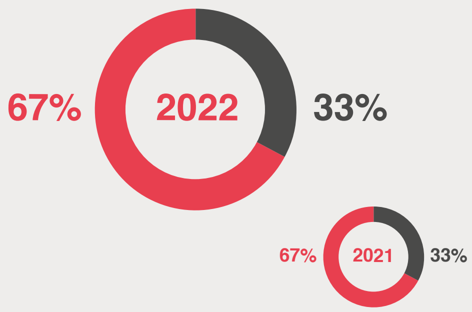
- Further enhance the Board's contribution to the growth ambitions of the business.
- Continue to improve the engagement and communication with stakeholders.
- Enhance the efficiency of the governance system.
- Strengthen the relationships between the Board and the Executive Team.

The gender balance of employees at all levels of the business at the end of 2022, were:

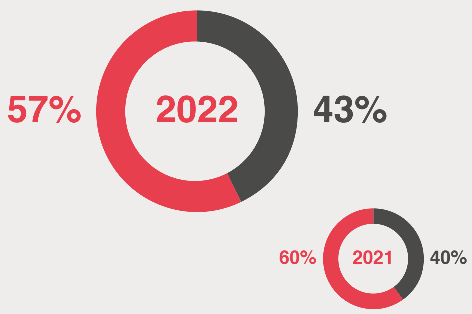
Male

Female

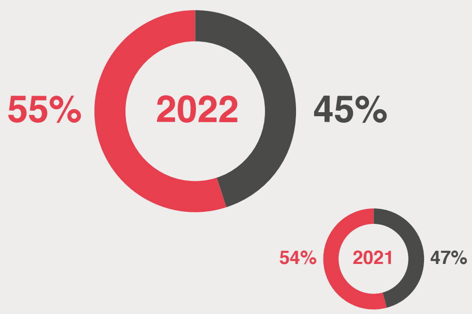
Non-executive Board members



Directors and senior staff



Delivery colleagues



Nominations Committee Report

The responsibilities of the Committee cover –

- Reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes.
- Giving consideration to succession planning for both directors and Non-Executive Directors and senior executives.
- Identifying and nominating for the approval of the Board candidates to fill Board vacancies as and when they arise.

The following members served on the Committee during the year –

- Jason Laity (Chair of the Committee)
- Jonathan Day
- Elaine Bailey

The Committee met once in 2022 to discuss Tenant Director recruitment and Board succession planning. All members of the Committee eligible to attend the meeting were present.

Gender Pay Gap

Our headcount has increased over the last two years to match our business growth and with that so has the diversity of our workforce. The gender pay gap for employees at Andium indicates that on average men earned 30% more than women in 2022, which is an increase on the prior year pay gap of 27%. Whilst we continue to have a gender pay gap our analysis indicates that this is due to females being under-represented at the more senior levels and not from men and women being paid differently for the same or equivalent work.

We are committed to building a more diverse and inclusive workforce and recognise there is more work to be done to reduce the gender pay gap. We have already taken some steps to focus on closing the gender pay gap:

- Continued to encourage that all shortlists contain a mix of male and female candidates and are as diverse as possible.
- Introduced requirements for diverse interview panels including gender neutral panels.

We recognise that there is more work to be done and we aim to reduce the pay gap over time, specifically through the work of the Remuneration and People Committee.

Diversity, Equality and Inclusion

Diversity, equality, and inclusion are integral to our Company values and delivering our strategic vision of 'Great homes and services for all who need them'.

At Andium Homes, we are committed to the promotion of equality, and we value the diversity of both our clients and colleagues. We know that diversity, equality and inclusion are fundamental to the effective delivery of our services.

It is important to us that all our clients, colleagues and stakeholders feel included, and we promote a workplace where people understand, respect, and celebrate each other's differences.

Those who work for us, and anyone applying for a job with us, will receive fair and equal treatment. We ensure, where possible, full access for everyone applying for a vacancy. Decisions about transfers and internal promotions are made, so far as possible, using only objective criteria.

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 the effectiveness of the Company's internal financial and non-financial controls against best practice under review.
- 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 of the Committee)
- Julian Box
- Jonathan Day

The Committee met three times in 2022. All members of the Committee eligible to attend the meetings were present.

The main activities of the Committee in 2022 were –

- Recommending the approval of the 2021 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. An internal control schedule for 2022 was developed and delivered in consultation with our internal audit partner, Grant Thornton.

Remuneration and People Committee Report

The responsibilities of the Remuneration and People Committee cover–

- Determining the remuneration policy for the Company.
- Reviewing and making recommendations on the level and structure of the remuneration of the Senior Executives not on the Board.
- Reviewing the on-going appropriateness and relevance of the Remuneration policy for Executive Directors, Senior Management and for the organisation as a whole.
- Determining the policy for, and scope of, pension arrangements and other benefits for Executive Directors, Senior Management and for the organisation as a whole.
- To receive reports from the Chief People & Culture Officer on matters concerning HR policy and practice on a regular basis and take such matters to the Board.

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

- Changes to either the structure or quantum of remuneration paid to the Executive Directors for their executive responsibilities in the business, including those relating to bonus payments, are to be approved by the Guarantor in advance of them taking effect.
- Any changes to the level of remuneration paid to Non-Executive Directors must be agreed, in advance, by the Guarantor.
- The Company, in designing remuneration schemes for its Executive and Non-Executive Directors, shall have due regard to the remuneration policies published by the Guarantor from time to time.

