Annual Report 2017

ANDIUM HOMES

R.121/2018

Contents

About Us

Legal form of the entity

Private company limited by guarantee.

Country of incorporation

Jersey.

Address of the registered office

The Company's registered office is 33-35 Don Street, St Helier, Jersey, JE2 4TQ.

What we do

Jersey's largest provider of affordable housing, managing more than 4,500 properties and providing homes for more than 10,000 Islanders.

Directors

Frank Walker OBE	Non-executive Director*	Appointed 1 July 2014	Appointed Chair 1 July 2017
Frank Walker OBE	Non-executive Chair*	Appointed 1 July 2017	
Michael Jones	Non-executive Chair*	Appointed 1 July 2014	Stepped down 30 June 2017
Michael Jones	Non-executive Director*	Appointed 1 July 2017	
Jane Martin	Non-executive Vice Chair*	Appointed 1 July 2014	Re-appointed 1 July 2016
Heather Bestwick	Non-executive Director*	Appointed 1 July 2014	Re-appointed 1 July 2015
Judy Beaumont	Non-executive Tenant Director*	Appointed 1 January 2017	
Colin Russell	Non-executive Tenant Director*	Appointed 1 July 2014	Re-appointed 1 July 2017
Ian Gallichan	Chief Executive	Appointed 1 July 2014	
John Hamon	Chief Operating Officer / Finance Director	Appointed 1 July 2014	

*Independent

Company Secretary

Fiona Halliwell

Auditors

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

Bankers

HSBC
Halkett Street
St Helier
Jersey
JE4 8NJ

Solicitors

Collas Crill
Gaspe House
66-72 Esplanade
St Helier
Jersey
JE1 4XD

Chairman's Statement

Welcome to our fourth Annual Report, the first report which I have the pleasure of publishing as chairman of the Andium Homes Board. I was very pleased to be asked to step up to the position in July 2017, taking over from Michael Jones, who I am delighted to say, continues to serve as a Non-Executive Director and member of the Risk and Audit committee. Michael oversaw the creation of Andium Homes and has played a major role in establishing it as a successful, well-founded company, able to offer a new standard of service to our customers. I, my fellow Directors, and the Executive Team are all very grateful for his outstanding contribution to date.

Progress in bringing our homes up to the Decent Homes Standard remains well ahead of target with the completion of refurbishments at Windsor Court and Clos Des Sables. We are also nearing the completion of the major refurbishment of Convent Court, which will include the installation of an appropriate sprinkler system, something we will then programme across all of our high rise buildings.

We have seen demand for home ownership increase significantly and as a Board, we are committed to making this a reality for Islanders. Andium Homebuy, our deferred payment scheme, remains popular but we have recognised that selling existing stock is simply not enough to meet demand. We have worked hard to obtain the necessary approvals for schemes on new build sites; schemes which will see homes remaining in the affordable bracket in perpetuity which is a major step forward for First Time Buyers. We hope to see the delivery of the first of these homes at the former Samares nurseries site, St Clement. We were very disappointed at the decision of the Planning Minister to refuse the plan to build 65 first- time buyer homes in St. Peter and we are working closely with the Housing Minister and the Parish Authorities to get this decision reversed. Our target is to provide over 1,000 first-time buyer homes by 2025.

I am particularly pleased about our acquisition of a number of key sites within St Helier. Developments at Summerland and the Ann Street Boiler House are progressing and we have grasped the opportunity to do something very special on the Jersey Gas Works site. Having received the backing of the States we are pleased to be progressing our vision for this site with a significant extension to the Town Park, as depicted on the cover of this report. The end result of the development of all these sites will be a significant step towards the ambition of the States to regenerate St. Helier.

Another major achievement during 2017 has been the implementation of the first phase of our IT Strategy. This is already providing enormous benefits in greatly improving our service to our customers and enabling our teams to work remotely from the office with access to real time information. Customer service and efficiency are both at the top of our agenda. We have also been working to protect our systems and clients data by enhancing our security against any cyber threat and have recently achieved "Cyber Essentials" certification.

2017 saw the publication of the Independent Jersey Care Inquiry and we were quick to consider its findings. What emerged was evidence that housing, access to it and issues of quality and affordability, had contributed to children ending up in the care system over too many years. Our progress in improving the housing stock and increasing supply will go some way to preventing this from happening again and we stand ready to work with Ministers and States departments to achieve the right outcomes. Of particular note in this respect, is our ability to deliver affordable housing for Keyworkers in Jersey, whether that be in the short term to assist with the Future Hospital Project, or in delivering a longer term solution for Keyworker accommodation to meet the ongoing demands for health and social services and other vital services.

I believe we continue to make excellent progress which benefits our clients, who are at the heart of everything we do. I would like to thank my fellow Board members, our very capable Management team, their teams and other stakeholders for their tireless work and continued commitment to the delivery of affordable housing.

Frank Walker

Frank Walker OBE
Chair 25 April 2018

Chief Executive's Review

I am delighted to present our Annual Report for 2017, covering activity and performance during what has been a particularly busy twelve months. Our Strategic Business Plan made a number of commitments and this report demonstrates our achievements against that ambitious plan, and the significant progress we have made in delivering on those promises.

We believe that we can change people's lives through providing great homes and services. We have listened to our clients and developed our objectives around what they want.

So, how have we done in delivering against those objectives?

Delivering a renowned client experience

Continually improving the services we offer to our clients has remained a focus for us. We use the feedback we receive to make those improvements and in 2017 implemented a number of changes which we believe will be of great benefit to them. The first phase of our IT Strategy has been successfully delivered and whilst it initially took us a little time to get used to the new system, we are already seeing the many benefits of the new technology.

We have also been working to provide enhanced protection for the data we hold and have been able to achieve the "Cyber Essentials" certification. We take our obligations in relation to the data we hold very seriously and have reviewed and, where appropriate, amended our processes to ensure compliance with the Data Protection (Jersey) Law 2018.

The new tenancy agreements which were developed in 2016 have now been in use for a year. They are providing a far more consistent approach, are less intrusive and restricting, but are also giving us the tools we need to deal with the minority of people who do not adhere to those reasonable rules.

We continue to seek advice and guidance from our Tenants' Forum group, RADAR, who were instrumental in the development of new contracts for general cleaning and grounds maintenance. The group also negotiated with our new kitchen supplier, Normans, a 10% discount card for all Andium Homes households.

We have also been working to strengthen or create new partnerships with organisations that provide services to our residents, working together to build strong relationships and develop mutual trust and respect. In 2017 we were pleased to welcome Barnados to our Supported Housing Group, and our ongoing work in delivering a new facility for Age Concern at Convent Court low rise is also strengthening our relationship.

Providing great homes in safe communities

We believe that everyone has the right to a decent home in a safe community. Our extensive planned maintenance programme and major capital refurbishments have led to the number of homes meeting the Decent Homes Standard increasing to 96%, which is 3% above the target set in the Business Plan.

We have delivered major improvement works at Windsor Court (previously named Caesarea Court) and Clos Des Sables in St Brelade and are well advanced in the refurbishment of the 73 homes at Convent Court. Our attention has now turned to Hue Court and the four blocks at Le Marais. We also have a significant maintenance programme, which saw investment of £12.5m last year, (2016: £11.3m).

Ensuring we are making the most efficient use of our assets is important and we have started our Strategic Asset Review. This gives us the opportunity to assess the viability of all our homes to establish their best future use, while also delivering maximum benefit.

As important as providing great homes, is providing safe communities. We have a dedicated Tenancy Management team who act swiftly and firmly to resolve issues of anti-social behaviour, working closely with residents and other agencies such as Customs and the Police.

Providing great homes in safe communities (continued)

In delivering our commitment to provide safe communities, we have continued to offer financial assistance to support our community groups and associations. Our “Inspiring Communities Fund” has delivered a number of benefits across our neighbourhoods.

Supplying more homes & specialised services

Achieving Decent Homes across our stock is important, and equally so is the delivery of new, additional homes. The Affordable Housing Gateway clearly demonstrates that demand for affordable homes currently outstrips supply and that new homes are needed.

In addition to the 227 homes already delivered, at the end of 2017 we were on site to deliver a further 587 new homes as per the 2017-2021 Strategic Business Plan.

	No. of homes	**Status**
Le Squez phase 4	151	On site
La Collette low rise	147	On site
Samares Nurseries	200	On site
Summerland	74	On site
Ann Street Boiler House	15	On site
	587	

We are also working towards the delivery of an additional 572 homes on the following sites:-

	No. of homes	**Status**
Ann Court	165	On site
Jersey Gas Works Site	110	Feasibility
Ann Street Brewery	253	Feasibility
Robin Hood Corner	23	Planning application submitted
Convent Court low rise	21	Planning application submitted
	572	

I am particularly pleased with our acquisition of the Jersey Gas Works site, which I believe demonstrated our passion for not only delivering much needed homes, but equally in providing more green public space and regenerating the Town area. Having the ability to look holistically at our sites, both existing and newly acquired, means we can be far more strategic when putting our plans together. It also provides the opportunity for us to deliver solutions for other organisations and we are currently in consultation with a number of charities who would benefit from facilities in this part of town.

Supplying more homes & specialised services (continued)

The needs of our older clients remain a focus for us and plans to deliver a new purpose built facility at Convent Court low rise for Age Concern are now with the Planning Department. This will be the first of its kind in Jersey as it will not only provide a new home for Age Concern from where they can deliver their valuable services, it will also provide 21 new homes built specifically for the elderly.

