Annual Report 2019

ANDIUM
HOMES

Front Cover: Andium tenant, Louise with daughters.

Contents

About Us

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

Sir Mark Boleat	Chair	Appointed 01 November 2019
Jason Laity		Appointed 01 November 2019
Frank Walker ***OBE***	Chair	Retired 31 October 2019
Jane Martin		Retired 30 June 2019
Heather Bestwick		Resigned 31 October 2019
Michael Jones		Resigned 03 February 2020
Judy Beaumont		
Colin Russell		Retired 30 June 2020
Elaine Bailey		Appointed 01 February 2020
Julian Box		Appointed 17 February 2020
Jonathan Day		Appointed 17 February 2020
Ian Gallichan	Chief Executive	
John Hamon	Finance Director	Resigned 21 October 2019
Lindsay Wood	Finance Director	Appointed 01 January 2020

Company secretary

Fiona Halliwell

Country of incorporation

Jersey

Address of the registered office

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

Legal form of the entity

Private company limited by guarantee.

Auditors

Baker Tilly Channel Islands 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

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

Chairman's Statement

Sir Mark Boleat

I was appointed Chair of Andium Homes on 01 November 2019 as part of a significant change in the composition of the Board of Directors.

I quickly found that Andium Homes is a high-performing, efficient organisation with top quality staff, managing over 4,500 rental homes, all of which have reached the decent homes standard.

It scores highly on performance metrics, particularly tenant satisfaction. It has an ambitious programme for building new homes and helping families into home ownership.

By any standards, Andium Homes is making a great contribution to housing the people of Jersey, particularly those who cannot afford the high cost of open market housing in the Island.

2019

2019 was an outstanding year for Andium Homes. The activities of the company are covered fully in the Chief Executive's report so I will do no more than set out the highlights here:

- The launch of a new Andium@Home App and Client Portal, enabling clients to access all our services whenever they want to on their phone, tablet or PC;
- 100% compliance with the Decent Homes Standard was achieved on 11 December 2019 – five years ahead of target;
- 54 homes sold to First Time Buyers;
- Planning consent achieved for a new purpose-built disabled unit at Pine Ridge, West Hill, which will provide a new home for clients with significant medical challenges;
- Planning consent achieved for 122 new homes on the Jersey Gas site;
- 75 new homes delivered, 60 at Samares for rental and 15 at Belmont Court for First Time Buyers;
- Over 700 new homes currently in delivery across a number of sites: Ann Court, Samares, Summerland, Le Squez Phase 4, La Collette Low Rise, Convent Court Low-Rise, Robin Hood and Rosemount Mews;
- £29.7 million returned to the Government of Jersey (2018: £28.7m).

> **My daughter was so anxious in our old home and would never venture into rooms on her own, but since we've moved to Andium she'll happily go into rooms on her own, this new home has given her more confidence.**
>
> – Louise, Andium Homes Tenant

Opportunities

Andium Homes has significant opportunities to contribute even more effectively to meeting housing needs in Jersey. The Government of Jersey clearly sees Andium Homes playing a significant role in the provision of housing, not only traditional social housing, but also low-cost homeownership. Andium Homes's current business plan envisages the construction of 2,000 new properties by 2025 and through sales of existing and new properties it is envisaged that 1,000 families will be helped into low-cost home ownership.

Andium Homes is able to finance this high level of activity as it has a strong balance sheet and is able to use this to attract commercial lending from banks.

Through its sole focus on housing and certainty over its business model, Andium Homes also has the opportunity continually to improve services for its clients and to deliver enhanced value for money. Examples include entering into longer term contracts for maintenance and investing in providing more online services. As a specialist company, governed by an independent Board, Andium Homes is able to be agile in its response to changes in client requirements and market conditions.

Coronavirus effects

In March 2020 the Coronavirus pandemic hit Jersey and has had consequences that would have been unthinkable just a few weeks earlier. Andium Homes has been less affected than many other businesses as its mainstream activity of managing a large stock of rental housing can continue. However, the pandemic will have very significant effects, directly and as a consequence of the implications on Jersey as a whole. Our well-established business continuity plan, was put into operation at short notice and very smoothly. The office was closed, with all staff working from home and contact with clients being preserved through telephone calls, the website and the App.

As the worst of the pandemic passed and the island moved to Level 2 of the Government of Jersey's Safe Exit Framework, we carried out the necessary risk assessments and adapted our office in Don Street in order to bring our staff back into the workplace in a safe way.

> **"Through its sole focus on housing and certainty over its business model, Andium Homes also has the opportunity continually to improve services for its clients and to deliver enhanced value for money.**

The impact of the pandemic has not yet had the negative consequences that some forecasters predicted. However Andium Homes is committed to doing everything it can to help the Island get through any ongoing challenges presented by COVID-19. It is already working, and will continue to work, very closely with government and the voluntary sector to ensure that the most vulnerable are protected and that more homes are provided.

Concluding comments

Dealing with the consequences of the Coronavirus pandemic has taken absolute priority, but it is important not to lose sight of the longer term. Andium Homes plays a vital role in the economic and social life of Jersey and this role will become even more important in the years immediately ahead.

The governance issues that led to my appointment have been resolved and we can tackle the challenges ahead without this major distraction. Andium Homes will continue to do a great job, but its ability to play a major role in meeting housing needs is not wholly within its gift. My short time as Chair of Andium Homes has reinforced views I had previously held:

- The Government of Jersey needs to have a proper framework in place for working with the arm's length organisations that it owns. This includes having appropriate up-to-date Memorandums of Understanding that are fully observed on both sides, particularly in respect of timescales, consistent decision taking and proper communication.
- Housing policy cannot operate in isolation of policies on planning, transport and immigration. There needs to be a more joined-up approach on these issues.

It has been a privilege and a pleasure to serve as Andium Homes's Chair, albeit for such a short time. I thank my Board colleagues for their huge support and hard work. And my grateful thanks to all the highly professional and committed staff of Andium Homes, ably led by Ian Gallichan, who have been a joy to work with.

Sir Mark Boleat, Chair
23 September 2020

Chief Executive's Review

Ian K Gallichan

I am delighted to present our Annual Report for 2019, which demonstrates our ongoing commitment to changing lives with great homes and services.

Andium Homes is a "not for profit" organisation, wholly owned by the Government of Jersey. We allocate our homes through the Affordable Housing Gateway and set our rents in line with the Government Rent Policy. That policy also sees us making an annual financial return to the Treasury, which in 2019 was £29.7m. This covers the £17m costs of Income Support housing component for Andium Homes's tenants with an additional £13m for other Government services. The annual return is in addition to loan repayments and interest payments (at 5%) on those loans.

We are passionate about the delivery of more and better homes and are proud of the significant refurbishment works that have been carried out over the last five years since Andium Homes was incorporated – meaning all our homes now meet the Decent Homes Standard – a target reached five years earlier than originally promised.

We have achieved a significant amount during 2019 in each of our key objectives, I am immensely proud of this.

Great services for all

Providing excellent services will always be our top priority. In 2019, we launched a new service to enable clients to request a rent balance or rent statement by text or email, with responses being sent almost immediately to them on their device. A new Andium@Home App and Client Portal was also delivered, enabling clients to access our services whenever they want to on their phone, tablet or PC.

This new technology has also enabled our colleagues to work in a more flexible way, using a new First Touch App which gives them real time access to report any maintenance or parking issues when out and about on visits. These systems all link directly to our main Housing and Financial Management system, QL, meaning our information is always in real time and up to date. Our contractors, using a specially designed Contractor Portal, are equally able to update our system following repairs.

Andium Homes has always been supportive of initiatives that improve housing standards, or that offer greater protection for tenants. I am therefore very pleased that we joined the Rent Safe Scheme. Rent Safe provides potential tenants with a list of landlords that have reached its accredited status, together with an overview of the number of properties that have reached the accredited minimum required for 3, 4 or 5 stars. At the end of 2019 we achieved full compliance with the Decent Homes Standard, so the upgrade of approximately 4,500 good quality homes, managed by a well-known and trusted landlord, will provide a significant boost to the number of accredited Rent Safe properties.

We were also pleased to see the new Motor Vehicles (Removal from Private Land) (Jersey) Regulations adopted by the States and coming into force during May 2019. This was important - ensuring that parking on our housing estates is protected for use by tenants and their families. There can be no doubt that during the period between July 2014 and the introduction of the previous Regulations in June 2016, our ability to deal with abandoned and unauthorised vehicles was severely impaired, which consequently impacted negatively on residents' quality of life. We are delighted to have maintained the means of dealing with these abandoned or unauthorised vehicles with the new Regulations.

Supporting successful lives

Our small but dedicated Specialised Services Team has been involved in several case reviews during 2019, all seen as opportunities to learn and improve processes with a multi-agency approach. These reviews also give us a chance to challenge approaches elsewhere to ensure they are always person centred and appropriate.

The team has continued to deliver "Lunch and Learn" sessions to colleagues and our contractors, ensuring that the process for reporting any safeguarding concerns is simple and very clear. This has seen an increase in the number of referrals being made to the Specialised Services Team, which we think is very positive.

We welcomed the publication of the "Review of Access to Social Housing", which carried a number of recommendations. Key amongst these was to develop a separate system to manage demand for homes for "families with care and support needs". We think this ties in well with our existing Supported Housing Group and will continue to work with the Minister for Children and Housing and the Housing Policy Development Board as further details of this new system are established.

We have been pleased to see "homelessness" being pushed up the agenda during 2019, and to be represented on both the Homelessness Strategic Board and Homelessness Cluster, working towards the delivery of a Homelessness Strategy in 2020.