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

- Jason Laity (Chair of the Committee)
- Richard McCarthy CBE
- Jonathan Day

The Committee met twice formally in 2022 to recommend pay awards, and informally on a number of occasions. All members of the Committee were present at both meetings.

Fair Pay Disclosure

The following table contains details of pay multiples and illustrates the ratio between the highest-paid director and the median company remuneration level amongst all colleagues. The calculation below is based on the full-time equivalent annual salary for individuals holding contracts (permanent or fixed term) at the end of the relevant year. The table also includes data in respect of the 25th quartile and the 75th quartile, which effectively represents the median of both the upper and lower sections of the Company's remuneration.

	2022 Amount	2022 Ratio	2021 Amount	2021 Ratio
Highest paid director:	198,563	1.0	192,780	1.0
75th quartile:	79,000	2.5	74,500	2.6
Median remuneration:	54,300	3.7	51,700	3.7
25th quartile:	40,800	4.9	40,000	4.8

Remuneration Policy

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

Directors remuneration

The total remuneration of the Directors for the year ended 31 December 2022 is set out below:

	Salary	Benefit*	Total 2022	Total 2021
	£	£	£	£
Executive Directors				
Ian Gallichan	198,563	2,129	200,692	193,760
Lindsay Wood	151,070	2,129	153,199	138,980
Non-Executive Directors				
Richard McCarthy CBE (appointed 22 January 2021)	40,000		40,000	37,699
Jason Laity	22,050		22,050	20,000
Judy Beaumont	20,550		20,550	20,000
Elaine Bailey	20,550		20,550	20,000
Jonathan Day	20,550		20,550	20,000
Julian Box	20,550		20,550	20,000
Total	**493,883**	**4,258**	**498,141**	**470,439**

With the exception of the Chair, all Non-Executive Director pay was increased with effect from 1 July 2022, with the prior approval of the Guarantor the above figures reflect the change in pay, with an additional increase awarded to Jason Laity in recognition of his role as Senior Independent Director. The £40,000 fee paid to the Chair in 2022 was the same in 2021.

*The Company has a healthcare and dental scheme for all employees, of which the Executive Directors also benefit. This was put in place effective 1 July 2021.

Pension contributions

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

	2022	2021
	£	£
Executive Directors		
Ian Gallichan	31,770	30,845
Lindsay Wood	24,171	22,080
Total	**55,941**	**52,925**

External appointments for Executive Directors

Ian Gallichan is a director of Headway (Jersey) Limited, in a non-remunerated role. Lindsay Wood held no external directorships in 2022.

Capital Programme Sub Group Report

The responsibilities of the Capital Programme Sub Group cover -

- Reviewing and recommending a strategic portfolio and a Capital Programme to the Board.
- Reviewing and recommending a capital project programme forecast on a quarterly basis.
- 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 Sub Group during the year and up to the date of the publication of this report –

- Elaine Bailey (Chair of the Committee)
- Richard McCarthy
- Judy Beaumont
- Ian Gallichan

The Sub Group met seven times in 2022. All meetings were attended by all members of the Sub Group.

The main activities of the Sub Group in 2022 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 Homes 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 four formal complaints and no appeals during 2022.


ANDIUM
HOMES
La Collette Low Rise
Regeneration
To construct 73 no. one bedroom 65 no.
two bedroom and 9 no.three bedroom
'affordable housing' flats with associated
community facilities, car parking stores
and landscapes

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 2022.

Directors of the Company

The following served as Directors of the Company between the beginning of 2022 and the date of signing of this report:

Richard McCathy CBE	Chair	Appointed 22 January 2021
Jason Laity	Senior Independent Director	Appointed 1 November 2019, Re-appointed 17 April 2021
Judy Beaumont	Non-Executive Tenant Director	Appointed 1 January 2017, Re-appointed 1 January 2020, Re-appointed 1 January 2023
Elaine Bailey	Non-Executive Director	Appointed 1 February 2020, Re-appointed 1 February 2023
Julian Box	Non-Executive Director	Appointed 17 February 2020, Re-appointed 17 February 2023
Jonathan Day	Non-Executive Director	Appointed 17 February 2020, Re-appointed 17 February 2023
Ian Gallichan	Chief Executive	Appointed 1 July 2014
Lindsay Wood	Chief Finance & Operations Officer	Appointed 1 January 2020

No other persons have served as Directors during the period.

Future Developments

An analysis of future developments is in the Delivering Growth & Regeneration section earlier in this document.

Post Balance Sheet Date Events

On 17 January 2023, following significant rainfall, a number of our homes in the Grand Vaux area were evacuated due to flooding. The majority of clients were able to move back into their properties the next day, however 16 homes were significantly effected, with additional refurbishment work required prior to those tenants being able to move back in. This work is ongoing and will be completed shortly.

On 10 February 2023, the term of the revolving credit facility was extended by one year to 28 February 2028.

On 28 February 2023, the Company's contractor for Cyril Le Marquand Court, Camerons Limited, went into liquidation. The Company immediately appointed another contractor to complete the development.

Disclosure of Information to the Auditor

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 the Auditor

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 31 December 2019.