We carried out 188 medical adaptations in 2017 enabling people to stay living in their homes safely and independently, for longer. These range from level access showers and ramps, to simple hand rails. We are delighted to assist our clients in this way and will continue to ensure that this budget is always available for these vital adaptations. This compliments our ongoing programme of bathroom replacements which includes the installation of showers in one bedroom properties, meaning fewer people have to apply specifically on medical grounds.

Safeguarding is everyone's responsibility and we take those responsibilities very seriously when it comes to children and vulnerable adults. We are committed to the Memorandum of Understanding in place with the Safeguarding Partnership Board and play a key role in developing appropriate policies and procedures to enable professionals and the wider public to act quickly in cases of concern.

The Jersey Independent Care Inquiry highlighted the need to better protect and provide for our children. We have committed to deliver a number of actions within the Council of Ministers proposition P.108/2017 which will see homes being made available for Keyworkers. Indeed, we have already completed the refurbishment of the former Limes residential home for Junior Doctors, which now provides accommodation of a significantly higher standard. Having been identified as unsuitable for its previous use, the States owned site was transferred to us in August last year and the £1.5m refurbishment completed by January.

We have also met with the Children's Commissioner to understand what more we can be doing to assist in this vital area. We are determined to play our part in ensuring that all children have access to decent homes.

Promoting affordable home ownership

Over 1,000 applicants are registered to purchase a home on the Affordable Housing Gateway, which has prompted us to put more emphasis on home ownership in our future plans. In April last year, we successfully delivered a two day Andium Homebuy event, to promote our Affordable Purchase scheme and the emerging opportunities to purchase an affordable home. We were delighted with the number of people that attended these events; over 600 across the two days; many of whom are in a position to buy now.

We plan to deliver 1,000 Affordable purchase opportunities by 2025, 300 of these will come from our existing portfolio with 700 homes planned for new developments. We will have 40 homes to sell on the Samares development. We are in early discussions with two other Parishes and hope these will also deliver affordable first time buyer homes. We have been developing our Homebuy Scheme to ensure that future new build properties sold in the affordable bracket, stay affordable for all future transactions. This has been a major step forward in protecting homes for future generations.

We sold 28 of our existing properties in 2017, exceeding the target of 25, and increased our sales target from our existing portfolio to 40 per annum from 2018. We are intent on responding to demand shown on the Affordable Housing Gateway and will be flexible to enable us to service both the rental and purchase market.

We were incredibly disappointed that planning permission was refused for the development of 65 First Time Buyer Homes in St Peters, particularly on the grounds of insufficient evidence of the demand for such homes, which is so clearly evident from the Affordable Housing Gateway. The volume of people attending our Homebuy event, as well as the surge in registration when schemes are advertised, indicates that the demand for Affordable Purchase is far in excess of 1,000 applicants. We hope that the land in St Peters is ultimately rezoned in order that we can provide the much needed new homes on that site.

Maintaining financial strength and stability

Maintaining financial strength and stability continues to be vital for us to achieve our objectives. I am pleased to report that we continue to maintain a strong and stable balance sheet and cash position. In 2017, we outperformed our budget and delivered an operating surplus (before depreciation and impairments).

As a States-owned, not-for-profit Company, it is vital that we achieve value for money when delivering our objectives. Our independent company structure and sustainable business model allows us to enter into longer term contracts with our suppliers which can provide enhanced value for money and improved services for our clients. In 2017 we retendered our general cleaning and grounds maintenance contracts involving clients at every stage, which brought about numerous benefits.

We follow the States of Jersey rent policy and as a result in 2017, we paid £28.2m to the States of Jersey in line with our transfer agreement. We will pay the same amount plus inflation in 2018 and each year thereafter. Importantly, the stability of this financial return provides the financial certainty needed to manage our long term business model.

We have utilised States of Jersey borrowing to fund our capital projects with outstanding debt at the end of 2017 amounting to £105.8m and we have met all borrowing requirements. Rental income and sales proceeds generated from the new homes are used to repay these loans. Indeed, rental income and sales proceeds fund everything that we do.

More information on our business model and our financial performance can be found in the Financial Review.

An employer which attracts and retains talent

Our reputation as an employer is important in order for us to retain and attract talented individuals. Ensuring we have the right people in the right roles is also important if we are to deliver our objectives. We carry out regular reviews to company and team structures in order to ensure that we are flexible and able to respond to the changing needs of the business.

We continue to support our colleagues with ongoing training and development and were delighted to join forces with the Leadership Trust to deliver experiential training for our leaders, managers and rising stars in 2017. We remain focused on performance management and carry out full and half year Performance Development Reviews with all our staff, assessing achievements in both delivery and living our Andium values.

Our move to a more mobile way of working is proving hugely beneficial, with colleagues able to access email and diary commitments whilst out of the office, along with real time access to our housing and financial management system.

The flexibility that new technology brings has also enabled us to promote more flexible working arrangements, ensuring we can offer career opportunities to those with other commitments, such as children or caring responsibilities.

Our Bursary Scheme continues to attract new talent to a career in housing and we have been supporting three students in their university studies, providing financial assistance and valuable work placements for each of them. In addition, our negotiated maintenance and construction contracts ensure that companies that partner with us offer work opportunities, including apprenticeships, to the local market.

Conclusion

I am immensely proud of what we have achieved in 2017, our new IT system, the phenomenal progress in bringing our homes up to the Decent Homes Standard, the exciting new sites we have acquired and the ongoing commitment and passion shown by all of our staff.

We have however seen some events which have challenged us, but our ability to respond has reflected our values and culture.

- The tragic events at Grenfell Tower in the UK, a vision which will no doubt stick in our minds forever, saw us respond immediately to not only reassure our residents but also to check and double check that our homes were safe. We have carried out those checks and our homes are safe, but we chose to go beyond what was needed by committing to install sprinkler systems across our high rise blocks.

- The publication of the Independent Jersey Care Enquiry made difficult reading. We reviewed its findings as a priority to understand the failings that had been identified and, importantly, what we could do to ensure we were doing all we can to deliver on any recommendations relevant to us. We wrote to the Chief Minister to offer reassurance on what we were already doing to improve the standard of our homes, but also to offer assistance in providing solutions for Keyworkers, something we remain passionate about.

We have some challenges, and opportunities ahead too. We know there is not enough supply to meet the growing demand for affordable home ownership, and that there are also a number of Islanders who are not able to access our rental homes. We will continue to identify new sites to deliver more homes and work with the States of Jersey to see eligibility for affordable homes widened to enable all Islanders to access a decent home, something we feel very strongly about.

The need to increase the supply of homes comes at a time when the construction industry is already buoyant. As such, we are reviewing specification levels, pursuing alternative methods of construction and closely looking at supply chains in order to ensure we are ahead of the curve in respect of delivering genuine value for money and the homes Jersey needs.

We are also following the significant changes being made across the Public Sector and changes to the Machinery of Government. The creation of Andium Homes has seen numerous benefits for Islanders in the delivery of more and better homes and services. We also continue to contribute a significant financial return to the States each year of £28m. Our key mission is to provide access to decent homes for both the rental and purchase sector and we will work with the States to achieve this. We have also offered to assist in other property related matters across the States.

These are interesting times, offering excellent opportunities for Andium Homes to take on a larger role in the provision and management of homes across the Island. The cost and availability of housing is a major issue for Jersey. We believe everyone should have access to a decent and affordable home. If we have sufficient supply then we can assist not only those living in the Island, but importantly encourage those who have left to return to Jersey, bringing with them the skills the economy needs. There is much to do but with 96% of our homes meeting the 'decent homes standard', plans to deliver 2,000 new homes by 2025 and together with our deferred purchase scheme, we are working hard to make a decent home for all an achievable goal.

Ian Gallichan

Ian K Gallichan
Chief Executive 25 April 2018

Financial Review

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Registered Social Housing Providers 2014 ("SORP") and Financial Reporting Standard 102 ("FRS 102") as issued by the Financial Reporting Council (collectively "UK Accounting standards"). Andium Homes' principal accounting policies are set out in note 1 of the notes to the financial statements.

The Andium Homes business model

Andium Homes was incorporated in 2014 in order to provide dedicated, ring-fenced affordable housing solutions for Islanders. Rental income and proceeds from the sale of properties funds all our activities. We provide the States of Jersey with a financial return of £28.2m each year, adjusted annually by inflation, in exchange for the circa 4,500 properties transferred to us on incorporation. Thereafter, all surpluses are re-invested in to our business.

Financial strength and stability continues to be essential to the success of Andium Homes and the delivery of affordable housing in Jersey. Housing is a long-term business and hence decisions must be taken in the long term and performance monitored over that period. To achieve this, a 40 year business model is maintained to manage short and long term cash requirements. The business model and associated risk assessments are used to facilitate strategic decision making.

We have maintained our strong and stable balance sheet and cash position through our close monitoring of our business model, strong financial controls and efficient management of our properties and capital programme.

In our 2017-2021 Strategic Business Plan we committed to bring all stock up to the Decent Homes Standard by 2020, some 4 years ahead of the timeline set when Andium Homes was incorporated. In 2017, we spent £12.5m on maintenance (including replacement components) which brought our stock up to 96% compliance. From 2018, we plan to spend £12m - £13m per annum on the maintenance of our homes. We are on track to achieve 100% compliance with the Decent Homes Standard by 2020 and maintain it at that level thereafter.