We have also been working to deliver more homes for Keyworkers at Hue Court, adding to the 87 previously provided at The Limes and Plaisant Court. This will enable us to release The Limes at the end of 2020 for redevelopment of affordable homes. We welcome the ongoing focus in the Government Plan in relation to both homelessness and Keyworker accommodation.

Andium Homes is proud of its work with Third Sector organisations and very pleased specifically to be working with Age Concern and Autism Jersey to provide new facilities for them to run their valued services. Planning consent has already been granted for the Age Concern building at Convent Court low rise.

We are also working with Health and Social Services to progress plans for a new purpose-built disabled unit at Pine Ridge, West Hill, which will provide a new home for clients with significant medical challenges. Planning consent has also been granted for this new home.

More homes to buy and rent

At the beginning of the year we welcomed the "Objective Assessment of Housing Need", which made it very clear that more homes were needed to meet the ever-growing demand across a number of tenures and client groups.

Our Sales and Allocation Team has had a challenging year in meeting some of this demand. Affordable sales through our Andium Homebuy Scheme continue, and in addition to the 40 sales from existing stock that took place in 2019, we were also delighted that 15 new First Time Buyer homes at Belmont Court were completed before the close of the year. 14 of those homes were sold before Christmas, with the final sale taking place during the first week of January.

Property:	Samares (Phase 1)
Parish:	St Clement
Developer:	GR Langlois
Builders:	Houze Construction Ltd.
Completed:	60 (of 200)
One Bed:	12
Two Bed:	22
Three Bed	26

Property:	Belmont Court
Parish:	St Helier
Developer:	In-house
Builders:	ROK Construction
Completed:	15
One Bed:	3
Two Bed:	11
Three Bed:	1

The team is also responsible for supporting and finding new homes for clients who must move in order to facilitate a refurbishment or redevelopment.

We know these can be stressful times for our clients and so the team ensures that they are fully supported and have all the information they need. In 2019, the team was charged with finding new homes for all the residents of Hue Court. This was particularly challenging given the length of time some of those residents had lived there. They have now successfully moved to new homes elsewhere and the refurbishment of the first block at Hue Court is reaching completion, ready for occupation by Keyworkers in the New Year.

The “Review of Access to Social Housing” included recommendations to widen the eligibility criteria for social housing and the development of a separate system to manage the First Time Buyer element of the Affordable Housing Gateway. We have written to the Minister for Children and Housing in support of these recommendations and look forward to working with him and the Housing Policy Development Board in this respect.

Delivering growth and regeneration

2019 has seen significant progress in our regeneration and new build plans. We are currently on site delivering over 700 new homes, with 75 having already been completed in 2019 for rental allocation at Samares (60 homes) and for First Time Buyer sales at Belmont Court (15 homes).

We also have outline planning consent for 122 new homes on the Jersey Gas site. These plans do not just deliver new homes, but also include a new underground car park with options for electric vehicles, a significant extension to the Millennium Town Park and a new public town square. We are also working on our plans for the Ann Street Brewery site, which will include a Town Wood and new facility for Autism Jersey.

These exciting developments will make a significant contribution to the regeneration of the North of Town, taking into account all the things the public would expect from us, such as good quality homes, modern methods of construction, parking provision and good quality amenity space.

We continue to champion the benefits of transferring States-owned sites to Andium Homes for development. A number of sites have been identified for housing for a number of years, such as the Le Bas Centre, The Bridge, d’Hautree, the Ambulance Station and St Saviour’s Hospital (West), all of which would provide excellent opportunities to increase housing supply without the need to purchase land elsewhere or build on green fields.

Delivering growth and regeneration

Over 700 new homes are under construction and due for completion over the next three years. Plus outline planning consent is in place for 122 more new homes on the Jersey Gas site.

Samares, St Clement
No. of Properties: 140 homes
Due for Completion: 2020

2020

Rosemount Mews, St Saviour
No. of Properties: 2 homes
Due for Completion: 2020

Robin Hood, St Helier
No. of Properties: 5 homes
Due for Completion: 2020

2021

Le Squez (Phase 4), St Clement
No. of Properties: 151 homes
Due for Completion: 2021

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

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

2022

2023

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

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

Financial strength and stability

Financial strength and stability has never been more important. We have a sustainable and scalable business model, which enables us to deliver more and better homes in the long-term.

Performance for the year was in-line with budget, generating a net surplus of £5.8m, after paying the return to the Government of £29.7m. All our net surpluses are re-invested in our homes and the development of new homes, with £4.6m of the 2019 surplus invested in maintenance of a capital nature.

In total, we invested £13.3m in maintenance work in 2019. This investment in maintenance, which is projected to continue at this level, has continued to raise standards. It has resulted in us achieving the Decent Homes standard this year, five years ahead of schedule, a result of which we are extremely proud.

> **In total, we invested £13.3m in maintenance work in 2019. This investment in maintenance, which is projected to continue at this level, has continued to raise standards.**

Our extensive capital programme is funded by borrowing, which is repaid from the income generated from the properties developed. We have now committed all the funds made available by the States of Jersey Bond and have agreed private borrowing to finance our pipeline of projects. On 28 February 2020 we signed a revolving credit facility agreement for £150m which ensures we have the funds available to deliver the homes required and also demonstrates the confidence financial institutions have in our business model.

The States rent policy continues to form a crucial part of our business model, enabling us to meet our objectives, including delivering the £29.7m annual return to the States of Jersey. We work closely with the Minister for Treasury and Resources and the Minister for Children and Housing to inform policy decisions that impact our ability to deliver more and better homes.

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

Challenging ourselves and developing our people

During 2019 we have put additional focus on the wellbeing of our colleagues. A new Wellbeing Strategy is being developed to bring improvements and new initiatives to support health and wellbeing. We held workshops in the middle of the year to carry out a needs assessment of three key areas: a healthy workplace culture, the needs of our biggest assets - our people - and assessing the workplace environment.

Twelve colleagues undertook the Mental Health First Aid training with Mind Jersey in 2019 and we hope to put many more forward in 2020.

We have increased our pool of electric cars to four and are also considering the introduction of electric bicycles, given that the majority of our homes are in the town area.

Andium Homes is proud to have joined the "Adopt a School" scheme to deliver a new GCSE equivalent course in design, engineering and construction professions, known as DEC!. We are now providing funding and support for the DEC! course at Haute Vallee, with specialist professionals from our Capital and Design Teams regularly sharing their experience and skills with students in the classroom. A career in the construction industry has much to offer, particularly with how new technologies are being used to design in virtual reality. Indeed, in the first Autumn Term we were able to facilitate learning in the use of a digital building information modelling tool and also the carrying out of a topographical survey of the site the students are using for their project.

The DEC! qualification was added to the list of approved GCSE qualifications last year, and is part of an education strategy, in collaboration with industry, to boost Science, Technology, Engineering and Mathematics ("STEM") skills in schools.

COVID-19

The COVID-19 pandemic has shown the sort of impact uncontrollable global events can have on island life.

Andium Homes is a vital cog in the Jersey machine, providing housing; jobs; links to third sector partners; assistance with income support; and general wellbeing and advice when required. This means any disruption to service has a ripple effect which is felt far and wide.

As an organisation we have a well-tested Business Continuity Plan which was put into action in the recent crisis. We demonstrated that we are able to work 100% remotely and provide essential services to clients without having our front door open.

We have invested a great deal of time and effort into technology, which allowed clients to access our services either through the app or the client portal, with those not yet registered, supported where needed so that they are able to engage.

We also recognise the huge value our open front door offers our clients, therefore in-line with government regulations, we had all non-shielded staff back in the office from 01 July 2020. Clients are able to drop in and see us whilst respecting physical distancing. Our specialist teams have been back on to our estates to provide services directly to clients and a general sense of reassurance, and our Choice Based Lettings are back up and running following the lock-down.

Ultimately, what the pandemic demonstrated was that when there is a major threat to daily routine, the real impact is felt in people's pockets, when jobs are lost. We provide homes for those people who struggle to rent or buy on the open market. We will continue to do this. In difficult times, we will always be required to pay our return to the government and the interest on our loans, so we must continue to collect rent and we will work with income support to ensure those clients who need assistance are able to access it quickly and efficiently, so their fundamental right to housing is not impacted.

Conclusion

Andium Homes has had another exceptional year, continuing to take the delivery of housing to new levels.

We have seen a significant increase in the active Capital Programme from below £10m in 2013 to over £200m currently.

Those numbers speak for themselves, but one only needs to take a tour around our Island to see what this investment has actually achieved. Over 700 new homes are in delivery, with many more in the planning stages.

The condition of the housing stock transferred to Andium Homes in 2014 has been hugely improved. Let's not forget that the standard was due to fall to 50% compliance with the Decent Homes Standard by 2018, had the much-needed investment not been made. Today, we can boast 100% compliance with that standard.

There have been many key achievements across the business, all of which have brought significant benefits for our clients. Whilst the improvement to the housing stock and delivery of new homes is of course our focus, we have also looked to embrace new technologies and provide modern opportunities for our clients to engage with us and access our services, through our Andium@Home App.

Andium Homes is also a net contributor to the Government of Jersey, even after deducting the income support received. Our annual return to Treasury, which will be £30m in 2020, provides an important income stream for the Government to use to deliver its other services.

As we look to the future, there is no doubt that delivering the large number of homes the Island needs will be challenging, but we will continue to work with Government to ensure that steady stream of good quality homes that our Island needs, is provided.

I am immensely proud of what we achieved in 2019 and the ongoing commitment and passion shown by the Andium team.