Statement of Directors' Responsibility

The Statement of Directors' responsibility is presented separately on page 52. The Company implements "best practice" from the UK Corporate Governance Code with a separate governance report included on page 41.

By Order of the Board.

Richard McCarthy CBE, Chair
29 March 2023

Lindsay Wood, Chief Finance and Operations Officer
29 March 2023

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.

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 under UK Accounting Standards and as a going concern. 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"), which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK GAAP); 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"). 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 FRC's Ethical Standard, 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 for our opinion.

Emphasis of Matter – Haut du Mont

We draw your attention to pages 8 to 9 and Note 7, regarding the disclosures made in respect of the incident at Haut du Mont on 10 December 2022, for the purpose of highlighting the impact upon the financial statements and reporting for the year ended 31 December 2022. While the incident does not have a quantitatively material impact upon the financial position of the Company, the tragic nature of the incident is considered qualitatively significant.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period, and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on the overall strategy, the allocation of resources, 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.

Key Audit Matter	The Risk	How Our Audit Addressed The Matter
Rental and other income £59,433k (2021: £56,769k) • **Accounting Policy 1(e)**	There is a risk that income may be materially misstated due to: **a.** revenue recognition from policy implementation; **b.** cut-off of revenue as at year end; **c.** accuracy of rental rate charges and calculation of rental rates based on rent setting policy; or **d.** inaccurate calculation of disposal of housing bonds.	Our audit procedures with respect to rental and other income included but were not limited to: **i.** analytical reviews; **ii.** tests of controls on new tenants, ensuring that the general ledger entries appropriately reconciled to the tenant management software and tenancy agreements which confirm the weekly rental and other charge rates; **iii.** tests of detail on a selection of period end rental charges ensuring appropriate cut-off; and **iv.** tests of detail on a selection of other income items, reconciling to supporting evidence and ensuring appropriateness of all assertions in the accounting records. **We have no findings to report.**

Key Audit Matter	The Risk	How Our Audit Addressed The Matter
Social housing stock and assets under construction **£1,142,879k (2021: £1,042,265k)** • **Accounting Policy 1(i)** • **Note 7**	There is a risk that social housing properties held may be materially misstated due to: **a.** incorrect classification of assets; **b.** inaccurate calculation of depreciation; **c.** incorrect classification of depreciation between the various components; **d.** social housing units not appropriately owned by the Company; **e.** social housing units not appropriately valued by the Company or valuer; **f.** assumptions of the valuation not in line with the Statement of Recommended Practice for Registered Housing Providers (SORP); or **g.** additions and disposals made in the year not appropriately treated in the accounting records.	Our audit procedures with respect to social housing stock and assets under construction included but were not limited to: **i.** analytical reviews; **ii.** tests of detail on a selection of additions and disposals ensuring the appropriateness of all assertions in the accounting records; **iii.** obtaining the valuation of social housing as at 30 November 2022 and 31 December 2022, and reviewing the assumptions and data used for its integrity and appropriateness and attest as to whether they are in line with the SORP; **iv.** recalculation of the basis for determining depreciation and ensuring that the amount is reasonable and in line with the relevant SORP; **v.** reviewing the classification of components and ensuring all relevant components are aggregated correctly into their sub-categories; **vi.** recalculation of the component depreciation and ensuring depreciation is correctly recorded in respect to each component; **vii.** reviewing management's estimate of impairment and ensuring that the amount is reasonable and in line with the SORP; **viii.** reviewing the classification between social housing and assets under construction and ensuring completeness and presentation and that all assets subject to depreciation are classified appropriately; and **ix.** reviewing signed contracts to ensure all capital and expenditure commitments are appropriately disclosed in the financial statements. In respect of the aforementioned incident at Haut du Mont, we have also: **i.** reviewed papers of the Risk and Audit Committee, and items presented to the Board; **ii.** held discussions with senior leadership including the Executive Lead – Strategy & Compliance; **iii.** held discussions with members of the Board; **iv.** held discussions and challenged the Company's external valuers (JLL) to assess the appropriateness of the proposed treatment, inputs, and assumptions used; and **v.** reviewed the updated valuation of the social housing portfolio as adjusted, and reconciled the supporting data for the valuation to underlying reports and the updated 31 December valuation and side-letter provided by JLL. **We have no findings to report.**

Key Audit Matter	The Risk	How Our Audit Addressed The Matter
Disclosure and presentation of financial statements	There is a risk that the disclosure and presentation of the financial statements may be materially misstated.	Our audit procedures with respect to disclosure and presentation of the financial statements included but were not limited to: **i.** completion of a disclosure checklist to ensure financial statements are prepared in accordance with the appropriate accounting framework; **ii.** a review of the accounting policies of the Company to ensure they are in accordance with the SORP; **iii.** review of the financial statement notes and all other disclosures (e.g. key performance indicators) to ensure they are in accordance with the SORP and are consistent with the accounting records and prior period information, as applicable; and **iv.** held a technical call with Baker Tilly International regarding appropriate financial statement treatment and disclosures for the incident at Haut du Mont on 10 December 2022. **We have no findings to report.**

Our Application of Materiality

Materiality for the financial statements as a whole was set at £12,541k (2021: £11,115k), determined with reference to a benchmark of gross assets, of which it represents 1.0% (2021: 1.0%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 70.0% (2021: 70.0%) of materiality for the financial statements as a whole, which equates to £8,778k (2021: £7,780k). We applied this percentage in our determination of performance materiality based on entity risk factors which are judgemental.