Our 2017-2021 Strategic Business Plan includes an ambitious capital programme to develop in excess of two thousand new homes by 2025, as well as complete major refurbishments to a further 500 of our existing homes. The capital programme will, to the extent possible, be funded by borrowing from the States of Jersey. Private borrowing options will be explored where States of Jersey borrowing is not available. All loans will be repaid from net rents generated. Loans are put in place for each capital project, generally for a period of 25-30 years, the Company's budget is modelled to have sufficient cash resources to repay all existing loans by 2039.

During 2017, in order to progress capital projects as efficiently and swiftly as possible, we entered in to a bridging loan with the States of Jersey in order to fund enabling works for a number of projects. Because the repayment date of the bridging loan is 31 December 2018, the loan creates a net current liability position for the Company at 31 December 2017. However, the loan will be replaced with longer term loans when we enter into the main contract for construction for each project and so will not create a negative cash flow in 2018. In the event that the projects do not progress as planned, the loan repayment will be renegotiated with the States of Jersey.

During 2017, we acquired new land for the development of affordable homes. These sites include Robin Hood Corner, Summerland, Samares Nurseries, the former Ann Street Brewery site, the Ann Street Boiler House site and the Jersey Gas Works site. Additionally, the former Limes residential home was transferred into our ownership from the States of Jersey in 2017. These sites alone are set to deliver 796 new homes for Islanders. Land acquisitions are funded by cash and borrowing from the States of Jersey.

We will continue to deliver the agreed annual return to the Guarantor, which will be adjusted annually by Jersey RPI, currently forecast at £28.9m for 2018.

The Andium Homes business model (continued)

We will generate rental income through the continued implementation of the States of Jersey rent policy. The rent policy provides tenants with a 10% discount compared with the private market as well as full provision for assistance in the form of Income Support, dependent on individual circumstances. Rental income funds all of our expenditure including maintenance costs and the development of new homes (through repayment of loans). The rent policy is vital to our business model and therefore to the delivery of Decent Homes and the provision of more homes.

In 2017, we outperformed our budget and delivered an operating surplus (before depreciation and impairments) and project similar surpluses for all future years included in the 2017-2021 Strategic Business Plan.

We will continue to provide opportunities for affordable home ownership through our Andium Homebuy scheme which enables purchasers to defer up to 25% of the purchase price. Demand for affordable homes for purchase is now higher than demand for affordable rental homes. In order to service that demand we plan to sell 300 properties from our existing stock as well as 700 of the 2,000 newly developed properties planned for delivery for 2025.

The level of maintenance and building activity has a further benefit of providing improved growth and stability in the construction industry. Given the high level of construction works planned, it is important that we monitor construction industry capacity in order to ensure costs continue to represent value for money. We remain committed to supporting a sustainable local Construction Industry.

Further information in relation to our business model and our future plans is included in our 2017-2021 Strategic Business Plan which is available on our website.

Financial review of the year

We are pleased to report an operating surplus before depreciation and impairments of £5,916k (2016: £5,757k) (compared to the budgeted surplus of £4,921k). This is after returning the agreed £28,214k (2016: £27,728k) to the Guarantor.

The surplus is used to fund maintenance costs of a capital nature, which amounted to £4,251k. Additionally, £3,141k was incurred in relation to loan interest which is part funded by property sales proceeds.

One of the key benefits of creating the Company was to enable all retained surpluses to be reinvested within the Company for affordable housing purposes providing a strong incentive to make best use of efficiency gains to accelerate the achievement of the Decent Homes Standard. We are a not-for-profit company with all surpluses generated fed back in to the business.

Statement of Comprehensive Income review

The actual versus budget results are set out below.

	Actual	Budget*	Difference
	£'000	**£'000**	**£'000**
Rental income	47,568	46,631	937
Other income	2,385	2,138	247
Maintenance	(12,458)	(12,778)	320
Maintenance costs capitalised	4,251	4,659	(408)
Staff costs	(3,522)	(3,585)	63
Other expenses	(4,094)	(3,979)	(115)
Operating surplus before the return to the Guarantor, depreciation & impairment	**34,130**	**33,086**	**1,044**
Return to the Guarantor	(28,214)	(28,165)	(49)
Operating surplus before depreciation & impairment	**5,916**	**4,921**	**995**
Other:			
Interest receivable and investment income	74	44	30
Interest payable and similar charges	(3,141)	(2,928)	(213)
Depreciation & impairment	(26,632)	(18,770)	(7,862)

*This is the annual budget authorised by the Board of Directors at the start of 2017, which differs from the financial projections indicated in the 2017-2021 Strategic Business Plan.

Overview

2017 has been another strong year for the Company.

We have received more rental income than expected, which is largely due to efficiencies in our letting procedure.

We have exceeded our target of 93% for Decent Homes' compliance with 96% of our properties now meeting this standard and we are on track to deliver against our commitment to deliver full Decent Homes Compliance by 2020.

An increase in other expenditure has been offset by an increase in other income as the sites acquired during the year start to provide a new and additional revenue stream for the Company.

Rental income

Rental income has outperformed budget by £937k for the following reasons:

- Rent not charged for the period between a tenancy ending and a new tenancy commencing was significantly reduced due to both the ongoing efficiency of Choice Based Lettings and the improved voids contracts we have negotiated with our contractors; and
- Jersey RPI was higher than predicted which had a consequential impact on the annual rent adjustment (this is largely offset by the higher than expected return to the Guarantor which is also linked to Jersey RPI).

Other income

Other income has exceeded that budgeted predominantly due to parking fees and other revenue from sites acquired during the year.

Maintenance expenditure

We understand the importance of living in a decent home and being a landlord that can be relied upon to maintain properties to a good standard and respond to repairs of an emergency nature.

At 31 December 2017, 96% of properties met the Decent Homes Standard, ahead of the target of 93% and the prior year figure of 91%. We are extremely proud of this and are confident about achieving 100% compliance by 2020 and maintaining that standard thereafter.

Maintenance work is planned to systematically bring all stock up to Decent Homes Standard across our stock whilst also responding to emergency repairs.

Maintenance expenditure reported in the Statement of Comprehensive Income for 2017 amounts to £8,207k. A further £4,251k of maintenance work has been undertaken and capitalised during the period.

Staff costs

Staff costs are in line with budget as we continue to manage resource efficiently and effectively.

Other expenses

Other expenses are marginally over budget, with higher costs in relation to water, insurance, and administration of recently acquired sites. Other income has been generated against this increase in cost.

Return to the Guarantor

The Company has delivered the agreed return to the States of Jersey of £28,214k for the year. In accordance with the Transfer Agreement entered into between Andium Homes and the States of Jersey, the Company will continue to deliver a quarterly return to the States of Jersey of £7,184k which will continue to be adjusted annually in October by Jersey RPI.

The payment made was higher than budgeted due to Jersey RPI being higher than anticipated.

Interest receivable and Investment income

Interest income is higher than budgeted due to short term cash investments providing more return than originally forecast.

Interest payable and similar charges

The Company has incurred finance costs in relation to loan agreements entered into with the States of Jersey to fund capital projects.

Interest payable and similar charges (continued)

Interest charges during construction are included in the cost of the project. On completion, interest charges are included in the Statement of Comprehensive Income. The charge to the Statement of Comprehensive Income is higher than budgeted as interest in relation to the acquisition of land has been expensed where the budget assumed capitalisation.

Depreciation and impairments

Depreciation and impairments fluctuate largely due to impairments incurred on capital activity. Impairments occur where capital expenditure does not generate sufficient future income to support the costs of a capital project. Impairments have occurred this year on our refurbishment projects, to the extent that enhanced rentals on the project do not cover the refurbishment costs. Additionally, the purchase of the Jersey Gas Works site was impaired following the decision, endorsed by the States Assembly in P.114/2017, to use part of the land to extend the Town Park (refer to note 7 and note 26 of the Financial Statements for further information).

Statement of Financial Position review

The Company presents a strong asset position with overall net assets of £789,602k.

Property assets

On 1 July 2014, the States of Jersey transferred the assets and liabilities of the States of Jersey Housing Department to the Company amounting to a net position of £678,171k. Social housing and other property assets amounted to £683,784k of the £678,171k net assets transferred. Since that time, we have invested in the stock through our cyclical maintenance programme and our capital programme.

During 2017, £17,049k has been invested in capital projects and £4,251k has been invested in the replacement of housing components (such as kitchens and bathrooms). Capital expenditure while still in excess of prior year, is lower than anticipated due to a number of projects, namely Le Squez phase 4, Samares and La Collette low rise, experiencing significant planning delays following the introduction of the 3rd Party Appeal System. Planning permission has now been received for these projects with works commencing on site in 2017.

We acquired a number of new sites in 2017 including Summerland, Robin Hood Corner, Samares nurseries, the former Ann Street Brewery site, the Ann Street Boiler House site, the Jersey Gas Works site and the former Limes residential home all of which will be developed to provide affordable homes.

Along with Ann Court, we now own a number of sites in the North of Town. This provides a once in a lifetime opportunity to co-ordinate the development and regeneration of this area. As part of our Jersey Gas Works development, we will extend the Town Park, as pictured on the cover of this report. Subject to the award of planning permission, the park extension will provide further regeneration to the area with enhanced green space for the public of Jersey.

28 properties were sold from our existing stock during the period with a gross sales value of £7,838k. £1,087k bonds were issued under the deferred payment scheme, which enables qualifying purchasers to defer up to 25% of the sales price. Net sales proceeds achieved were therefore £6,751k.