Ian K Gallichan, Chief Executive
23 September 2020

Financial Review

Our strong business model enables us to provide more and better homes now and into the future.

We provide dedicated, ring-fenced affordable housing solutions for Islanders and play a critically important role in Jersey. We:

- Currently manage approximately 4,500 homes, which equates to 14% of the total housing stock in Jersey.
- Have been assigned a major role in meeting future housing needs in Jersey for those unable to purchase or rent on the open market.
- Play a significant role in providing supported housing, working with partner agencies.
- Deliver a financial return to the Government of Jersey each year of £29.7m, increasing each year with inflation.

Our business model

The way in which Andium Homes was established by the States of Jersey and the nature of the housing market in the Island provide a sustainable business model, ultimately funded by rental income and proceeds from the sale of properties. After providing the States of Jersey with a financial return each year, all surpluses are re-invested into providing good quality, affordable homes.

Strong asset position

The housing stock previously owned by the States of Jersey was transferred to Andium Homes in 2014 at zero cost, hence the requirement to make an annual contribution to the States of Jersey equating to approximately 4% of the existing use value of the stock on incorporation.

At the end of our first year of operation, we therefore had housing assets valued at £697 million with no debt.

House prices have risen strongly in Jersey, well in excess of incomes and retail prices, largely because new supply has been constrained by planning restrictions, while demand has grown as the result of a highly successful economy and correspondingly high levels of immigration. This has contributed to an increase in the value of our housing stock, which is based on future rental income. At the end of 2019, our revaluation reserve was £251 million and we had total capital and reserves of £838 million.

Stable income stream – rental and sale

We are required to follow the rent policy established by the States of Jersey. This requires that rents on new tenancies should be up to 90% of market rents. However, tenants who had been paying lower rents have those rents protected, although they increase each year by the Jersey RPI +0.75% (up to a cap of 4%). When it was established, Andium Homes's rental income was, on average across its homes, 73% of open market rent. In 2019 this had increased to 80% and it is projected to increase to 82% by 2023. This factor also means that, although the return is maintained in real terms, the value of the annual contribution to the States of Jersey is a smaller proportion of rental income year-by-year.

We also provide a growing number of homes for sale, with 60 sold from existing stock each year and 1,000 planned through the development of new homes over the next 10 years.

The vast majority of these homes are sold through our Andium Homebuy scheme, which enables purchasers to defer up to 25% of the purchase price. This enables more people to become homeowners, who are unable to purchase in the private market, as well as providing income to deliver more new homes.

Given that we charge below-market rents, and there is a shortage of homes, it follows that demand is bound to be very high. We have no difficulty in selling and letting properties. We aim to supply sufficient new homes to balance supply and demand, therefore helping to stabilise house prices.

Unlike the private sector where a cap is imposed, our tenants are entitled to Income Support up to the full amount of the rent charge. The level of support received by tenants is assessed against their individual circumstances. In 2019, 52% of Andium Homes's rental income was paid directly by the Government of Jersey (approximately 30% relating to housing component claims). Partly for this reason Andium Homes's rent arrears are very low when benchmarked against UK Housing Associations.

Ability to borrow

Our ability to borrow money enables new homes to be delivered, with income from those homes used to repay borrowing. This makes our business model scalable on a sustainable basis.

"All of our homes now meet the Decent Homes Standard and we provide an excellent customer service.

We have utilised all available funds from the £250m States of Jersey Bond issued in 2014 to fund affordable housing development, which reached peak capacity in 2020.

To fund further new homes in the pipeline, in early 2020, we secured a £150m credit facility from HSBC and Natwest International. Lenders recognised our low-risk business model, providing lending on competitive terms on an entirely unsecured basis.

Strong financial planning

Financial strength and stability continue 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, we project our cash flows over a 40-year period and stress test the results. The results of this, and associated risk assessments, are used to facilitate strategic decision making and demonstrate our ability to repay borrowing.

Value for money

By any standards, Andium Homes is a very good landlord. All of our homes now meet the Decent Homes Standard and we have invested in providing an excellent customer service in respect of lettings, refurbishment and maintenance. Given the importance of housing in any community, and our pivotal role in providing housing in Jersey, the company is inevitably subject to significant political and public interest.

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

Demonstrating and achieving value for money is essential to provide our Guarantor with confidence that it's investment is being managed efficiently, as well as to provide optimum services to our clients. Our published Strategic Business Plan sets out our strategic objectives, how they will be delivered and how we will achieve value for money.

Efficiency is embedded in our culture. We have already introduced modern maintenance contracts, delivering enhanced Client experience and value for money. Continuous improvement is vital for all organisations and in 2019 we commenced a rolling programme of value for money "Best Value Reviews" so as continually to improve our services and evidence how we challenge, compare, consult and compete in each service. We use guidance from the Regulator of Social Housing and Scottish Government Best Value Standard Toolkit to assess our performance .

We have adopted a suite of industry standard key performance indicators, which are included on pages 24 and 25, and will embed further improvements by introducing UK Housemark benchmarks and other quality measures for all our services.

This formal approach will help us respond to change more effectively and focus on innovation and opportunity.

“

It’s great all being so close to each other as a family, my daughter only lives a few blocks down the road.

Andium have been so good and responsive to us as a family.

– Tara, Andium Homes Tenant

Financial review of the year

We are pleased to report an operating surplus before depreciation and impairments of £5.8m (2018: £8.7m) compared to the budgeted surplus of £5.3m. This is after returning the agreed £29.7m (2018: £28.7m) to Government. Surpluses are re-invested in to the business, primarily to fund maintenance of a capital nature.

Statement of Comprehensive Income review

The actual versus budget results for 2019 are set out below.

	Actual	Budget	Difference
	£'000	£'000	£'000
Rental income	49,798	49,151	647
Other income	2,867	2,604	263
Maintenance	(13,315)	(13,619)	304
Maintenance costs capitalised	4,571	5,245	(674)
Staff costs	(3,692)	(3,807)	115
Other expenses	(4,727)	(4,625)	(102)
Operating surplus before the return to the Guarantor, depreciation and impairment	**35,502**	**34,949**	**(553)**
Return to the Guarantor	(29,673)	(29,673)	-
Operating surplus before depreciation and impairment	**5,829**	**5,276**	**(553)**

Rental income

Our primary revenue item is the rental income we receive from our rental homes which currently provides a gross return of 5.2%. We have exceeded budgeted income primarily due to:

- Re-programming the refurbishment of Le Marais to 2020 to meet new Grenfell fire regulation requirements (therefore not losing rental income in 2019 for those homes).
- Properties being re-let more quickly than budgeted, therefore reducing lost rent between tenancies

This income increased by 2.9% year on year due to the application of the States rent policy, which reflects both the annual uplift and homes re-let at 90% of market rent during the year.

Maintenance and other expenses

Maintenance continues to be our most significant operational cost at over £13m each year. We re-directed our maintenance activity to achieve Decent Homes compliance in 2019 resulting in less costs being capitalised than budgeted. However, we were able successfully to achieve Decent Homes compliance with overall maintenance expenditure in 2019, being £0.3m less than budgeted.

£2.8m of the £4.7m other expenses relate to property specific expenditure such as utility costs, rates and buildings insurance. £0.8m of other expenses relates to the management and acquisition of sites acquired for future development and expenses in relation to property sales. The remaining c.£1.1m is the cost of delivering the landlord services for our approximately 4,500 homes, which equates to 2.2% of our rental income.

Return to the Government

We delivered £29.7m to the Government of Jersey in 2019, which is an increase of 3.25% compared to the previous year. Approximately £17m is received by our clients in housing benefit and so our return represents a net contribution to Government of approximately £13m.

Operating surplus before depreciation and impairment

Our operating surplus of £5.8m is used to fund maintenance of a capital nature and contribute towards interest costs on our loans.

Statement of Financial Position

We present a strong asset position with overall net assets of £838m, an increase of £15.5m since 2018. The most significant items are our housing properties, cash and borrowing.

	2019	2018	Movement
Balance sheet item	**£'000**	**£'000**	**%**
Housing properties	964,431	911,672	5.8
Cash and cash equivalents	45,671	39,668	15.1
Borrowing	(194,026)	(147,433)	31.6

Housing properties

The balance of £964m relates to our housing stock of rental homes, sites currently under construction and land purchased for redevelopment.

In 2019, we invested £59.7m in construction costs, delivering homes at Samares and Belmont Court and moving key projects forward at Le Squez, Summerland, La Collette and Ann Court.

We also recognised a £37.7m uplift in value of our stock, over and above depreciation and impairment charges totalling £27.5m, which accounted for an additional £10.2m in value.

We sold properties with a value of £20.2m predominantly to First Time Buyers under our affordable ownership scheme Andium Homebuy, referred to earlier in this report.

Cash and cash equivalents

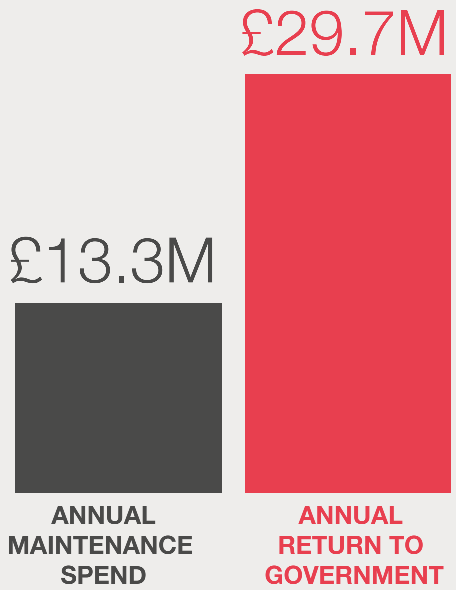
The cash balance of £46m reflects the current level of activity. We retain cash balances equivalent to two month's operational outgoings (equating to around £10m) and the remainder and is ring-fenced for capital projects currently under construction.