We reported to the Risk and Audit Committee any uncorrected omissions or misstatements exceeding £627k (2021: £556k), in addition to those that warranted reporting on qualitative grounds.

In addition, we have allocated specific materiality for income, expenses, debtors and creditors.

We considered a threshold of £594k (2021: £568k) to be an indicator of materiality for these specific areas based on 1.0% (2021: 1.0%) 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 £29k (2021: £28k) in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Conclusions relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 the 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 in relation to which the Companies (Jersey) Law 1991, as amended, requires us to report to you if, in our opinion:

- Proper accounting records have not been kept;
- Proper returns adequate for the audit have not been received from branches not visited by us;
- The financial statements are not in agreement with the accounting records and returns; or
- We have not obtained all information and explanation that, to the best of our knowledge and belief, was necessary for the audit.

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 52, the Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with UK GAAP, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Company's financial reporting process.

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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- Enquiry of management to identify any instances of non-compliance with laws and regulations, including actual, suspected or alleged fraud;
- Reading minutes of meetings of the Board of Directors and all related committees;
- Review of legal invoices;
- Review of management's significant estimates and judgements for evidence of bias;
- Review for undisclosed related party transactions;
- Using analytical procedures to identify any unusual or unexpected relationships; and
- Undertaking journal testing, including an analysis of manual journal entries to assess whether there were large and/or unusual entries pointing to irregularities, including fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located at the Financial Reporting Council's 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 Directors of the Company, on 1 June 2019. The total period of uninterrupted engagement including previous renewals and reappointments of the firm is 9 years. We had rotated our engagement signatory for the audit of the financial statements from the year ended 31 December 2021.

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.

Sandy Cameron
For and on behalf of Baker Tilly Channel Islands Limited
Chartered Accountants
St Helier, Jersey

30 March 2023

Use of this Report

This report is made solely to the Guarantor of the Company, 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 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 its Guarantor, as a body, for our audit work, for this report, or for the opinions we have formed.

Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022	2021
		£'000	£'000
Rental income		57,107	54,575
Other income		2,326	2,194
Operating costs (excluding depreciation & impairment)		(18,131)	(15,878)
Operating Surplus before the return to the Guarantor, depreciation & impairment		**41,302**	**40,891**
Return to the Guarantor	3	(28,613)	(30,194)
Operating Surplus before depreciation & impairment		**12,689**	**10,697**
Depreciation & impairment	2,7,8,9	(17,755)	(34,735)
Operating deficit	2	**(5,066)**	**(24,038)**
Fair value gains on financial instruments	10	4,579	418
Interest receivable and similar income		119	19
Interest payable and similar charges	4	(7,961)	(7,054)
Realised surplus from disposal of financial assets		197	146
Deficit for the year		**(8,132)**	**(30,509)**
Other comprehensive income			
Unrealised surplus / (deficit) on revaluation of housing properties	7,11	71,998	(3,064)
Unrealised surplus on revaluation of other assets	8,9	1,060	671
Unrealised surplus on revaluation of derivative instruments	12	2,915	-
Total comprehensive income / (deficit) for the period		**67,841**	**(32,902)**

The notes on pages 62 to 83 form part of the financial statements.

Statement of Financial Position

As at 31 December 2022

	Notes	2022	2021
Fixed Assets		**£'000**	**£'000**
Housing Properties	7	1,142,879	1,042,265
Property, Plant and Equipment	8	8,017	7,262
Investment Properties	9	19,567	2,125
Financial Assets	10	45,904	36,978
Derivative Instruments	12	2,915	-
		1,219,282	**1,088,630**
Current Assets			
Housing Properties held for sale	11	6,120	3,262
Debtors	13	15,182	2,767
Cash and cash equivalents	15	13,554	16,956
		34,856	**22,985**
Amounts Falling due within one year:			
Creditors	16	(3,138)	(3,265)
Accrued expenses	17	(15,596)	(13,966)
Borrowing	18	-	(7,050)
		(18,734)	**(24,281)**
Net Current Assets / (Liabilities)		**16,122**	**(1,296)**
Total Assets less Current Liabilities		**1,235,404**	**1,087,334**
Amounts falling due after more than one year			
Borrowing	18	(327,970)	(247,741)
Net Assets		**907,434**	**839,593**
Capital and reserves			
Housing property revaluation reserve		(368,584)	(296,586)
Office premises revaluation reserve		(3,838)	(2,778)
Derivative instruments revaluation reserve		(2,915)	-
Retained earnings		(532,097)	(540,229)
	27	**(907,434)**	**(839,593)**

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2023 and were signed on its behalf by:

Richard McCarthy CBE, Chair

Lindsay Wood, Chief Finance and Operations Officer

The notes on pages 62 to 83 form part of the financial statements.