The value of property assets, determined by independent valuations, has increased by £33,186k. This is driven by the increase in rentals as the Company moves towards charging 90% of market rates and the improved condition of the properties in relation to the Decent Homes Standard. This increase has reduced year on year due to the impact of the Grenfell Tower fire on our high rise stock valuations. We have committed to installing sprinkler systems across all our high rise blocks following this tragic event. This work goes beyond what is currently required, however, it does have an impact on the discounted cash flow valuations.

Cash

The Company's Treasury Management policy ensures there are sufficient cash resources available to meet both long and short term liabilities, and to otherwise minimise cash surpluses by progressing and completing projects as soon after funding is received as is reasonably possible.

Cash held is invested in low risk cash and cash equivalents. The Company takes advantage of the knowledge and expertise of professional investment advisers, Royal London Asset Management, in establishing the most suitable investments to comply with the Company's strategy.

Cash at 31 December 2017 amounted to £19,945k, which represents a strong and stable cash position for the Company. Of the cash balance, £7,184k is held to pay the Return to the Guarantor in January 2018, approximately £3,000k to cover two months revenue expenditure and the balance is ring-fenced for capital projects.

Borrowing

The Company has entered into loan agreements with the States of Jersey with total outstanding borrowing amounting to £105,818k as at 31 December 2017. Borrowing is taken out to fund capital projects and repaid from net income generated; repayments made in 2017 amounted to £1,550k. The Company is in a net current liability position at the Statement of Financial Position date, which was subsequently reversed after the year end following the drawdown of Loan 14 (see note 1 of the Financial Statements for further detail).

Interest on loans is paid quarterly at a fixed interest rate of 4.3% - 5.0% per annum. Interest paid in 2017 amounted to £3,674k.

To deliver the extensive capital programme set out in our 2017-2021 Strategic Business Plan, we will enter in to private borrowing during 2018, the form of which is currently being reviewed. The borrowing will be repaid by income generated from the new homes, therefore we are able to deliver the new homes whilst also maintaining the solid financial platform of which we are so proud.

Key Performance Indicators

A summary of actual results against targets for the Company's key performance indicators, set in our 2017-2021 Strategic Business Plan, is given below with the exception of the operating surplus before depreciation and impairment which is updated to represent the budget approved by the Board as noted earlier in this financial review.

	2017 Actual	2017 Target
Delivering a renowned client service		
Overall client satisfaction	89.0%	85.0%
Providing great homes in safe communities		
% of homes meeting the Decent Homes Standard	96.3%	93.2%
Completed property refurbishments[1]	60	60
Supplying more homes and specialised services		
Gross new homes – commenced on site[2]	587	663
Gross new homes – completed	-	-
Promoting affordable home ownership		
Number of existing properties sold[3]	28	25
Net proceeds from existing property sales	£6.8m	£6.1m
Number of new properties sold	-	-
Net proceeds from new properties sold	-	-
Maintaining financial strength and stability		
Operating surplus before depreciation and impairment	£5.9m	£4.9m
Cash held	£19.9m	£14.2m
Minimum rent charged as a % of market rent	78.0%	77.0%
Maximum rent arrears as a % of rental income and charges	1.0%	1.0%
Maximum number of unlet properties at any time	21	30
Agreed financial returns delivered to the States of Jersey	£28.2m	£28.2m
An employer that attracts and retains talent		
Maximum colleague sickness levels (average over 12 month period)	2.3	5.0

[1]Comprising the major refurbishment of 8 units at Clos Des Sables and 52 units at Windsor Court (previously Caesarea Court).

[2]Works commenced on site at the following locations: Le Squez Phase 4 (151); La Collette low rise (147); Summerland (74); Ann Street Boiler house (15) and; Samares (200). Summerland and Ann Street Boiler house commenced on site earlier than anticipated. This is offset by Ann Court (165), which was set to commence in 2017 and will now commence in 2018 due to the planning process taking longer than anticipated. Given the significant issues we have faced in obtaining planning permission on our sites, in particular in relation to Le Squez Phase 4 and La Collette low rise, we are very proud of the progress made in our capital programme during 2017 and are set to progress many more sites in 2018.

[3]18 affordable sales sold through the Andium Homebuy scheme and 10 open market sales.

Principal Risks and Uncertainties facing the Company

Like all businesses, the Company faces a wide variety of business related risks. The Board recognises that it is essential for the Company to effectively manage risk in order to achieve its objectives. The Company has a Risk Management Policy in place which outlines how Andium Homes intends to identify and actively manage all such risks and confirms the risk appetite of the Company continues to be low.

Fundamental to the Company risk management, is the maintenance of a risk register identifying and scoring risks with involvement at all levels of the business. Key risks are identified and mitigations put in place through the review, development and testing of related policies and procedures.

The Company continues to operate within a dynamic and fast-changing environment creating many challenges. The results of the activities of the risk function are used to inform and focus the decision-making processes within the organisation.

The Company continues to review and update its risk management framework in accordance with good practice. In response to the planned growth of Andium Homes, we have bolstered the risk and compliance function by appointing a Head of Compliance and Programme Management in 2017. 2018 will see developments in monitoring and escalation techniques and the definition of risk appetite and tolerance with greater granularity with a view to embedding risk management to a greater degree.

Principal risks

The following risks have been identified as the most significant risks facing the Company.

Financial risk

As with all businesses, the Company is required to closely manage its financial risk to ensure that the business is financially strong and stable, ensuring there are resources in place to meet both long term and short term liabilities as they fall due and that adequate financial planning is performed to facilitate strategic decisions.

The potential future financial risks that could impact the liquidity of the Company are set out below. The Board considers these to be the key risks that could materially affect the Company's achievement of strategic objectives. The list is ordered by category, not assessed magnitude, and is not intended to be comprehensive and many other risks are actively managed and which could impact performance.

Risk Category	Description / Impact	Mitigation
Economic		
Stress testing	Insufficient alignment of financial modelling to external change leads to poor decision making	40 year business plan stress tested regularly and compared to actual results
Private Funding	Insufficient financial resources are secured to deliver our ambitious capital programme	External borrowing arrangements explored and stress tested in financial model
Financial Viability	Financial viability suffers due to increases in costs (construction inflation, interest rate change or change to the basis of the financial return to the States) or reduced income (rents or arrears)	Monthly capital, maintenance, rent and yield monitoring updated in business model

Technical		
Performance Reporting	Ineffective management systems or focus leads to missed trend and risks corporate failing	Board, Leadership and Management reporting arrangements supplemented by risk and compliance activity

The Company closely monitors the impact of the above risks including the financial modelling of sensitivity analysis for a number of scenarios. This provides an early warning mechanism enabling informed decisions to be made by the Board.

The Company is responsible for managing the risks to the business. However, where there is a fundamental change in States of Jersey policy, it is appropriate for the Company to discuss the implications of such changes with the States of Jersey and how that may impact upon the business model and risk profile of the Company.

Other risks

Other key non-financial risks to the Company's ability to meet its objectives include:

Risk / Category	Descriptions / Impacts	Mitigations
Political		
Affordable Housing Gateway effectiveness	Insufficient mechanism to quantify housing demand and make informed strategic decisions	Contribution to the Affordable Housing Gateway review
Political uncertainty	A political / structural change in how Andium is perceived compromising our potential to deliver Affordable Housing solutions	Active participation and involvement in Machinery of Government reforms
Legislative change	Legislative changes impact on our ability to achieve our strategic objectives	No surprises policy in our communications with stakeholders, regular meetings with Guarantor
Social		
Customer engagement	Insufficient systems to elicit Client views on services resulting in lower satisfaction	Increasing suite of communication methods with new customer relationship system
Negative perceptions	Insufficiently addressing inaccuracies or prejudices on behalf of vulnerable Clients leading to reputational damage	Appropriate challenge to media inaccuracy and briefings to improve understanding
Technical		
Contractor Portal	Extending our customer relationship management service to capture key contractor performance risks interim poor service	Experienced supplier and strong partner arrangements. Learning from initial roll out in-house
Information Benefits	Major information systems cannot meet business needs leading to inefficiency or poor decision making	Experienced Information Technology team and partners benchmarked in UK proven environments
Cyber threat	Online security fails damaging our ability to provide services, data breach or reputational damage	Robust cloud-based services, achievement of Cyber Essentials Plus accreditation, liability insurance and security auditing

Legal		
Role definition	Insufficiently defined role with partners leads to conflict of interest, unintended outcome or loss of focus on business objectives	Effective communication protocols with partners and programme management controls for initiatives
Data Protection	Failing to comply with the new Data Protection Laws leading to data breach or reputational damage	Responsible Director and Data Protection Officer have been appointed and are delivering a prioritised action plan
Environmental		
Planning process	Uncertainties in the planning process limit our ability to deliver homes leading to unmet demand	Professional supply chain partnerships and a risk based development pipeline.

These risks are mitigated by ongoing monitoring of the Company's operations and communications with stakeholders, of whom the Guarantor and Strategic Housing Unit are of primary importance.

The Risk and Audit Committee monitor financial and non-financial risks. The work of the Committee is described in the Governance Section of this report.

Governance

The Board

The term "corporate governance" generally refers to the supervision of how an organisation is run and how it manages the risks to its business. It includes regulation, corporate structure and the function of the Board.