Borrowing

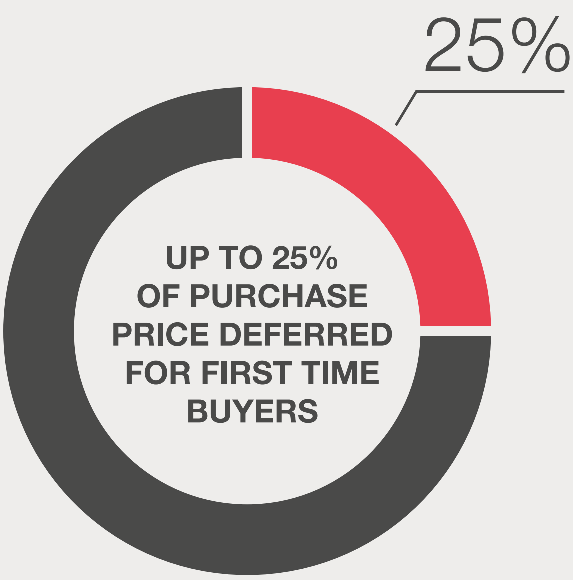
We take out borrowing to fund our capital programme, which is repaid from income earned from the completed homes. At 31 December 2019, all our borrowing was from the States of Jersey Bond, through the Housing Development Fund.

We are now fully committed to the funds made available through the Housing Development Fund and have secured an additional facility of £150m with HSBC and Natwest International in early 2020 to deliver further new homes in our pipeline.

HOUSING OVER
10,000+
ISLANDERS



4,500+
RENTAL HOMES



220+
ESTATES

AT THE CLOSE OF 2019
100%
DECENT HOMES STANDARD

Key Performance Indicators

We have adopted a suite of KPIs that enables us to measure our continued improvement and to compare our activities with others in the sector.

	2019 Actual	2019 Target
Great services for all		
Overall client satisfaction	97%	90%
Occupancy	99.6%	99.5%
Rent collected as a % of rent due	102%	100%

97% of our clients were satisfied with the service we provided them.

	2019 Actual	2019 Target
Supporting successful lives		
Investment in communities	£0.01	£0.01

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

	2019 Actual	2019 Target
More homes to buy and rent		
Number of existing properties sold	40	40
Net proceeds from existing property sales[1]	£12.7m	£9.6m
Number of new properties sold[2]	14	30
Net proceeds from new properties sold[2]	£4.4m	£9.0m
Mean number of unlet properties at month end	18	<30
Average re-let time in days[3]	18	<25
Rent loss due to voids as a % of rent due	0.6%	<1.0%
Tenancy turnover (annualised)	5%	7%

Our approximately 4,500 rental homes were let efficiently, providing homes for those most in need. We also sold 54 homes in 2019, making homeownership a reality for those unable to purchase in the private market.

[1]The increase in proceeds was due to achieving higher sales prices, on average, whilst also offering lower bonds than forecast. [2]14 new homes were sold at Belmont Court in 2019, with a further home sold in January 2020. 15 homes at Samares were sold in Q1 2020. Of the 30 homes, 29 were sold under our Andium Homebuy scheme enabling purchasers to defer up to 25% of the purchase price. [3]On average, we refurbish and re-let our properties in 18 days. This provides homes to our clients more quickly and reduces lost rent between tenancies.

	2019 Actual	2019 Target
Delivering growth and regeneration		
% of homes meeting the Decent Homes Standard[4]	100.0%	97.7%
New supply delivered – social housing units[5]	75	124
(of which are affordable sales)	15	30
New supply delivered – non-social housing units	-	-
Ratio of planned maintenance to response repairs	70%	69%
New supply as % of stock – social housing units	1.65%	3%
New supply as % of stock – non-social housing units	-	-
Reinvestment[6]	£1.62	£2.07

We delivered 75 new homes in the year and achieved 100% Decent Homes standard.

	2019 Actual	2019 Target
Maintaining financial strength and stability[7]		
Minimum rent charged as a % of market rent	80%	80%
Operating margin – overall (pre-return)	63%	63%
Operating margin – social housing lettings (pre-return)	66%	65%
Interest capacity – earnings as a % of interest (pre-return)	780%	750%
Gearing (interest / assets)	20%	20%
Return on capital employed	4%	4%
Headline social housing cost per unit	£6,036	£6,286
Management cost per unit	£1,017	£1,034
Maintenance cost per unit	£1,947	£1,855
Major repairs cost per unit	£2,455	£2,788
Service charge cost per unit	£415	£404
Other social housing cost per unit	£202	£205
Overhead costs as % of turnover	9%	9%

On average across our approximately 4,500 homes, we charge equivalent to 80% of market rents. Our financial KPIs highlight our strong position, and demonstrate that the majority of our expenditure is directed to maintaining our homes.

	2019 Actual	2019 Target
Challenging ourselves and developing our people		
Mean colleague sickness levels (average over 12-month period)	4	<5
Staff turnover in year	8%	<12%

Low staff turnover and absence reflects our strong Andium culture and the vital staff Wellbeing Strategy which has been established.

The targets were set as part of the Strategic Business Planning process and are based on original benchmarks taken from UK Sector 2017 median, UK Housemark 2017 and UK Personnel Today 2014 or UK Monster.

[4]During the year the target of 100% Decent Homes was achieved. [5]39 units forecast to be delivered at the Samares Nurseries site in Q4 2019 were delivered in Q1 2020, with a further 10 units at Le Squez phase 4 now due in Q2 2020. [6]Reinvestment, detailing how many £'s invested for every £ generated, will increase as more sites are made available for development.[7]The additional financial KPIs clearly demonstrate a strong and stable position, with all metrics in line with target.

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 effectively to manage risk in order to achieve its objectives.

Risks

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

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

Key risks are identified, and mitigations put in place through the review, development and testing of related policies and procedures.

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

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

Coronavirus

- The coronavirus outbreak (COVID-19), which originated in China in December 2019 was declared a Public Health Emergency of International Concern by the World Health Organisation in January of this year and declared a pandemic on 11 March 2020.
- The virus had a widespread and unprecedented effect on all aspects of life.
- Some clients experienced difficulty in paying their rent and also being able to prove the necessary earnings in order to achieve a mortgage.
- It is noted below (in the "Sharp economic downturn" section) that a large portion of rental income is met by income support which has significantly mitigated the direct impact of the pandemic on rental arrears.
- For those looking to purchase a home, lock-down inevitably caused a delay, impacting Andium Homes's ability to meet 2020 sales targets. With the lifting of lock-down we have seen a strong bounce back in demand.
- Further information in relation to COVID-19 is included in note 26 of this report.

Sharp economic downturn

- A general sharp economic downturn also presents a risk to Andium Homes.
- This could result in falling property prices and therefore falling market rents with a consequential effect on Andium Homes's rental income, and possibly some properties becoming difficult to let.
- In the current circumstance in relation to COVID-19, it is likely that demand will continue and more homes will be required, potentially in a falling property market.
- There is nothing that Andium Homes can do to prevent such a risk occurring.
- However, Andium Homes closely monitors market developments and can adapt the speed of construction of new houses if market circumstances require.
- Andium Homes's position is also protected as it charges rents below a market level and the rents of those tenants currently paying less than 90% of market rent would generally continue to rise in line with inflation plus 0.75%. In such circumstances, tenants would continue to be protected through the receipt of income support.
- The fact that 52% of Andium Homes's rental income is effectively met by income support also provides protection in relation to rent arrears.
- Given that Andium Homes's charges rents at 90% of market it follows that there is excess demand. At 31 August 2020, 998 applicants are registered on the Affordable Housing Gateway and are therefore eligible for housing by Andium Homes.

Change in government policy to reduce support for social rented housing

- If the Government were to reduce its support for social rented housing either through a change to the rents policy or reduced income support for social housing rental costs, this would be a significant risk to the Company's business model.
- An example could be a Government requirement for Andium Homes to provide additional subsidies to tenants during a sharp economic downturn.

- In such scenarios, the Company would be less able to deliver its capital programme or the improvements to client services contained in its business plan, unless a reduction was made to the Company's financial return to the Guarantor.
- Andium Homes is a delivery agent and so has limited control over this risk, which can only be mitigated through working closely with Government to ensure the consequences of such policy changes are understood by Andium Homes and Government.

Lack of available land with planning permission

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

Increased capital project costs

- Capital project costs are a challenge due to construction industry inflation in Jersey exceeding RPI in recent years. There is a risk that capital projects become financially unviable and/or that capital projects exceed budgets in place which would slow the pace of delivery of new homes.
- Once in contract, this risk predominantly falls away as contracts are generally fixed in price and so this risk relates to future capital projects.
- The risk is mitigated through the design and procurement process to ensure projects represent value for money, through the inclusion of appropriate risk sums and through working closely with the construction industry to provide a predictable pipeline of work.
- Additionally, in early 2020, we began using private finance, taking advantage of lower interest rates currently available in the private market, whilst also maintaining a fixed interest long term financing solution through Government borrowing.

Generally, we are a low risk company, with a large amount of assets, low borrowing and a high demand for our services. The key risks that Andium Homes faces are for the most part outside of its control. However, comprehensive measures are in place to mitigate those risks.

Governance

The Board seeks to operate to the highest standards of corporate governance.