Statement of Changes in Equity
for the year ended 31 December 2022

	Housing property revaluation reserves	Other assets revaluation reserves	Derivative instruments revaluation reserves	Retained earnings	Total reserves
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	299,650	2,107	-	570,738	872,495
Deficit on ordinary activities	-	-	-	(30,509)	(30,509)
Other comprehensive deficit for the year	(3,064)	671	-	-	(2,393)
Balance at 31 December 2021	296,586	2,778	-	540,229	839,593
Deficit on ordinary activities	-	-	-	(8,132)	(8,132)
Other comprehensive income for the year	71,998	1,060	2,915	-	75,973
Balance at 31 December 2022	**368,584**	**3,838**	**2,915**	**532,097**	**907,434**

See note 27 for a description of the reserves.

The notes on pages 62 to 83 form part of the financial statements.

Cash Flow Statement

for the year ended 31 December 2022

	Notes	2022	2021
		£'000	£'000
Net cash inflow from operating activities	25	**14,694**	**9,100**
Returns on investments and servicing of finance			
Interest and similar charges received		119	19
Interest and similar charges paid	4, 7	(11,852)	(11,071)
Net cash outflow from returns on investments and servicing of finance		**(11,733)**	**(11,052)**
Capital expenditure and financial investment			
Additions to Housing Properties	7	(87,825)	(78,582)
Additions to Investment Properties	9	(16,801)	(1,544)
Purchase of Property, Plant and Equipment	8	(808)	(138)
		(105,434)	**(80,264)**
Reduced by:			
Redemption of housing bonds	10	1,594	1,227
Sale of housing properties net of bonds issued	5,9	24,540	29,661
Net cash outflow from capital expenditure and financial investment		**(79,300)**	**(49,376)**
Financing			
Repayment of borrowing	18	(5,000)	(17,640)
Borrowing drawn down	18	77,937	53,835
Net cash inflow from financing		**72,937**	**36,195**
Decrease in cash in the period		(3,402)	(15,133)
Opening cash and cash equivalents balance		16,956	32,089
Closing cash balance	15	**13,554**	**16,956**

The notes on pages 62 to 83 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2022

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 2022 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 2018. 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 is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net any voids.

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 is recognised when it is probable that the economic benefits will flow to the Company. 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 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 with an original maturity of 3 months or less 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 at fair value, with changes in fair value being recognised in other comprehensive income and accounted for in equity.

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 for 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 are 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 statement of comprehensive income. 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.

iii. Derivative instruments

The Company has a floating rate loan which exposes the Company to interest rate risk, to mitigate this risk the Company uses interest rate swaps. These instruments are measured at fair value at each reporting date.

The fair value is ascertained by the calculating agent and carried as an asset when the fair value is positive and as a liability when the fair value is negative. Changes in the fair value are recognised in the Statement of Comprehensive Income (see note 12).

The gain or loss recognised in other comprehensive income is reclassified to the income statement when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedged debt instrument is derecognised or the hedging instrument is terminated.

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 a 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 20.

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 Revenue Jersey.

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) Government grants

Government grants are recognised in income and expenditure under the performance model once reasonable assurance has been gained that all related conditions have been met and the grant will be received. Grants due from the government or received in advance are included as assets and liabilities.

u) 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.

v) Frequency of reporting and comparative information

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

w) Key related parties

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

x) Critical accounting judgements

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

y) 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 properties were valued as at 31 December 2022 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.

The Company's investment properties were valued as at 31 December 2022 by independent professionals with experience in the properties valued. The Company review the valuation performed by the independent valuer 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 17).

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 debtor's personal and financial situation (see note 13).

2. Operating Deficit

Operating deficit is stated after charging

	2022	2021
	£'000	£'000
Depreciation	16,820	15,480
Impairment	935	19,255
Wages & Salaries	3,787	3,413
Social Security costs	202	183
Other pension costs	544	511
Repairs; cyclical, planned, day to day	7,701	6,685
Auditors remuneration - audit services	59	48
Other expenses	5,648	4,956
Other staff costs	191	81

3. Return to Guarantor

	2022	2021
	£'000	£'000
Return to Guarantor	28,613	30,194

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.

During 2021, it was agreed with the States that we would not apply our annual uplift to rent charges for the year commencing 1 January 2022, with the Company fully compensated by a reduction in the return. The return was further reduced following the agreement to partially compensate the Company for the States Assembly decision to cap social housing rents at 80% of market rate compared to 90% of market rate previously.

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

	2022	2021
	£'000	£'000
Interest on loan agreements with States of Jersey	7,154	6,410
Interest and fees on Revolving Credit Facility	566	437
Amortisation of loan arrangement fees	241	207
Total interest costs	**7,961**	**7,054**

The interest charge on loan agreements with the States of £7,154k (2021: £6,410k) of interest and £83k (2021: £87k) of bond set-up fees which are amortised over the lifetime of Loan 1 (note 18).

On 28 February 2020 the Board entered into a sterling revolving credit facility agreement for £150m. This facility enables the Company to progress future capital projects in line with its strategic business plan. On 23 December 2021, the Company entered into an Amended and Restated Facility Agreement to increase the facility up to £225m. On 11 August 2022, the £25m Accordion Facility was entered in to, increasing the facility to £250m. As at 31 December 2022, £101,500k has been drawn from the facility (2021: £28,500k). Commitment fees of £483k (2021: £437k) have been charged in the year and £158k (2021: £120k) of arrangement fees amortised over the life of the facility.

In July 2022, the Company entered into an interest rate swap ("swap") for £50m (note 12). The net interest charge on the swap was £83k (2021: £nil).