The Board's role is to provide oversight and strategic direction that is free from actual or potential conflicts of interest. The Board has implemented "best practice" corporate governance, in relation to adherence to the UK Corporate Governance Code, as this is essential to ensure sound financial practice and the delivery of an appropriate affordable housing function.

The Company is led by a Board of Directors that includes a number of Independent Non-Executive Directors as noted below. The Board met 6 times in 2017, with attendance at these meetings indicated below:

Member		Board	Risk and Audit Committee	Appointments and Remuneration Committee	Capital Programme Sub Group
Number of meetings held		6	3	3	1
Frank Walker OBE	Non-Executive Director (to 30 June 2017)[1]	3	2**	n/a	1
	Non-Executive Chair (From 1 July 2017)[1]	2			
Michael Jones	Non-Executive Chair (to 30 June 2017)[1]	3	1***	n/a	n/a
	Non-Executive Director (from 1 July 2017)[1]	3			
Jane Martin	Non-Executive Vice Chair[1]	5	n/a	3	n/a
Judy Beaumont	Non-Executive Tenant Director[1]	6	n/a	n/a	1
Heather Bestwick	Non-Executive Director[1]	6	3****	n/a	n/a
Colin Russell	Non-Executive Tenant Director[1]	5	n/a	3	1
Ian Gallichan	Chief Executive	6	1*	3*	1
John Hamon	Chief Operating Officer / Finance Director	6	3*	2*	1

*Attendance by invitation
**Non-Executive Chair to 23 April 2017
***Non-Executive Director from 24 April 2017
****Non-Executive Chair from 24 April 2017
[1] Independent

Delegation

In accordance with best practice, specific responsibilities have been delegated to the Board Committees and the Sub Group which have their own terms of reference. Day to day performance is delegated to the Chief Executive who in turn delegates specific activities to the Andium Homes' team.

The Committees and the Sub Group that supported the Board and governance arrangements during the period were:

- Appointments and Remuneration Committee – responsible for overseeing and advising the Board on Board and Committee appointments and the remuneration of the Board members and Company staff.
- Risk and Audit Committee – responsible for recommending this Annual Report for Board approval, overseeing and advising the Board on external audit, the effectiveness of internal controls and the risk management framework.
- Capital Programme Sub Group – responsible for recommending a capital project programme to the Board, reviewing delegated capital projects and innovation.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee performed duties in line with written terms of reference. The Committee members are Jane Martin (Chair) and Colin Russell. The Committee's responsibilities include:

- Recommending to the Board the remuneration policy for Board Executive Directors;
- Reviewing and monitoring the level and structure of remuneration for all other employees; and
- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations with regard to any changes.

Remuneration Policy

The Committee is responsible for recommending to the Board the remuneration policy and levels of pay for the Executive Directors. This ensures that they are rewarded fairly and appropriately for the responsibility and accountabilities associated with the delivery and management of the Company's Strategic Business Plan.

The salary and benefits of the Executive Directors and the Company Secretary are reviewed annually by the Committee with recommendations made to the Andium Homes Board, with material changes being subject to the prior agreement of the Guarantor. The Committee endeavours to ensure that the value of remuneration packages of these roles matches the Board's policy on market position and sits appropriately against comparable organisation benchmarks.

The Memorandum of Understanding with the Treasury and Resources Minister ("The Guarantor") requires that any changes paid to the Non-Executive Directors must be agreed in advance by the Guarantor.

The total salary of the Directors in relation to the year ended 31 December 2017 is set out below:

	Salary/Fees
	£
Michael Jones	34,500
Frank Walker OBE	27,500
Jane Martin	16,500
Judy Beaumont	16,500
Heather Bestwick	16,500
Colin Russell	16,500
Ian Gallichan	189,000
John Hamon	141,000
Total	458,000

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. Total remuneration paid to these individuals, including pension contributions, in relation to services provided in 2017 was £712k (2016: £706k).

Risk and Audit Committee

The Committee members are Frank Walker OBE (Non-Executive Chair to 23 April 2017), Heather Bestwick (Non-Executive Director to 23 April 2017, Non-Executive Chair from 24 April 2017) and Michael Jones (Non-Executive Director from 24 April 2017).

The Risk and Audit Committee recommended the approval of this annual report to the Board, who accepted the recommendation and duly approved the report. In forming the recommendation, the Committee worked with the Company's management to gain comfort over the internal control environment and the key accounting issues.

The external auditors were re-appointed in 2017 for a period of 2 years. The Committee are satisfied that the auditors are able to express their opinion independently.

The Committee met 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. This included meeting with the auditors without the presence of the Company's staff.

On the recommendation of the Risk and Audit Committee, the Board has implemented the Company's Risk Management policy, which includes the creation and maintenance of the Company risk framework and the development of a compliance function. The risk and compliance function has been enhanced in 2017 through the recruitment of a Head of Compliance and Programme Management to the Andium Homes team. This position will ensure the risk and compliance function is robust as well as managing the overall delivery of our business objectives.

The Risk and Audit Committee pays particular attention to the mitigation of key risks facing the Company, including the procurement and implementation of the new Andium Homes IT infrastructure that is now hosted in the Microsoft Azure Cloud environment. Cyber security has remained a particular focus in 2017 given the move to a hosted solution and a number of independent security audit reviews have been undertaken following these changes. These provided assurance and recommendations as to the controls and governance in this area, including provision for cyber protection insurance.

The Risk and Audit Committee considers the Company's risk management and internal controls systems to represent good practice. Certain recommendations of the Comptroller & Auditor General are being implemented in accordance with the commitment of the Company to continual improvement.

This opinion has been shared with the Board who are in agreement with the Committee.

Capital Programme Sub Group

The Board agreed to set up the Sub Group at their meeting of 16 August 2017 with the first meeting held on 19 December 2017.

The Sub Group members are Frank Walker OBE (Chair), Colin Russell, Judy Beaumont, Ian Gallichan and John Hamon.

The Sub Group's responsibilities include:

- Reviewing and recommending to the Board a Capital Project Programme for all capital projects and a quarterly programme forecast;
- Advising the Board of the risks and opportunities presented by the Programme;
- Reviewing individual initial capital project assessments and feasibility studies for mandated capital projects; and
- Reviewing the proposed contractual arrangements for delivery of significant capital projects.

The Guarantor

The States of Jersey, acting through the Treasury and Resources Minister, is the sole member and Guarantor of the Company (the "Guarantor").

The role of the Guarantor and the Company's Board is established in the Company's Memorandum and Articles of Association adopted by the States of Jersey in June 2014. This is further clarified in the Memorandum of Understanding between the Minister for Treasury and Resources and Andium Homes Limited entered into in July 2014 (the "Memorandum of Understanding").

The Company has the responsibility for the direction, strategy and management of the social housing assets transferred to it in July 2014. The Guarantor recognises the independence of the Company's Board in managing the business.

A "no surprises" approach to communications with the Guarantor has been adopted in relation to key issues, in accordance with the Memorandum of Understanding, as they emerge.

The Board meet with the Guarantor, in accordance with the Memorandum of Understanding, ensuring that they maintain an understanding of his views.

Strategic Housing Unit

The Housing Minister is charged with the responsibility for housing policy.

Affordable housing policy and the long term housing strategy for the island is set by the States of Jersey Strategic Housing Unit (the "Strategic Housing Unit"), led by the Housing Minister. The Housing Minister has published her Housing Strategy (R.29/2016.).

The Strategic Housing Unit is also responsible for the Affordable Housing Gateway, a consolidated waiting list used by all affordable housing providers with common eligibility criteria.

Directors' Report

ANDIUM HOMES LIMITED.
Registration No. 115713

Introduction

The Directors of the Company present their report and the audited financial statements of the Company for the year ended 31 December 2017.

Directors of the Company

The Directors of the Company are Frank Walker OBE. (Chair – appointed 1 July 2017) Michael Jones (Chair – resigned 30 June 2017, appointed Non-executive Director 1 July 2017), Heather Bestwick (re-appointed 1 July 2015), Jane Martin (re-appointed 1 July 2016), Judy Beaumont (appointed 1 January 2017), Colin Russell (re-appointed 1 July 2017), Ian Gallichan (Chief Executive) and John Hamon (Finance Director) who were all appointed on 1 July 2014. No other persons have served as Directors during the period.

Future developments

An analysis of future developments are described in the Financial Review on pages 9 to 15.

Post balance sheet date events

The Board of Directors are aware of one significant event affecting the Company after the 2017 year end.

The States Assembly debated the Jersey Gas Works Site (P.114/2017) on 17th January 2018. The States were asked to decide whether they are of the opinion that as part of the development, Andium Homes should be requested to deliver, subject to the award of planning permission, a significant extension to the Town Park, thereby providing greater amenity benefits for all Islanders.

P.114/2017 was approved and the impact of this has been recognised in Note 26.

Disclosure of information to the auditors

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

The auditors, Baker Tilly Channel Islands Limited, have indicated their willingness to continue in office. A resolution is to be proposed at the Annual General Meeting for their reappointment as auditor of the Company.

Statement of Directors' Responsibility

The Statement of Directors' responsibility is presented separately on page 24. The Company adheres to the UK Corporate Governance Code with a separate governance report included on page 19.

By Order of the board

Frank Walker

Frank Walker
Chair
25 April 2018

John Hamon
Finance Director
25 April 2018

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 as described on page 9. 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; and
- 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; and
- the annual report includes a fair review of the development and performance of the business and the position of the Company with a description of the principal risks and uncertainties that they face.