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

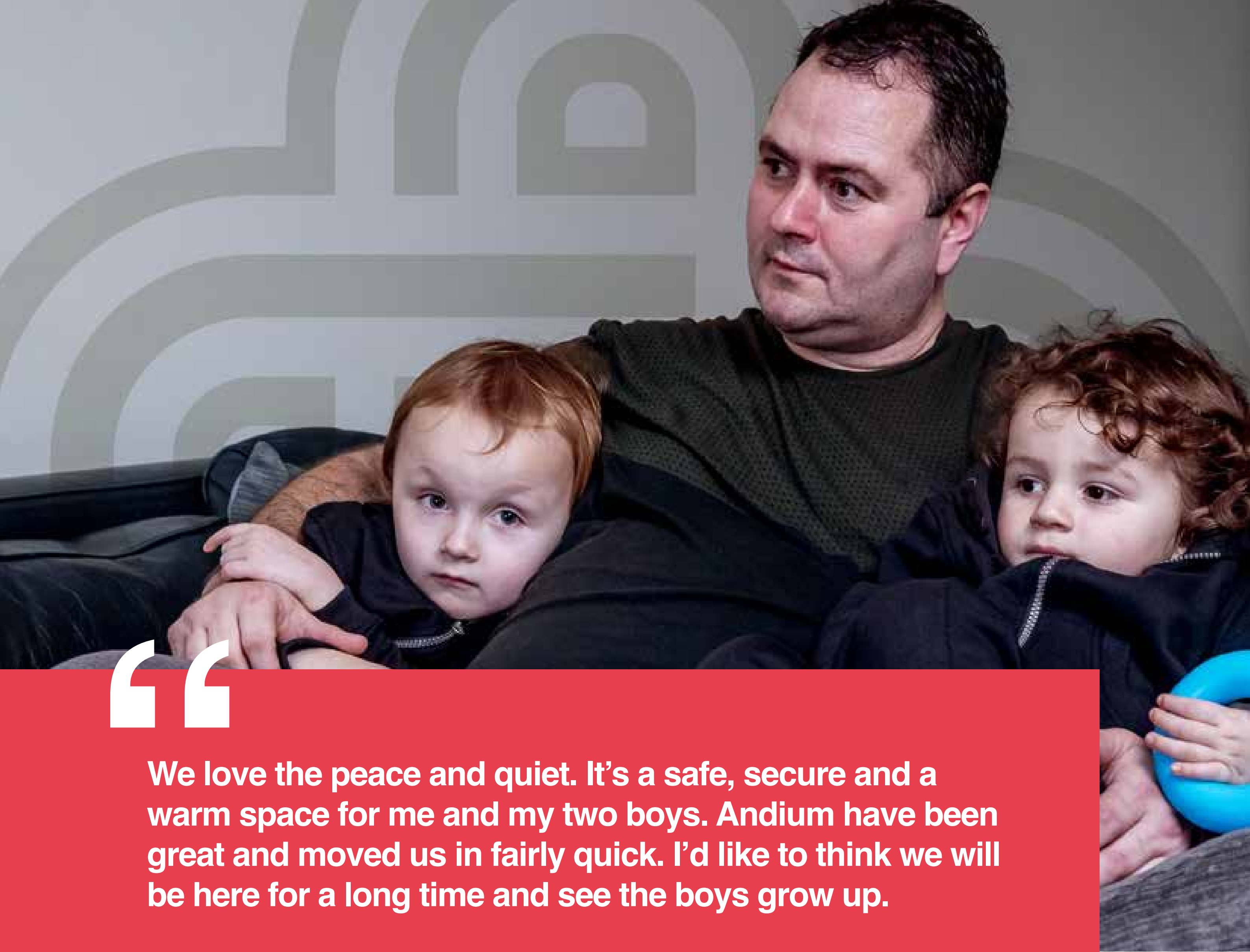
The MoU emphasises a "no surprises culture" and specifies those issues on which the agreement of the Guarantor must be sought. The Memorandum has not been reviewed since it was first drafted in 2014 and is recognised as being deficient in a number of respects. The Government of Jersey is currently reviewing the relationship between itself and the various States-owned bodies. It is anticipated that a new MoU will be in place during 2020.

The Board is working to comply with relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council.

The Board

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

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



> We love the peace and quiet. It's a safe, secure and a warm space for me and my two boys. Andium have been great and moved us in fairly quick. I'd like to think we will be here for a long time and see the boys grow up.
>
> – Kevin, Andium Homes Tenant

The Board is well aware that, while it is responsible for the operation of a commercial business, it has a range of important stakeholders, not least the public of Jersey as the ultimate owner of the business. The Company is responsible for housing around 10% of Jersey's population and has been given a major role in meeting future housing needs and in providing housing for people with special needs. Its activities are therefore the subject of significant political and public interest. This complex environment inevitably creates governance challenges.

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

The Board has established Risk and Audit, Remuneration and Nomination Committees. Until November 2019, the latter two committees were combined in an Appointments and Remuneration Committee. The Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources to carry out their duties.

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

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

Composition of the Board

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

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

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

The Board currently comprises

Sir Mark Boleat	Chair	Appointed by the Minister 01 November 2019
Jason Laity	Independent Director	Appointed by the Minister 01 November 2019
Judy Beaumont	Tenant Director	Appointed 01 January 2017, Re-appointed 01 January 2020
Elaine Bailey	Independent Director	Appointed 01 February 2020
Julian Box	Independent Director	Appointed 17 February 2020
Jonathan Day	Independent Director	Appointed 17 February 2020
Ian Gallichan	Chief Executive	Appointed 01 July 2014
Lindsay Wood	Finance Director	Appointed 01 January 2020

Six directors left the Board during 2019 and 2020, up to the date of this report

Frank Walker	Term of office as Director and Chair ended 31 October 2019
Jane Martin	Term of office as Director ended 30 June 2019
Heather Bestwick	Resigned as a Director with effect from 31 October 2019
Michael Jones	Resigned as a Director with effect from 03 February 2020
John Hamon	Resigned as Finance Director on 21 October 2019.
Colin Russell	Term of office as Director ended 30 June 2020.

Jason Laity has been appointed Senior Independent Director by the Board.

Sir Mark Boleat met the test of independence as defined in the UK Corporate Governance Code on his appointment as Chairman on 1 November. The Board consider that, Jason Laity, Elaine Bailey, Julian Box and Jonathan Day continue to meet the test of independence. The Articles stipulate that one or two directors are "Tenant Directors" as opposed to "Independent Directors". However, The Board considers that Colin Russell and Judy Beaumont meet the test of independence as defined in the Code.

The Board met 12 times during 2019. There were 5 additional meetings to which only Non-Executive Directors were invited to attend. Attendance at Board meetings was as follows:

	Attended / Total
Sir Mark Boleat	3 / 3
Heather Bestwick	9 / 9
Judy Beaumont	9 / 12
Ian Gallichan	12 / 12
John Hamon	7 / 7

	Attended / Total
Michael Jones	12 / 12
Jason Laity	3 / 3
Jane Martin	4 / 4
Colin Russell	11 / 12
Frank Walker	8 / 9

Board effectiveness review

In June 2018 the Board commissioned an independent review of its effectiveness from the executive search firm Satori. The report made 15 priority recommendations. The Board considered these recommendations at a meeting in December 2018 and agreed an action plan, building on those recommendations. However, implementation of the action plan was frustrated by a dispute with the Government. The new Board, established in November 2019, took immediate steps to improve governance without reference to the Satori Report, but which had the effect of implementing some of the recommendations, in particular through the appointment of directors with relevant financial and housing development experience, reshaping Board agendas to concentrate more on strategy and restructuring the committees.

There was no formal effectiveness review in 2019, nor were there documented individual review meetings between Chair and the Directors. The Board conducted a basic effectiveness review in 2020, given the short time the new Board had been in existence and the impact of the pandemic. This showed a very satisfactory position generally. A comprehensive review, in line with the requirements of the Corporate Governance Code, will be undertaken in 2021.

Nominations Committee report

The responsibilities of the Committee cover –

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

The Committee was constituted as a separate committee on 11 November 2019, its responsibilities previously having been covered by an Appointments and Remuneration Committee. The Committee comprises –

Sir Mark Boleat (Chair from 11 November 2019)
Jason Laity (from 11 November 2019)
Colin Russell (from 11 November 2019), retired 30 June 2020.
Jonathan Day (from 17 February 2020)

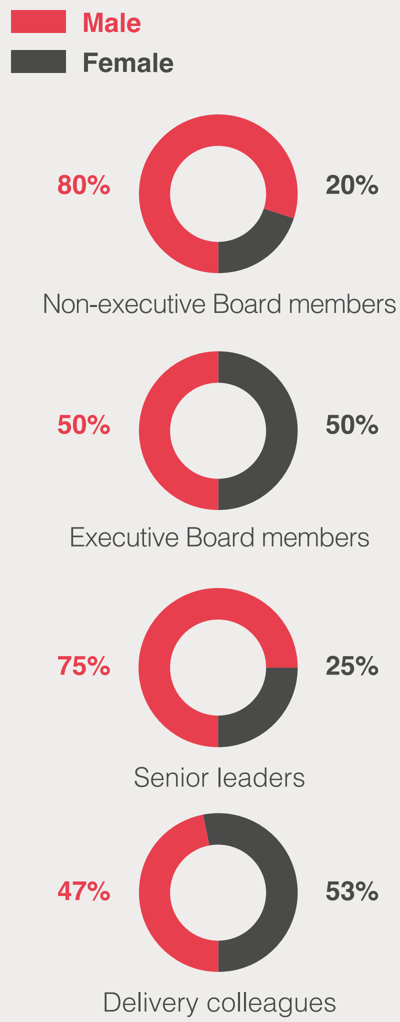
The Committee met twice in 2019. All the members at that time were present at both meetings. The activities of the Committee covered –

- Making recommendations to the Board on the composition of committees following the significant change in Board membership in November 2019.
- Recruitment of a new Finance Director. The Jersey Appointments Commission elected to be involved in this recruitment. After an open process, managed by the Company's HR Advisers, Law at Work, and overseen by the Jersey Appointments Commission, the Committee was delighted to be able to recommend to the Board that Lindsay Wood, previously Head of Finance and Interim Finance Director, be appointed.
- Recruitment of three new independent Directors to fill vacancies on the Board. The Committee noted the need for a Director with experience of social housing development, one of the recommendations of the Satori Review of the Board's effectiveness in 2018. It also considered that a Director with experience of using technology to deliver public services would be a valuable addition to the Board. The Committee selected the local executive recruitment firm Thomas & Dessain to conduct the recruitment. The process included open advertising, both in Jersey and in the specialist UK housing press. The process commenced in December 2019 and resulted in the recommendation to the Board in January and February 2020 that Elaine Bailey, Julian Box and Jonathan Day be appointed.