Further finance costs of £4,132k (2021: £4,224k) 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 4.1% (2021: 4.3%). 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

	2022	2021
	£'000	£'000
Gross Proceeds	29,334	37,537
Net Asset Cost (Cost less accumulated depreciation)	(29,334)	(37,537)
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 £23,485k (2021: £29,661k) plus housing bonds issued during the period £5,637k (2021: £7,876k) which are repayable to the Company on next conveyance of the property (see note 10).

6. Employee Information

	2022	2021
The average full time equivalent number of persons employed in the period was:	62	53
The average number of persons employed in the period was:	63	54

	2022	2021
	£'000	£'000
Staff costs (including Directors emoluments):		
Wages and salaries	3,787	3,413
Social security costs	202	183
Pension costs	544	511
Other staff costs	191	81
Total staff costs	**4,724**	**4,188**

7. Housing Properties

	Held for letting	Land acquired for future development	Under construction	Total housing properties
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2022	986,055	35,408	107,992	1,129,455
Additions (note a)	7,147	10,694	74,116	91,957
Transfer from under construction to held for letting	63,804	(533)	(63,271)	-
Disposals (note 9, 11 and 13)	(32,476)	(9,008)	(4,641)	(46,125)
Revaluation	58,055	-	-	58,055
At 31 December 2022	**1,082,585**	**36,561**	**114,196**	**1,233,342**
Depreciation & impairments				
At 1 January 2022	(76,715)	(10,475)	-	(87,190)
Charged during the period	(16,411)	-	-	(16,411)
Impairments recognised	(14,652)	-	-	(14,652)
Impairments reversed	13,845	-	-	13,845
Revaluation	13,945	-	-	13,945
At 31 December 2022	**(79,988)**	**(10,475)**	**-**	**(90,463)**
Net book value as at 31 December 2022	**1,002,597**	**26,086**	**114,196**	**1,142,879**
Net book value as at 31 December 2021	**909,340**	**24,933**	**107,992**	**1,042,265**

a) Additions of £91,957k (2021: £82,806k) is reflected as £87,825k (2021: £78,582k) additions to housing properties in the cash flow statement as the above amount includes £4,132k (2021: £4,224k) 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 2022 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, 2022, Global and UK Edition (the "Red Book"). The key assumptions used within the discounted cash flow calculations are on the following page.

c) Net impairments recognised includes an impairment charge relating to the tragic explosion in December 2022. Whilst the investigation is ongoing, the impairment reflects those homes which have been destroyed and significantly damaged.

The table below provides a summary of the assumptions used to calculate the Held for Letting valuations:

2022

Assumption	Core stock	High-rise stock	Newly developed stock	Hostels
Discount rate	5.75%	6.25% - 6.50%	5.75%	5.75%
Management costs	£800	£800	£800	£800
Total repair costs	£2,109	£2,138 - £29,699*	£2,109	£1,752
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 one remaining high-rise block at Le Marais, for which works were ongoing during the year.

2021

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	£1,899	£1,923 - £45,342*	£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.

Had no revaluation or impairment 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 2022	643,307	26,086	114,196	783,589
Carrying value 31 December 2021	622,050	24,933	107,992	754,975

8. Property, Plant and Equipment

Cost	Office premises £'000	IT Systems Development £'000	Infrastructure assets £'000	Vehicles £'000	IT Equipment £'000	Total other fixed assets £'000
At 1 January 2022	3,448	693	5,058	64	79	9,342
Additions	612	66	-	130	-	808
Revaluation	-	-	365	-	-	365
At 31 December 2022	**4,060**	**759**	**5,423**	**194**	**79**	**10,515**
Depreciation						
At 1 January 2022	(846)	(215)	(959)	(31)	(29)	(2,080)
Charged during the period:	(41)	(65)	(275)	(21)	(16)	(418)
Revaluation	-	-	-	-	-	-
At 31 December 2022	**(887)**	**(280)**	**(1,234)**	**(52)**	**(45)**	**(2,498)**
Net book value as at 31 December 2022	**3,173**	**479**	**4,189**	**142**	**34**	**8,017**
Net book value as at 31 December 2021	**2,602**	**478**	**4,099**	**33**	**50**	**7,262**

Internal valuations have been carried out for Office Premises and IT Systems Development as at 31 December 2022. This resulted in a revaluation of £nil (2021: £nil). Infrastructure Assets form part of the States Asset Valuation as at 31 December 2022. 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 2022', UK Edition, except where agreed departures or assumptions have been made in accordance with the Government's instructions. This resulted in a revaluation of £365k (2021: £455k).

9. Investment Properties

	2022 £'000	2021 £'000
At 1 January	2,125	380
Additions	17,812	1,544
Disposals	(1,055)	-
Depreciation Charge	-	(15)
Revaluation	685	216
At 31 December	**19,567**	**2,125**

Investment properties consist of commercial properties rented at market rates and residential properties rented on the open market. In March 2022, the Company purchased Spencer Close for £16.8m with the properties being sold and rented on the open market.

In 2021, valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the "Red Book") for the commercial properties. The valuation performed by Quérée Property Consultants Limited in 2021 certain assumptions on tenure, letting, taxation, town planning and the condition and repair of the buildings and sites is still applicable and no further valuation was required (2021: £216k).