By order of the Board

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

Opinion

We have audited the financial statements of Andium Homes Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash flow statement and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable Jersey law, the Statement of Recommended Practice for Registered Social Housing Providers ("SORP") and Financial Reporting Standard 102 ("FRS 102") as issued by the Financial Reporting Council (collectively "applicable UK accounting standards").

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its deficit for the year then ended;
- have been prepared in accordance with applicable UK accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law, 1991 as amended.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified in our audit.

A. Significant risks and our response

(i) Information Technology ("IT")

The risk
There is a risk that financial data is materially misstated following the implementation of a new IT system ("QL") due to: all transactions and balances not being transferred to QL accurately, errors in the manner data is processed in QL, inappropriate user access to key financial modules in QL or inadequate business continuity and cyber security controls in the IT environment.

Our response
We used IT specialists to assist in the design and performance of our audit procedures to address this risk. Our audit procedures with respect to IT included, but were not limited to: reconciliation of closing balances in the old IT systems to those imported to QL at the date of migration, tests of detail on transactions recorded in QL after the date of migration to ensure they are processed correctly, tests of user access to key financial modules, testing of business continuity controls and cyber security controls.

(ii) Rental income

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

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

(iii) Housing properties

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

Our response
We noted management have engaged a housing valuation expert ("the valuer") to determine the fair value of housing properties at 31 December 2017. We reviewed the competence, capabilities and objectivity of the valuer and we reviewed and assessed the significant assumptions used in the models calculating the fair value of housing properties. We recalculated the basis for determining depreciation and we assessed the relevant impairment indicators and ensured impairments were appropriately recorded. We also performed tests of detail on additions and disposals of housing properties and capitalisation of maintenance expenditure in the financial year.

(iv) Maintenance expenses

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

Our response

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

(v) Rental arrears

The risk

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

Our response

We selected a sample of rental debtors and reviewed post year end payments to ensure they are recoverable, along with reviewing management's list of debtors which are not deemed to be recoverable. We also reviewed other debtors with impairment indicators and ensured they were appropriately provided for.

(vi) Disclosure and presentation of financial statements

The risk

There is a risk the disclosure and presentation of the financial statements may be materially misstated.

Our response

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

B. Other key audit matter

(i) Going Concern

At 31 December 2017 the Company is in a net current liability position. The net current liabilities at this date are £10.2m.

Management have made an assessment of their ability to continue as a going concern and have prepared the financial statements using the going concern assumption. The Company entered into a loan agreement post year end on 6 March 2018, as borrower, with The Ministry for Treasury and Resources, on behalf of The States of Jersey, as lender. The loan facility is for the amount of £52.2m, and the Company is able to drawdown £18.2m in the 2018 financial year.

The additional cash drawn down post year end increases the current assets, without a corresponding increase in current liabilities as there are no amounts resulting from this loan which are to be repaid in 2018. This mitigates the going concern risk at 31 December 2017 as the Company is in a net current asset position post year end. We are therefore satisfied the Company is able to discharge its obligations as they fall due, within 12 months from the date of the signing of the financial statements.

Our opinion is therefore not modified in respect of this matter.

Our application of materiality

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

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

In making our assessment and in particular cognisant of the challenges of defining materiality, we considered a threshold of £3,400,000 to be an indicator of materiality for the financial statements as a whole. This threshold was based on an average of the following figures: 0.5% revenue, 5% of profit, 1% of gross assets and 100% of the smallest disclosed balance. This is intended to avoid the distorting effect of using only one financial statement figure as the measure. We report, to the Risk and Audit Committee, all corrected and uncorrected misstatements we identify through our audit with a value in excess of £340,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

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

Moreover, as part of our audit this year, we engaged IT specialists to ensure that complex technical issues are fully addressed, particularly in respect of the change in IT systems.

Based on our understanding of the business, from the preliminary visits and planning phase of our audit, we undertook substantive testing on significant balances, transactions and disclosures in line with our risk assessment including the results of the work performed at the planning phase.
The delivery of the audit service is designed to build on the knowledge and experience we have gained from our interim review. The approach is reviewed and updated on an on-going basis to address new issues and developments as they emerge and through our meetings and discussions with management.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

We were appointed by the Company's Guarantor, on 14 November 2014. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years.

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

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

Use of this report

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

Ewan John Spraggon

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

23 May 2018

Statement of Comprehensive Income

For the Year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Rental income		47,568	46,091
Other income		2,385	2,374
Operating costs (excluding depreciation & impairment)		(15,823)	(14,980)
Operating Surplus before the return to the Guarantor, depreciation & impairment	**2**	**34,130**	**33,485**
Return to the Guarantor	**3**	(28,214)	(27,728)
Operating Surplus before depreciation & impairment		**5,916**	**5,757**
Depreciation & impairment	**2,7,8,9,26**	(26,632)	(18,182)
Operating deficit		**(20,716)**	**(12,425)**
Fair value gains on financial instruments	**10**	489	306
Interest receivable and similar income		74	127
Interest payable and similar charges	**4**	(3,141)	(2,549)
Realised (deficit)/surplus from disposal of financial assets		(36)	123
Deficit for the year		**(23,330)**	**(14,418)**
Other comprehensive income			
Unrealised surplus on revaluation of housing properties	**7,11**	33,186	70,607
Unrealised surplus on revaluation of other assets	**8,9**	316	100
Total comprehensive income for the period		**10,172**	**56,289**

The notes on pages 35 - 53 form part of the financial statement

Statement of Financial Position

As at 31 December 2017	Notes	2017	2016
Fixed Assets		**£'000**	**£'000**
Housing Properties	**7**	858,777	810,556
Property, Plant and Equipment	**8**	6,677	6,706
Investment Properties	**9**	395	400
Financial Assets	**10**	19,688	18,955
		885,537	**836,617**
Current Assets			
Housing Properties held for sale	**11**	212	1,082
Debtors	**12**	2,683	2,152
Cash and cash equivalents	**14**	19,945	19,025
		22,840	**22,259**
Amounts Falling due within one year :			
Creditors	**15**	(1,070)	(2,225)
Accrued expenses	**16**	(12,782)	(9,736)
Borrowing	**17**	(19,215)	(1,455)
		(33,067)	**(13,416)**
Net Current (Liabilities)/Assets		**(10,227)**	**8,843**
Total assets less current liabilities		**875,310**	**845,460**
Amounts falling due after more than one year			
Borrowing	**17**	(85,708)	(66,030)
Net Assets		**789,602**	**779,430**
Capital and reserves			
Housing property revaluation reserve		168,351	135,165
Office premises revaluation reserve		828	512
Retained earnings		620,423	643,753
		789,602	**779,430**

The financial statements were approved by the Board of Directors and authorised for issue on 25 April 2018 and were signed on its behalf by:

Frank Walker
Chairman

John Hamon
Finance Director

The notes on 35 – 53 form part of the financial statements.

Statement of Changes in Equity

For the Year ended 31 December 2017

	Housing property revaluation reserves	Other assets revaluation reserves	Retained earnings	Total reserves
	£'000	£'000	£'000	£'000
Balance at 1 January 2016	64,558	412	658,171	723,141
Deficit on ordinary activities	-	-	(14,418)	(14,418)
Other Comprehensive Income for the year	70,607	100	-	70,707
Balance at 31 December 2016	135,165	512	643,753	779,430
Deficit on ordinary activities	-	-	(23,330)	(23,330)
Other Comprehensive Income for the year	33,186	316	-	33,502
Balance at 31 December 2017	**168,351**	**828**	**620,423**	**789,602**

The notes on pages 35 – 53 form part of the financial statements.

Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017	2016
		£'000	£'000
Net cash inflow from operating activities	**24**	**7,276**	**5,946**
Returns on investments and servicing of finance			
Interest and similar charges received		74	127
Interest and similar charges paid	**4**	(3,674)	(3,042)
Net cash outflow from returns on investments and servicing of finance		**(3,600)**	**(2,915)**
Capital expenditure and financial investment			
Additions to Housing Properties	**7**	(47,575)	(13,440)
Purchase of Property, Plant and Equipment	**8**	(81)	(366)
		(47,656)	**(13,806)**
Reduced by:			
Redemption of housing bonds	**10**	807	907
Sale of housing properties net of bonds issued	**5**	6,751	4,059
Net cash outflow from capital expenditure and financial investment		**(40,098)**	**(8,840)**
Financing			
Repayment of borrowing	**17**	(1,550)	(3,433)
Borrowing drawn down	**17**	38,892	2,191
Net cash (outflow)/ inflow from financing		**37,342**	**(1,242)**
Increase in cash in the period		**920**	**(7,051)**
Opening cash and cash equivalents balance		19,025	26,076
Closing cash balance	**14**	**19,945**	**19,025**

The notes on pages 35 – 53 form part of the financial statements.

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 2017 have been prepared in accordance with FRS 102. Although not a requirement, in the interest of best practice, the financial statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for Registered Social Housing Providers 2014. The principal accounting policies have been applied consistently throughout the year and preceding period.

c) Basis of accounting

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

d) Going Concern

The Board of Directors considers annually the appropriateness of preparing the Company's financial statements on a going concern basis.

During 2017, in order to progress capital projects as efficiently and swiftly as possible, the Company entered in to a bridging loan with the States of Jersey in order to fund enabling works for a number of projects. Because the repayment date of the bridging loan is 31 December 2018, the loan created a net current liability position for the Company at 31 December 2017. However, the loan will be replaced with longer term loans when the Company enters in to the main contract for construction for each project and so will not create a negative cash flow in 2018. In the event that the projects do not progress as planned, the loan repayment will be renegotiated with the States of Jersey.