Equality and diversity

An existing Equality & Diversity Policy is in place and is being updated. Andium is committed to providing a workplace where colleagues are treated fairly and able to give their best. Therefore, in 2020 the Equality & Diversity Policy will be updated and clear objectives set.

The gender balance of employees at all levels of the business at the end of 2019, were:



Risk and Audit Committee report

The responsibilities of the Committee cover –

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

The following members served on the Committee during the year, and up to the point of publishing this report –

Heather Bestwick (Chair until 31 October 2019)
Jason Laity (Chair from 11 November 2019)
Michael Jones (until 3 February 2020)
Elaine Bailey (from 1 January 2020)
Julian Box (from 17 February 2020)

The Committee met four times in 2019. Michael Jones attended all four meetings. Heather Bestwick attended the three meetings held while she was a Board member and Jason Laity the one meeting after he became a Board member.

The main activities of the Committee in 2019 were –

- Recommending the approval of the 2018 Annual Report to the Board, which 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.
- Following the incumbent auditor being in place for five years, the audit services contract was put out to tender in 2019. The Committee recommended the appointment of Baker Tilly Channel Islands Limited for a for a five-year period with a three-year break clause, commencing year end 31 December 2019. This recommendation was accepted by the Board and subsequently by the Guarantor. The Committee was satisfied that the auditors were able to express their opinion independently.
- Meeting with the external auditors at both the planning and final stages of the audit to understand their audit approach, the results of their work and how they determined that the annual report was fit for purpose.
- Reviewing the Company's risk management and internal control systems. The Committee concluded that they represented good practice. When risks to the business emerge, mitigations are put in place to bring the risks within tolerable levels and the Committee considers that these are dealt with proportionately. Work to embed the function in the business has been effective and this will continue to be an area of continuous improvement.
- Oversight of the Company's financing strategy which resulted in the Company amending its loans with the Government of Jersey and entering in to a £150m revolving credit facility with HSBC Bank Plc and Natwest International. The Committee provided oversight of the project, including reviewing new risks and mitigations put in place. Further information in relation to the financing strategy is included in the Financial Review.

Remuneration Committee report

The responsibilities of the Remuneration Committee cover–

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

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

- Agreeing in advance with the Guarantor "any changes to the level of remuneration of non-executive Directors".
- Agreeing with the Guarantor in advance of their taking effect "information pertaining to any material changes to either the structure or quantum of remuneration paid to Directors for their executive responsibilities".

The Committee was constituted as a separate committee on 11 November 2019, its responsibilities previously having been covered by an Appointments and Remuneration Committee. The Committee comprises –

Jason Laity (Chair)
Sir Mark Boleat (Chair of the Company)
Colin Russell (retired 30 June 2020)
Jonathan Day (with effect from 17 February 2020)

The Appointments and Remuneration Committee did not meet in 2019. The new Committee had one formal meeting in 2019 after its establishment, to settle the remuneration of the new Finance Director, Lindsay Wood. All the members attended. In addition, there was significant involvement of Committee members between meetings.

One of the purposes of establishing a separate Remuneration Committee was to address outstanding executive remuneration issues, which had been the subject of a dispute between the previous Board and the Guarantor. Full details of the dispute were set out in October 2019 in a report by the Comptroller and Auditor General on remuneration in States-owned businesses.

The Minister appointed Sir Mark Boleat as Chair and Jason Laity to the Board on 01 November 2019. Their initial principal tasks were to establish normal governance and settle the disputed remuneration issue.

The Board reviewed the issue in detail and identified a number of lessons learned, which it shared with the Guarantor with the objective of ensuring that no similar disputes arise in the future and consider the matter is now closed.

Remuneration policy

On an ongoing basis, executive director salaries will be reviewed annually by the Remuneration Committee with recommendations made to the Board, then seeking approval from the Guarantor in advance of material changes taking effect.

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

Directors remuneration

The total remuneration of the Directors for the year ended 31 December 2019 is set out below:

	Basic Salary	Total 2019	Total 2018
	£	£	£
Executive Directors			
Ian Gallichan	192,780	192,780	211,680
John Hamon	115,910	115,910	157,920
Non-executive Directors			
Sir Mark Boleat	6,667	6,667	n/a
Jason Laity	3,333	3,333	n/a
Frank Walker *OBE*	33,333	33,333	40,000
Jane Martin	10,000	10,000	20,000
Heather Bestwick	16,667	16,667	20,000
Michael Jones	20,000	20,000	20,000
Judy Beaumont	20,000	20,000	20,000
Colin Russell	20,000	20,000	20,000
Total	**438,690**	**438,690**	**509,600**

Notes:

1. The basic salaries of the Executive Directors were the same in 2019 as in 2018. The differences in the total remuneration result from bonuses paid in 2018.
2. During 2019 the fees paid to Non-Executive Directors were the same as in 2018 - £40,000 for the Chair and £20,000 for the other Directors. Figures below these amounts reflect the period served during the year.
3. The salary paid to John Hamon in 2019 reflects the period for which he was a Director, up to 21 October 2019.

Pension contributions

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

	2019	2018
	£	£
Ian Gallichan	27,760	26,218
John Hamon	16,691	19,560
Total	**44,451**	**45,778**

External appointments

The Executive Directors did not hold any external directorships in 2019 or 2018.

Capital Programmes Sub Group Report

The responsibilities of the Capital Programmes Sub Group cover -

- Reviewing and recommending a capital projects programme and quarterly programme forecast to the Board.
- Advising the Board of the risks and opportunities presented by the programme.
- Reviewing individual feasibility studies for capital projects.
- Reviewing proposed contractual arrangements for delivery of significant capital projects.

The following members served on the Sub Group during the year –

Frank Walker (Chair until 31 October 2019)
Sir Mark Boleat (Chair from 11 November 2019)
Judy Beaumont
Colin Russell
Ian Gallichan
John Hamon (until 22 October 2019)

The Sub Group met three times in 2019. Attendance at the meetings was –

	Attended / Total
Frank Walker	1 / 3
Sir Mark Boleat	1 / 1
Judy Beaumont	3 / 3
Colin Russell	3 / 3
Ian Gallichan	3 / 3
John Hamon	2 / 3

The main activities of the Sub Group in 2019 were:

- Review of site acquisition activities.
- Approval of project Feasibility Studies under delegated authority from the Board.
- Review of the 2019 Market Interest Contracting and Procurement Strategy.
- Approval and adoption of the Shaping St Helier Masterplan and Design Guide.
- Considering the benefits of specific Modern Methods of Construction.
- Review and challenge of Capital Programme Governance Reporting.
- Review and challenge of Programme Risk Updates.
- Considering the benefits of supporting the introduction of Electric Car Share initiatives.

Complaints and appeals procedure

Andium Homes has a Complaints and Appeals Policy in place and published on the website. Informal complaints are dealt with by the relevant Head of Service and formal complaints are dealt with by the Company Secretary. During 2019, there was one formal complaint acknowledged and dealt with by the Company Secretary and the Chief Executive.

Directors' Report

ANDIUM HOMES LIMITED.
Registration No. 115713

The Directors of the Company present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Directors of the Company

The following served as directors of the company between the beginning of 2019 and the date of signing of this report:

Sir Mark Boleat	Non-executive Chair	Appointed 01 November 2019
Jason Laity	Non-executive Director	Appointed 01 November 2019
Frank Walker *OBE*	Non-executive Chair	Appointed 01 July 2014, Appointed as Non-executive Chair 01 July 2017, Retired 31 October 2019
Jane Martin	Non-executive Vice Chair	Appointed 01 July 2014, Re-appointed 01 July 2016, Retired 30 June 2019
Heather Bestwick	Non-executive Director	Appointed 01 July 2014, Re-appointed 01 July 2018, Resigned 31 October 2019
Michael Jones	Non-executive Director	Appointed 01 July 2014, Re-appointed 01 July 2017, Resigned 03 February 2020
Judy Beaumont	Non-executive Tenant Director	Appointed 01 January 2017, Re-appointed 01 January 2020
Colin Russell	Non-executive Tenant Director	Appointed 01 July 2014, Retired 30 June 2020
Elaine Bailey	Non-executive Director	Appointed 01 February 2020
Julian Box	Non-executive Director	Appointed 17 February 2020
Jonathan Day	Non-executive Director	Appointed 17 February 2020
Ian Gallichan	Chief Executive	Appointed 01 July 2014
John Hamon	Chief Operating Officer / Finance Director	Appointed 01 July 2014, Resigned 21 October 2019
Lindsay Wood	Finance Director	Appointed 01 January 2020

No other persons have served as Directors during the period.