10. Financial Assets

Housing bonds	2022	2021
	£'000	£'000
At 1 January	36,978	29,764
Redeemed during the period	(1,397)	(1,081)
Issued during the period	5,744	7,877
Unrealised surplus in the period	4,579	418
Valuation at period end	**45,904**	**36,978**

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.

In 2021, the Company sold 25 properties at Clos Des Pierres, St Clement, which is part of the Samares Nurseries site. These homes were sold using Andium Homebuy, however, the bonds issued ,which were on average 29% of the property value, remain with the properties in perpetuity and are passed 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 £nil (2021: £3,923k) and are recognised at £nil value.

Surplus on disposal of bonds redeemed totals £197k (2021: £146k) from total receipts of £1,594k (2021: £1,227k).

11. Housing Properties Held for Sale

	2022	2021
	£'000	£'000
At 1 January	3,262	4,565
Transferred from Social Housing Assets (note 7)	32,195	28,372
Transferred from Under Construction (note 7)	-	550
Disposals (note 5)	(29,334)	(37,537)
Revaluation	(3)	7,312
At 31 December	**6,120**	**3,262**

12. Derivative Instruments

The Company has a Hedging Policy in place to manage and mitigate the interest rate risk exposure that it has on the variable interest of the RCF. This policy enables the Company to enter into hedging transactions to manage the risk. Under FRS 102, there is a choice for the accounting policy for financial instruments, being either Sections 11 and 12 of FRS 102 or applying the recognition, de-recognition and measurement requirements of IFRS 9. The Company elected to apply FRS 102 sections 11 and 12.

Hedge accounting

The Company entered into an interest rate swap on 27 July 2022 to mitigate the interest rate risk on the RCF. The swap is measured at fair value on initial recognition and at each reporting date and carried as an asset when the fair value is positive and as a liability when the fair value is negative.

To the extent the swap is effective, movements in fair value adjustments are recognised in other comprehensive income and presented in a separate Derivative instruments reserve. Any movements in fair value relating to ineffectiveness are recognised in income and expenditure. The effectiveness of relationship between the RCF and the swap were tested at designation and deemed to be effective. The Company has elected to apply hedge accounting as the qualifying conditions are met.

Cash flow hedge

The relationship between the RCF and the swap is classified as a cash flow hedge due to the variability in cash flows that is attributable to the interest rate risk associated with the RCF that could affect the profit or loss. The swap has a notional value of £50m as at 31 December 2022 with interest rate of 2.58% and maturity of 27 February 2027, in line with the RCF.

The swap represents an asset receivable from the counterparty if it was to be closed out at its fair value. The fair value of this asset as at 31 December 2022 was £2,915k. Any future change in the SONIA forward swap curves will result in a change to the fair value of the swap. All curves and market data used in the valuations are provided by the counterparty.

13. Debtors

		2022	2021
		£'000	£'000
Amounts falling due within one year:			
Rental debtors - current		754	645
Rental debtors - other		1,252	1,823
GST Receivable		562	496
Less	Provisions for former tenant rental debts	(591)	(426)
	Provision for non-tenant debts	(180)	(128)
		1,797	**2,410**
Other debtors		13,385	357
		15,182	**2,767**

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 £737k (2021: £550k).

Other debtors includes a sum in relation the transfer of land which is due to take place in 2023 recovering full costs incurred at the date of transfer.

14. Leases

	2022	2021
	£'000	£'000
Minimum lease payments receivable:		
Within one year	19,578	18,685
Within one to five years	32,474	30,985
More than five years	84	83
	52,136	**49,753**

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,

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.

15. Cash at Bank and Cash Equivalents

	2022	2021
	£'000	£'000
Short term cash investments	13,554	16,956
	13,554	**16,956**

16. Creditors

	2022	2021
	£'000	£'000
Deferred income	2,443	2,570
Government Grants	695	695
	3,138	**3,265**

In December 2021, the Company received a grant for the refurbishment of Eden House. The total grant awarded was £695k and it was received in December 2021. The works on the refurbishment have not yet commenced, therefore the conditions for the grant have not been met and the grant is a liability at year end.

17. Accrued Expenses

	2022	2021
	£'000	£'000
Return to the Guarantor	7,001	7,548
Goods and services received but not yet invoiced	8,595	6,418
	15,596	**13,966**

18. Borrowings

	2022	2021
	£'000	£'000
Loan instalments are due as follows:		
Within one year	-	7,050
After one year:		
Between two and five years	-	-
In over five years	327,970	247,741
	327,970	**247,741**

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 Jersey. All loans are set out in the table below:

Loan	Total Loan Amount/ Commitment	Brought Forward at 01/01/2022	Amount Drawn 2022	Amount Repaid in 2022	Amount Outstanding at 31/12/2022	End Date of Loan
	£'000	£'000	£'000	£'000	£'000	£'000
Loan - 1	38,429	31,733	-	-	31,733	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)	-	31/12/2022
Loan - 12	47,183	40,802	-	-	40,802	31/12/2041
Loan - 14	52,278	52,278	-	-	52,278	31/12/2048
Loan - 17	37,800	19,805	7,050	-	26,855	31/03/2046
Loan - 18	21,332	21,332	-	-	21,332	31/12/2047
Loan - 19	15,133	15,133	-	-	15,133	31/12/2039
Total Loans	260,576	227,616	7,050	(7,050)	227,616	
Set up costs		(532)	-	83	(449)	
Total	**260,576**	**227,084**	**7,050**	**(6,967)**	**227,167**	
Revolving Facility	**250,000**	**28,500**	**78,000**	**(5,000)**	**101,500**	28/02/2028
Arrangement Fee		**(793)**	**(63)**	**159**	**(697)**	
Total Combined	**510,576**	**254,791**			**327,970**	

Loan repayments of £12,050k were made during the year (2021: £17,640k).