Other matters which are taken into account in this process include:

i. The prevailing economic climate, both internationally and locally and its impact, if any, on the Company's viability;
ii. The financial position of the Company; and
iii. The short, medium and long term financial prospects resulting from financial modelling carried out in support of the Company's business plan.

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

e) Rental Income

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

f) Other Income

Other income represents rental income from investment properties, 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 of Jersey to a private company incorporated in Jersey. The Social Housing (Transfer) (Jersey) Regulations 2014 ("Regulations") which came into force immediately after the Transfer Law specified all net assets to be transferred to the Company. On the transfer date, the assets, rights and liabilities of the States of Jersey that are specified in the Regulations were transferred to the Company. The values assigned to the assets, rights and liabilities were determined with reference to the Regulations.

h) Cash and cash equivalents

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

i) Housing properties and housing properties held for sale

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

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

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

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

i. Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
ii. Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property

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

Assets under construction, including land and buildings acquired for future development, are held at cost less any impairment until they become available for letting.
Housing properties identified for sale are classified as housing properties held for sale.

j) Investment properties

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

k) Sale of housing properties

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

l) Depreciation – housing properties

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

	Expected life (years)
Structure	80
Roof	30 – 50
Windows & Doors	30 - 40
Kitchens	30
Stairs	60
Wiring and Electrical Installations	30
Plumbing and Installations	30
Builders Work in connection with services	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 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

Office premises were valued at fair value. 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 Office Premises 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. Impairment of fixed assets are recognised in the Statement of Comprehensive Income.

o) Leases

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

i. fulfilment of the arrangement is dependent on the use of a specific asset or assets. Although a specific asset may be explicitly identified in an arrangement, it is not the subject of a lease if fulfilment of the arrangement is not dependent on the use of the specified asset; and
ii. the arrangement conveys a right to use the asset. This will be the case where the arrangement conveys to the purchaser the right to control the use of the underlying asset.

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

p) Financial Instruments

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

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

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

Financial Assets

i. ***Housing bonds***

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

ii. ***Trade Debtors***

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

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

Financial Liabilities

i. ***Trade creditors***

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

ii. ***Borrowings***

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

q) Pension costs

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

r) Taxation

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

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

s) Provisions and contingencies

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

t) Disclosure exemptions

The Company is a "qualifying entity" in terms of FRS 102 as the Company's results are included in the consolidated financial statements of the States of Jersey.

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.

u) Frequency of reporting and comparative information

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

v) Key Related parties

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

w) Critical accounting estimates and assumptions

The following are the key assumptions and estimates affecting the company:

i. ***Useful lives of tangible fixed assets***
Tangible fixed assets are depreciated on a systematic basis based on management's best estimate of the asset's 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.

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.

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.

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

The Company's housing and investment properties were valued as at 31 December 2017 by independent professionally qualified valuers who hold a recognised professional qualification and have experience in the properties valued. The Company reviews the valuations performed by the independent valuers for financial reporting purposes.

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

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.

vi. ***Bad debt provisions***
Specific bad debt provisions are determined on a systematic basis based on management's best estimate of likelihood of receipt. This estimate is based on a variety of factors including the debtors' personal and financial situation.

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

2. Operating Deficit

Operating deficit is stated after charging:

	2017	2016
	£'000	**£'000**
Depreciation	12,796	11,511
Impairment*	13,836	6,671
Wages & Salaries	2,930	2,890
Social Security costs	151	150
Other Pension costs	370	510
Repairs; cyclical, planned, day to day	8,207	7,768
Auditors remuneration - audit services	46	43

*Impairments are principally attributable to completed refurbishment projects. An additional impairment was made during the year for the purchase of the Jersey Gas Works (see Note 7 and Note 26). Project costs are capitalised and may be subsequently impaired when the estate is revalued.

3. Return to the Guarantor

	2017	2016
	£'000	**£'000**
Return to the Guarantor	28,214	27,728

On 22 July 2014 the Company entered into an agreement with the States of Jersey acting through the Minister for Treasury and Resources, the Guarantor for the Company, to provide a Return payable by the Company to the Guarantor 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.

These payments would continue indefinitely. It is the view of the Board of Directors that the Annual Return payable to the Guarantor 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

	2017	2016
	£'000	£'000
Interest on loan agreements with States of Jersey	3,141	2,549

The interest charge of £3,141k (2016: £2,549k) comprises £3,045k (2016: £2,454k) of interest and £96k (2016: £95k) of bond set-up fees which are amortised over the lifetime of Loan 1. Further finance costs of £629k (2016: £588k) have been capitalised and are included within additions to assets under construction (note 7). Interest 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

	2017	2016
	£'000	£'000
Gross Proceeds	7,838	4,750
Net Asset Cost (Cost less accumulated depreciation)	(7,838)	(4,750)
Gain / (loss) on sale	**-**	**-**

Housing properties are revalued at the date of being identified for disposal. Gross proceeds is the total amount of cash received being £6,751k (2016: £4,059k) plus housing bonds issued during the period £1,087k (2016: £691k) (refer to note 10).

6. Employee Information

	2017	2016
The average full time equivalent number of persons employed in the period was:	47	49
The average number of persons employed in the period was:	48	51

	£'000	£'000
Staff costs (including Directors emoluments):		
Wages and salaries	2,930	2,890
Social security costs	151	150
Pension costs	370	510
Other staff costs	71	118
Total staff costs	**3,522**	**3,668**

7. Housing properties

Cost	Held for letting £'000	Land acquired for future development £'000	Under construction £'000	Total housing properties £'000
At 1 January 2017	816,797	-	9,004	825,801
Additions (note a)	4,251	26,904	17,049	48,204
Transfer from under construction to held for letting	7,045	-	(7,045)	-
Disposals (note 11)	(6,961)	-	-	(6,961)
Revaluation	30,135	-	-	30,135
At 31 December 2017	**851,267**	**26,904**	**19,008**	**897,179**
Depreciation & impairments				
At 1 January 2017	(15,245)	-	-	(15,245)
Charged during the period	(12,365)	-	-	(12,365)
Net impairments recognised (note 26)	(3,862)	(9,974)	-	(13,836)
Revaluation	3,044	-	-	3,044
At 31 December 2017	**(28,428)**	**(9,974)**	**-**	**(38,402)**
Net book value as at 31 December 2017	**822,839**	**16,930**	**19,008**	**858,777**
Net book value as at 31 December 2016	**801,552**	**-**	**9,004**	**810,556**

(a) Additions of £48,204k (2016: £14,028k) is reflected as £47,575k (2016: £13,440k) in the cash flow statement as the above amount includes £629k (2016: £588k) of finance costs capitalised. These finance costs are included as part of 'interest and similar charges paid' within the cash flow statement.

Where indicators of impairment have been identified 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. During 2017 final impairment amounts were recognised for Windsor Court and Clos De Sables with an estimate for the work complete up to 31 December 2017 for Convent Court. Valuations have been carried out as at 31 December 2017 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, January 2014, Global and UK Edition (the "Red Book"). The key assumptions used within the discounted cash flow calculations are as follows:

7. Housing properties (continued)

2017

Assumption	Core stock	High-rise stock	Newly developed stock	Hostels
Discount rate	5.75%	7.0%	5.75%	5.75%
Management costs	£635	£660	£635	£675
Total repair costs	£1,529	£2,765	£1,400	£1,348
Bad debts & voids	1.5%	2.5%*	1.5%	1.5%
Re-let rates	5.0%	5.0%	5.0%	5.0%

*2.5% for years 1 and 2, 1.5% for following 23 years

2016

Assumption	Core stock	High-rise stock	Newly developed stock	Hostels
Discount rate	5.75%	7.0%	5.75%	5.75%
Management costs	£625	£650	£625	£675
Total repair costs	£1,668	£1,768	£1,400	£1,509
Bad debts & voids	1.5%	1.5%	1.5%	1.5%
Re-let rates	5.0%	5.0%	5.0%	5.0%

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

	Held for letting	Land acquired for future development	Under construction	Total housing properties
Historical Cost	**£'000**	**£'000**	**£'000**	**£'000**
Carrying value 31 December 2017	654,024	16,930	19,008	689,962
Carrying Value 31 December 2016	665,917	-	9,004	674,921

Notes to the Financial Statements (continued)

For the year ended 31 December 2017

8. Property, Plant and Equipment

Cost	Office premises £'000	IT Systems Development £'000	Infrastructure assets £'000	Total other fixed assets £'000
At 1 January 2017	3,420	325	3,204	6,949
Additions	2	79	-	81
Revaluation	-	-	120	120
At 31 December 2017	**3,422**	**404**	**3,324**	**7,150**
Depreciation				
At 1 January 2017	(243)	-	-	(243)
Charged during the period	(188)	(42)	(196)	(426)
Revaluation	-	-	196	196
At 31 December 2017	**(431)**	**(42)**	**-**	**(473)**
Net book value as at 31 December 2017	**2,991**	**362**	**3,324**	**6,677**
Net book value as at 31 December 2016	**3,177**	**325**	**3,204**	**6,706**

Internal valuations have been carried out for Office Premises and IT Systems Development as at 31 December 2017. This resulted in a revaluation of £nil (2016: £23k). Infrastructure Assets form part of the States of Jersey Asset Valuation as at 31 December 2017. The basis of this asset valuation is depreciated replacement cost based upon useful remaining life. These have been carried out in accordance with 'RICS Valuation – Global Standards 2017', UK Edition, except where agreed departures or assumptions have been made in accordance with the States of Jersey's instructions. This resulted in a revaluation of £120k (2016: £18k).