Future developments

An analysis of future developments is described in the Financial Review earlier in this document.

Post balance sheet date events

On 26 February 2020 the Board accepted a tender sum for the delivery of 147 homes at La Collette Low-Rise. On the same date they also approved the development agreement for a minimum of 250 new homes at the former Ann Street Brewery site.

On 26 February 2020 the Board authorised the signing of a sterling revolving facility agreement for £150 million. On 28 February 2020 the Company signed the facility agreement. This facility enables Andium Homes to progress future capital projects in line with its strategic business plan. To date, no funds have been drawn from the facility as there is still existing capacity within the debt available from the States of Jersey (note 17).

On 12 May 2020 the Board accepted a tender sum for the delivery of 21 homes and a dedicated facility for Age Concern at the Convent Court Low Rise site.

On 12 August 2020 the Capital Programme Sub-Group accepted a tender sum for the refurbishment of 256 apartments at Le Marais.

Disclosure of information to the auditors

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

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

Appointment of auditors

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

Statement of Directors' Responsibility

The Statement of Directors' responsibility is presented separately on page 42. The Company implements "best practice" from the UK Corporate Governance Code with a separate governance report included on page 30.

By Order of the board

Sir Mark Boleat, Chair
23 September 2020

Lindsay Wood, Finance Director
23 September 2020

Directors' Responsibilities Statement

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

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

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

In preparing those financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Make an assessment of the Company's ability to continue as a going concern.

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

Board Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

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

Opinion

We have audited the financial statements of Andium Homes Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable Jersey law, the Statement of Recommended Practice for Registered Social Housing Providers ("SORP") and Financial Reporting Standard 102 ("FRS 102") as issued by the Financial Reporting Council (collectively "applicable UK Accounting Standards").

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its deficit for the year then ended;
- have been prepared in accordance with applicable UK accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law, 1991 as amended.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

Significant risks and our response

(i) Rental income

The risk

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

Our response

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

(ii) Housing properties

The risk

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

Our response

We noted management have engaged a housing valuation expert ("the valuer") to determine the fair value of housing properties at 31 December 2019 (updated from a valuation at 30 September 2019). We reviewed the competence, capabilities and objectivity of the valuer and we reviewed and assessed the significant assumptions used in the models calculating the fair value of housing properties. We also communicated with the Guarantor's auditor and the valuer, where the significant assumptions in the valuation model were scrutinised and challenged. We recalculated the basis for determining depreciation and we assessed the relevant impairment indicators and ensured impairments were appropriately recorded. We also performed tests of detail on additions and disposals of housing properties and capitalisation of maintenance expenditure in the financial year.

(iii) Maintenance expenses

The risk

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

Our response

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

(iv) Rental arrears

The risk

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

Our response

We 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.

(v) Disclosure and presentation of financial statements

The risk

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

Our response

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

Our application of materiality

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

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

In making our assessment and cognisant of the challenges of defining materiality, we considered a threshold of £10,504,910 to be an indicator of materiality for the financial statements as a whole. This threshold was based on 1% of gross assets. Assets are considered to be the most important benchmark for the primary users of the financial statements. We have reported, to the Risk and Audit Committee, all corrected and uncorrected misstatements we identified through our audit with a value in excess of £512,669, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

An overview of the scope of our audit

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

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 42, 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 re-appointed by the Company, on 01 June 2019. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years.

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

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

Use of this report

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

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

25 September 2020

Statement of Comprehensive Income

for the year ended 31 December 2019

	Notes	2019	2018
		£'000	**£'000**
Rental income		49,798	48,374
Other income		2,867	2,851
Operating costs (excluding depreciation and impairment)		(17,163)	(13,804)
Operating Surplus before the return to the Guarantor, depreciation and impairment	2	**35,502**	**37,421**
Return to the Guarantor	3	(29,673)	(28,739)
Operating Surplus before depreciation and impairment		**5,829**	**8,682**
Depreciation and impairment	2,7,8,9,11	(27,939)	(17,304)
Operating deficit		**(22,110)**	**(8,622)**
Fair value gains on financial instruments	10	1,859	1,318
Interest receivable and similar income		248	174
Interest payable and similar charges	4	(3,967)	(3,902)
Realised surplus/(deficit) from disposal of financial assets		62	53
Deficit for the year		**(23,908)**	**(10,979)**
Other comprehensive income			
Unrealised surplus on revaluation of housing properties	7,11	38,399	44,165
Unrealised surplus on revaluation of other assets	8,9	1,014	-
Total comprehensive income for the period		**15,505**	**33,186**

The notes on pages 52-72 form part of the financial statements.

Statement of Financial Position

for the year ended 31 December 2019

	Notes	2019	2018
Fixed Assets		**£'000**	**£'000**
Housing Properties	7	964,431	911,672
Property, Plant and Equipment	8	7,024	6,299
Investment Properties	9	385	390
Financial Assets	10	26,291	22,104
		998,131	**940,465**
Current Assets			
Housing Properties held for sale	11	3,390	1,222
Debtors	12	3,290	1,971
Cash and cash equivalents	14	45,671	39,668
		52,351	**42,861**
Amounts Falling due within one year:			
Creditors	15	(2,382)	(803)
Accrued expenses	16	(15,781)	(12,302)
Borrowing	17	(18,413)	(11,153)
		(36,576)	**(24,258)**
Net Current Assets		**15,775**	**18,603**
Total assets less current liabilities		**1,013,906**	**959,068**
Amounts falling due after more than one year			
Borrowing	17	(175,613)	(136,280)
Net Assets		**838,293**	**822,788**
Capital and reserves			
Housing property revaluation reserve		250,915	212,516
Office premises revaluation reserve		1,842	828
Retained earnings		585,536	609,444
	25	**838,293**	**822,788**

The financial statements were approved by the Board of Directors and authorised for issue on 23 September 2020 and were signed on its behalf by:

Sir Mark Boleat, Chair

Lindsay Wood, Finance Director

The notes on pages 52-72 form part of the financial statements.

Statement of Changes in Equity

for the year ended 31 December 2019

	Housing property revaluation reserves	Other assets revaluation reserves	Retained earnings	Total reserves
	£'000	£'000	£'000	£'000
Balance at 01 January 2018	168,351	828	620,423	789,602
Deficit on ordinary activities	-	-	(10,979)	(10,979)
Other Comprehensive Income for the year	44,165	-	-	44,165
Balance at 31 December 2018	212,516	828	609,444	822,788
Deficit on ordinary activities	-	-	(23,908)	(23,908)
Other Comprehensive Income for the year	38,399	1,014	-	39,413
Balance at 31 December 2019	**250,915**	**1,842**	**585,536**	**838,293**

See note 25 for a description of the reserves.

Cash Flow Statement

for the year ended 31 December 2019

	Notes	2019	2018
		£'000	£'000
Net cash inflow from operating activities	24	**9,661**	**8,740**
Returns on investments and servicing of finance			
Interest and similar charges received		248	174
Interest and similar charges paid	4	(7,730)	(5,883)
Net cash outflow from returns on investments and servicing of finance		**(7,482)**	**(5,709)**
Capital expenditure and financial investment			
Additions to Housing Properties	7	(55,674)	(37,030)
Additions to Housing Properties held for sale	7,11	(4,858)	(1,950)
Purchase of Property, Plant and Equipment	8	(111)	(58)
		(60,643)	**(39,038)**
Reduced by:			
Redemption of housing bonds	10	878	528
Sale of housing properties net of bonds issued	5	17,089	12,785
Net cash outflow from capital expenditure and financial investment		**(42,676)**	**(25,725)**
Financing			
Repayment of borrowing	17	(23,044)	(5,664)
Borrowing drawn down	17	69,544	48,081
Net cash inflow from financing		**46,500**	**42,417**
Increase in cash in the period		**6,003**	**19,723**
Opening cash and cash equivalents balance		39,668	19,945
Closing cash balance	14	**45,671**	**39,668**

The notes on pages 52-72 form part of the financial statements.

Notes to the Financial Statements

for the year ended 31 December 2019

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 2019 have been prepared in accordance with FRS 102. Although not a requirement, in the interest of best practice, the financial statements have also been prepared in accordance with the Statement of Recommended Practice ("SORP") for Registered Social Housing Providers 2014. The principal accounting policies have been applied consistently throughout the year and preceding period.

c) Basis of accounting

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

d) Going concern

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

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

ii. The financial position of the Company; and

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

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

e) Rental income

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

f) Other income

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

g) Net assets transferred from the States of Jersey

On 18 October 2013 the Royal Court of Jersey registered the Social Housing (Transfer) (Jersey) Law 2013 (the "Transfer Law") to enable the transfer of the assets from the States 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 and Doors	**30 - 40**
Kitchen	**30**
Stairs	**60**
Wiring and Electrical Installations	**30**
Plumbing and Installation	**30**
Builders Work in connection with service	**30**
Lifts	**30**
Partitions	**60**
Wall, floor and ceiling finishes	**30 - 60**
Sundry Builders work	**60**
Balconies	**60**
External works including underground Drainage	**40**

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

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

m) Property, plant and equipment

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

Other fixed assets (other than housing property 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**
Vehicles	**5 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.

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

u) **Frequency of reporting and comparative information**

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

v) **Key related parties**

The Board of Directors of the Company and the States 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 2019 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. Estimation uncertainty, by its very nature, carries an inherent risk that there may be a material difference from the fair value disclosed in the financial statements when compared to any final realisable value.