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. Effective 1 January 2022 to 31 December 2025, all loans from States of Jersey are charged at 4.3% interest, following an amendment to the loan agreements. 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 £449k (2021: £532k).

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 was charged at a margin plus LIBOR, where a LIBOR interest period of 1, 2, 3 or 6 months is agreed as appropriate.

On 23 December 2021, the Company entered into an Amended and Restated Agreement to increase the available facility to £225m with Lloyds Bank Corporate Markets Plc, Jersey Branch providing the additional £75m. Interest on the facility transitioned to margin plus SONIA, where a SONIA interest period of 1, 3 or 6 months is agreed as appropriate.

On 11 August 2022, the £25m Accordion Facility was entered in to, increasing the revolving credit facility from £225m to £250m.

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 (2021: complied).

Borrowing drawn down per the cash flow statement is £77,937k (2021: £53,835k). This comprises amounts drawn of £78,000k (2021: £54,248k) less the arrangement fee paid on the £25m Accordion Facility Agreement of £63k (2021: £413k). 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 £697k (2021: £793k).

19. Capital Commitments

Development expenditure contracted less certified or accrued as at 31 December 2022 amounted to £91,114k (2021: £162,889k).

20. 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 £544k (2021: £511k).

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 2021, with the release of the report expected in early 2023.

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.

21. 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 and updated in May 2022.

The Company is contractually bound to pay a quarterly return to the Guarantor. The amount of this return is £28.6m for the year 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 was revised for 2022 (see note 3).

22. Related Party Transactions

Member of the Board of Directors, Judy Beaumont, held tenancy with the Company during the period. This tenancy was granted under the Company's allocations policy, with rent under normal terms.

Borrowing (note 18) 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 18.

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 20.

Directors' remuneration is illustrated on page 47 of the Annual Report.

23. 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 18). 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 (2021: 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 4,700 tenancies, with approximately 60% of tenants in receipt of Income Support which is received directly from Government.

Early engagement with Clients experiencing rent arrears, together with their ability to claim Income Support, results in low rental debtors 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.

The current cash position of £13,554k, when combined with the undrawn RCF of £148,500k, satisfies the Treasury Management Policy.

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 are both fixed (States Bond) and floating (Revolving Credit Facility). The floating rate exposure to movements in SONIA (up to 23 December 2021: LIBOR) is mitigated through the Company's interest rate hedging policy which includes entering into relevant hedging instruments if certain trigger points are reached.

In July 2022, the Company entered into an interest rate swap for £50m to mitigate the floating rate exposure and fix a portion of the interest. The Company will continue to monitor the floating rate exposure in line with the hedging policy.

Cash flow forecasts assume immaterial interest income, mitigating the risk of reliance on interest income.

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 2022, the rental income did not increase by RPI + 0.75% following the agreement with the Guarantor 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 mitigated this exposure through an agreed reduction in our financial return to the Guarantor effective 1 January 2022. The Government of Jersey adopted an 80% rent policy effective 1 January 2022. This policy restricts annual increases for existing tenancies and reduces the rent levels from new tenancies. The impact of this is explained in the Performance Review.

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.

24. Contingent Liabilities

As at 31 December 2022, the Board of Directors noted there were no contingent liabilities (2021: £nil).

25. Net Cash Inflow from Operating Activities

	2022	**2021**
	£'000	**£'000**
Operating deficit	(5,066)	(24,038)
Depreciation and impairment	17,755	34,734
Decrease / (Increase) in debtors	503	(58)
Increase / (Decrease) in creditors	1,502	(1,538)
Net cash inflow from operating activities	**14,694**	**9,100**

26. Analysis of Changes in Net Debt

	At 1 Jan 2022	Cash flows	Other non-cash changes	At 31 Dec 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash	6,964	3,989	-	10,953
Cash equivalents	9,992	(7,391)	-	2,601
	16,956	(3,402)	-	13,554
Borrowings				
Debt due within one year	(7,050)	-	7,050	-
Debt due after one year	(247,741)	(77,937)	(2,292)	(327,970)
Derivative instruments	-	-	2,915	2,915
	(254,791)	(77,937)	7,673	(325,055)
Total	**(237,835)**	**(81,339)**	**7,673**	**(311,502)**

27. 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.

28. Post Balance Sheet Events

On 17 January 2023, following significant rainfall, a number of our homes in the Grand Vaux area were evacuated due to flooding. The majority of clients were able to move back into their properties the next day, however 16 homes were significantly effected, with additional refurbishment work required prior to those tenants being able to move back in. This work is ongoing and will be completed shortly.

On 10 February 2023, the term of the revolving credit facility was extended by one year to 28 February 2028.

On 28 February 2023, the Company's contractor for Cyril Le Marquand Court, Camerons Limited, went into liquidation. The Company immediately appointed another contractor to complete the development.

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www.andiumhomes.je