9. Investment properties

	2017 £'000	2016 £'000
At 1 January	400	345
Depreciation Charge	(5)	(4)
Revaluation	-	59
At 31 December	**395**	**400**

Investment properties consist of commercial properties rented at market rates. Valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Professional Standards, January 2014, Global and UK Edition (the "Red Book"). In 2016 CBRE performed the valuation making certain assumptions on tenure, letting, taxation, town planning and the condition and repair of the buildings and sites. Given these assumptions still apply in 2017 no further revaluation was performed and our review confirmed a depreciated valuation of £395k (2016: £400k).

10. Financial Assets

Housing bonds	**2017**	**2016**
	£'000	**£'000**
At 1 January	18,955	18,742
Redeemed during the period	(843)	(784)
Issued during the period	1,087	691
Unrealised surplus in the period	489	306
Valuation at period end	**19,688**	**18,955**

Where a property is sold as an affordable home, purchasers are able to apply for a housing bond up to a maximum of 25% of the price of the home. Housing bonds do not pay or accrue interest during their life, however on alienation of the property the amount repaid 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 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. Loss on disposal of bonds redeemed totals £36k (2016: £123k profit) from total receipts of £807k (2016: £907k). Losses on disposal occur when the properties' onward selling price has increased by less than the Jersey House Price Index, resulting in the bond being disposed of at an amount below its carrying value.

11. Housing Properties held for sale

	2017	**2016**
	£'000	**£'000**
At 1 January	1,082	1,007
Transferred from Social Housing Assets	6,961	4,825
Disposals	(7,838)	(4,750)
Revaluation	7	-
At 31 December	**212**	**1,082**

12. Debtors

	2017	2016
	£'000	**£'000**
Amounts falling due within one year:		
Rental debtors – current	1,090	1,157
Rental debtors – Other	1,210	819
GST Receivable	357	272
Less* - Provisions for former tenant rental debts	(143)	(188)
Provision for non-tenant debts	(176)	(62)
	2,338	**1,998**
Prepayments and accrued income	24	7
Other debtors	321	147
	2,683	**2,152**

* 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 £494k (2016: £438k).

13. Leases

	2017	2016
	£'000	**£'000**
Minimum lease payments receivable:		
Within one year	5,965	2,591
Within one to five years	8,321	94
More than five years	39	6
	14,325	**2,691**

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 January 2017 carry a one month notice of cancellation, and
iii. post 1 January 2017 have either a one year notice period (Introductory tenancy) or a five year period (Standard Fixed Term).

The introduction of the new tenancy agreements on 1 January 2017 has resulted in a significant increase in lease payments receivable. There are 3 leases for commercial premises; one for 21 years ending in 2020 and two for 9 years ending in 2022.

14. Cash at bank and cash equivalents

	2017	2016
	£'000	**£'000**
Short term cash investments	19,945	19,025
	19,945	**19,025**

15. Creditors

	2017	2016
	£'000	**£'000**
Trade Creditors	1	862
Deferred income	1,058	1,276
Related party settlement account States of Jersey	11	87
	1,070	**2,225**

16. Accrued Expenses

	2017	2016
	£'000	**£'000**
Return to the Guarantor	7,185	7,010
Goods and services received but not yet invoiced	5,597	2,726
	12,782	**9,736**

17. Borrowing

	2017	2016
	£'000	**£'000**
Loan instalments are due as follows:		
Within one year	19,215	1,455
After one year:		
Between one and five years	33,476	10,575
In over five years	52,232	55,455
	85,708	**66,030**

17. Borrowing (continued)

On 17 November 2014, the Company entered into 3 separate loan agreements with the States of Jersey. The first loan agreement was put in place to repay advances totalling £38,489k. The advances were made to the States of Jersey Housing Department, prior to the incorporation of the Company, by the States of Jersey Treasury & Resources Department 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 States of Jersey 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 £'000	Brought Forward at 01/01/2017 £'000	Amount Drawn 2017 £'000	Amount Repaid in 2017 £'000	Amount Outstanding at 31/12/2017 £'000	End Date of Loan
Loan - 1*	38,429	36,290	-	(1,356)	34,934	31/12/2033
Loan - 2	4,741	4,741	-	(149)	4,592	31/12/2032
Loan - 3	9,675	9,675	-	-	9,675	31/12/2032
Loan - 4	-	-	-	-	-	-
Loan - 5	2,659	2,659	-	-	2,659	31/12/2033
Loan - 6	2,149	2,149	-	-	2,149	31/12/2038
Loan - 7	7,119	7,119	-	-	7,119	31/12/2042
Loan - 8	2,185	-	-	-	-	31/12/2016
Loan - 9	4,991	4,955	-	(45)	4,910	31/12/2039
Loan - 10	10,037	888	5,253	-	6,141	31/12/2043
Loan - 11	7,050	-	7,050	-	7,050	31/12/2019
Loan - 12	47,183	-	12,858	-	12,858	31/12/2041
Loan - 13	16,966	-	13,731	-	13,731	31/12/2018
Total Loans	153,184	68,476	38,892	(1,550)	105,818	
Set up costs*	-	(990)	-	-	(895)	
Total Liability		**67,486**			**104,923**	

Loan repayments of £1,550k were made during the year (2016: £3,433k).

Interest on all loans 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 13 and Loan 9). The effective rate of interest charged on the first loan (after consideration of the loan setup costs) is 4.7% per annum. Loan repayments are due annually. The total value of the loans available but not yet drawn at year end is £41,456k (2016: £9,149k).

*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 £895k (2016: £990k).

18. Capital Commitments

Development expenditure contracted less certified or accrued as at 31 December 2017 amounted to £40,240k (2016: £10,858k).

In addition the Board of Directors has authorised expenditure on other fixed assets amounting to £nil (2016: £573k).

19. **Pension Costs**

The Company participates in the Public Employees' Pension Fund ("PEPF") which covers the Public Employees Contributory Retirement Scheme ("PECRS") and the Public Employees Pension Scheme ("PEPS") operated by the States of Jersey, 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 £370k (2016: £510K).

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 2016. 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 £68.5m, and a deficit in the PEPS scheme assets of £0.4m 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.

On the date of incorporation the States of Jersey Housing Department paid a pension liability of £1,908k which was for pension liabilities for a pre-1987 pension scheme. This was part of the terms of incorporation for the transfer of the Company's employee's benefits to the newly formed entity. The Company does not have any outstanding liability as at period ended 31 December 2017 for the pre-1987 pension scheme.

Copies of the latest Annual Accounts of the scheme, and of the States of Jersey, may be obtained online or from the States Treasury, Cyril Le Marquand House, The Parade, St Helier JE4 8UL.

20. **Ultimate Parent Undertaking**

The Board of Directors consider the Guarantor to be the Ultimate Parent Undertaking. The role of the Guarantor and the Andium Homes' Board is established in the Andium Homes Memorandum and Articles of Association adopted by the States of Jersey 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.

The Company is contractually bound to pay a quarterly return to the Guarantor. The amount of this return is £7,185k per quarter and will be increased annually on the first Monday in October, by Jersey RPI (see note 3).

21. **Related Party Transactions**

Members of the Board of Directors, Colin Russell and Judy Beaumont, held tenancies with the Company during the period. These tenancies was granted under the Company's allocations policy, with rent under normal terms.

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

21. Related Party Transactions (continued)

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

Directors' remuneration is illustrated on page 20 of the Annual Report.

22. Risks and uncertainties

The key financial risks managed by the Company are set out in the Principal Risks and Uncertainties facing the Company section of this report.

The Board does not consider the Company to have any significant exposure to financial risks related to financial assets held at fair value through profit or loss.

The Company closely monitors the impact of the above risks including the financial modelling of sensitivity analysis on a number of scenarios. This provides an early warning mechanism enabling informed decisions to be made by the Board.

23. Contingent Liabilities

As at 31 December 2017, the Board of Directors was not aware of any contingent liabilities (2016: nil).

24. Net Cash Inflow from Operating Activities

	2017	**2016**
	£'000	**£'000**
Operating deficit	(20,716)	(12,425)
Depreciation and impairment	26,632	18,182
(Increase)/Decrease in debtors	(531)	329
Increase/(Decrease) in creditors	1,891	(140)
Net cash inflow from operating activities	**7,276**	**5,946**

25. 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.

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.

26. Post Balance Sheet Events

The Jersey Gas Works Site was purchased in September 2017 with planning consent for 253 units, with an intention to extend the Town Park and deliver 110 new homes. Given this decision would impair the value of the land, it was agreed that approval by the States Assembly should be provided prior to progressing the scheme.

The States Assembly debated the Jersey Gas Works Site (P.114/2017) on 17th January 2018. The Assembly was asked to decide whether they are of the opinion that as part of the development, Andium Homes should be requested to deliver, subject to the award of planning permission, a significant extension to the Town Park, thereby providing greater amenity benefits for all Islanders.

Following the approval of P.114/2017, it is now our intention to proceed with new planning permission for the construction of 110 homes and an extended park. This decision crystallised an impairment in the value of the Gas Works Site (£9.97m land impairment in note 7). Given we were aware of the debate at 31 December 2017 we have recognised this diminution in value at the Statement of Financial Position date.

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