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.

x) Investments in subsidiaries

Investments in subsidiaries are recognised at cost less impairment.

2. Operating Deficit

Operating deficit is stated after charging

	2019	2018
	£'000	£'000
Depreciation	13,444	13,004
Impairment	14,495	4,300
Wages and Salaries	3,078	2,991
Social Security costs	158	156
Other Pension costs	422	395
Repairs; cyclical, planned, day to day	8,744	6,374
Auditors remuneration - audit services	46	44
Other expenses	4,681	3,760
Other staff costs	34	84

3. Return to the Guarantor

	2019	2018
	£'000	£'000
Return to the Guarantor	29,673	28,739

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 01 July 2014. The base amount would be subsequently increased annually in quarter three, by the June Jersey Retail Price Index ("RPI") of the same year.

During 2018, the basis of the return was changed. It was agreed with the States of Jersey:

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

The change in basis of the return was made in conjunction with a change in the States of Jersey social housing rent policy which deferred annual uplifts in rent charges to 01 January (previously 01 October). Rent uplifts continue to be inflation linked and now also include a minimum and maximum increase of 2.5% and 4.0% respectively.

The payment of the return to the Guarantor continues 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

	2019	2018
	£'000	£'000
Interest on loan agreements with States of Jersey	3,967	3,902

The interest charge of £3,967k (2018: £3,902k) comprises £3,874k (2018: £3,809k) of interest and £93k (2018: £93k) of bond set-up fees which are amortised over the lifetime of Loan 1 (note 17). Further finance costs of £3,763k (2018: £1,981k) 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

	2019	2018
	£'000	£'000
Gross Proceeds	20,233	14,358
Net Asset Cost (Cost less accumulated depreciation)	(20,233)	(14,358)
Gain / (loss) on sale	**-**	**-**

Housing properties are revalued at the date of being identified for disposal and sold at that level, hence incurring no gain or loss on disposal. Gross proceeds is the total amount of cash received being £17,089k (2018: £12,785k) plus housing bonds issued during the period £3,144k which are repayable to the Company on next conveyance of the property (2018: £1,573k), see note 10.

6. Employee Information

	2019	2018
The average full time equivalent number of persons employed in the period was:	47	47
The average number of persons employed in the period was:	49	49

	2019	2018
	£'000	£'000
Staff costs (including Directors emoluments):		
Wages and salaries	3,078	2,991
Social security costs	158	156
Pension costs	422	395
Other staff costs	34	84
Total staff costs	**3,692**	**3,626**

7. Housing Properties

	Held for letting	Land acquired for future development	Under construction	Total housing properties
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 01 January 2019	884,693	26,904	43,205	954,802
Additions (note a)	4,571	-	59,724	64,295
Transfer from under construction to held for letting	13,108	-	(13,108)	-
Disposals (note 11)	(16,839)	-	(4,858)	(21,697)
Revaluation	27,786	-	-	27,786
At 31 December 2019	**913,319**	**26,904**	**84,963**	**1,025,186**
Depreciation and impairments				
At 01 January 2019	(33,156)	(9,974)	-	(43,130)
Charged during the period	(13,039)	-	-	(13,039)
Net impairments recognised	(14,860)	-	-	(14,860)
Impairments reversed	374	-	-	374
Revaluation	9,900	-	-	9,900
At 31 December 2019	**(50,781)**	**(9,974)**	**-**	**(60,755)**
Net book value as at 31 December 2019	**862,538**	**16,930**	**84,963**	**964,431**
Net book value as at 31 December 2018	**851,537**	**16,930**	**43,205**	**911,672**

a) Additions of £64,295k (2018: £39,011k) is reflected as £55,674k (2018: £37,030k) and £4,858k (2018: £1,950k) in the cash flow statement as the above amount includes £3,763k (2018: £1,981k) of finance costs capitalised. These finance costs are included as part of 'interest and similar charges paid' within the cash flow statement.

b) Where indicators of impairment have been identified an impairment assessment is carried out and those charges recognised in the Statement of Comprehensive Income. Impairments recognised are net of prior year reversals for ongoing refurbishment work. Valuations have been carried out as at 31 December 2019 by Jones Lang LaSalle IP Incorporated (an independent valuer) using the discounted cash flow method. The valuations have been prepared using the Existing Use Value for Social Housing, as required by the SORP. Valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Professional Standards, 2017, Global and UK Edition (the "Red Book"). The key assumptions used within the discounted cash flow calculations are as follows:

2019

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

2018

Assumption	Core stock	High-rise stock	Newly developed stock	Hostels
Discount rate	5.75%	7.0%	5.75%	5.75%
Management costs	£650	£675	£650	£700
Total repair costs	£1,723	£2,897	£1,425	£1,513
Bad debts, voids	1.5%	2.0%	1.5%	1.5%
Re-let rates	5.0%	5.0%	5.0%	5.0%

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

	Held for letting	Land acquired for future development	Under construction	Total housing properties
Historical Cost	**£'000**	**£'000**	**£'000**	**£'000**
Carrying Value 31 December 2019	611,902	16,930	84,963	713,795
Carrying Value 31 December 2018	638,587	16,930	43,205	698,722

8. Property, Plant and Equipment

Cost	Office premises £'000	IT Systems Development £'000	Infrastructure assets £'000	Vehicles £'000	Total other fixed assets £'000
At 01 January 2019	3,422	437	3,324	25	7,208
Additions	-	95	-	16	111
Revaluation	-	-	1,014	-	1,014
At 31 December 2019	**3,422**	**532**	**4,338**	**41**	**8,333**
Depreciation					
At 01 January 2019	(618)	(82)	(204)	(5)	(909)
Charged during the period	(120)	(40)	(232)	(8)	(400)
Revaluation	-	-	-	-	-
At 31 December 2019	**(738)**	**(122)**	**(436)**	**(13)**	**(1,309)**
Net book value as at 31 December 2019	**2,684**	**410**	**3,902**	**28**	**7,024**
Net book value as at 31 December 2018	**2,804**	**355**	**3,120**	**20**	**6,299**

Internal valuations have been carried out for Office Premises and IT Systems Development as at 31 December 2019. This resulted in a revaluation of £nil (2018: £nil). Infrastructure Assets form part of the States of Jersey Asset Valuation as at 31 December 2019. 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 £1,014k (2018: £nil).

9. Investment Properties

	2019 £'000	2018 £'000
At 01 January	390	395
Depreciation Charge	(5)	(5)
Revaluation	-	-
At 31 December	**385**	**390**

Investment properties consist of commercial properties rented at market rates. Valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Professional Standards, January 2017, Global and UK Edition (the "Red Book"). In 2016 CBRE performed the valuation making certain assumptions on tenure, letting, taxation, town planning and the condition and repair of the buildings and sites. Given these assumptions still apply in 2019 no further revaluation was performed and our review confirmed a depreciated valuation of £385k (2018: £390k).

10. Financial Assets

Housing bonds	2019	2018
	£'000	£'000
At 01 January	22,104	19,688
Redeemed during the period	(816)	(475)
Issued during the period	3,144	1,573
Unrealised surplus in the period	1,859	1,318
Valuation at period end	**26,291**	**22,104**

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 to the Company will be the percentage equivalent of the market value at the time of repayment. The value of the deferred payment cannot decrease below its initial value. At the end of each financial year the housing bonds are revalued in line with the Jersey House Price Index with any unrealised surplus recognised in the Statement of Comprehensive Income. All housing bonds are considered to be non-current as the underlying properties are not expected to be sold within one year.

During the prior year, the Company sold 6 properties at Jardin De La Mare, La Rue a Don, Grouville under the scheme noted above. However, in the case of these properties, the bonds issued remain with the properties in perpetuity, passing on to new purchasers each time the property is alienated. These bonds can only be repaid to the Company under limited circumstances. This was in response to a requirement set out in the Planning Obligation Agreement to ensure the properties remain affordable in perpetuity. Bonds issued under this scheme during the period amounted to £nil (2018: £818k) and are recorded at nil value.

Surplus on disposal of bonds redeemed totals £62k (2018: £53k) from total receipts of £878k (2018: £528k).

11. Housing Properties Held for Sale

	2019	2018
	£'000	£'000
At 01 January	1,222	212
Transferred from Social Housing Assets (note 7)	16,839	13,388
Additions	4,858	1,950
Disposals (note 5)	(20,233)	(14,358)
Impairments	(9)	-
Revaluation	713	30
At 31 December	**3,390**	**1,222**

12. Debtors

		2019	2018
		£'000	£'000
Amounts falling due within one year:			
Rental debtors – current		643	738
Rental debtors – other		1,379	1,242
Deposits received		(16)	-
GST Receivable		508	382
Less	Provisions for former tenant rental debts	(338)	(144)
	Provision for non-tenant debts	(94)	(247)
		2,082	**1,971**
Prepayments and accrued income		-	-
Other debtors		1,208	-
		3,290	**1,971**

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 £514k (2018: £475k).

13. Leases

	2019	2018
	£'000	£'000
Minimum lease payments receivable:		
Within one year	13,988	9,664
Within one to five years	26,295	19,599
More than five years	139	-
	40,422	**29,263**

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

i. prior to 01 January 2010 have a one week notice of cancellation,

ii. between 01 January 2010 and 01 January 2017 carry a one month notice of cancellation, and

iii. post 01 January 2017 tenancies have fixed terms ranging from 1 to 5 years. Tenants have the right to give early notice on these tenancies, however the majority of tenancies are expected to run the full course and so are disclosed as such.

There are also 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

	2019 £'000	2018 £'000
Short term cash investments	45,671	39,668
	45,671	**39,668**

15. Creditors

	2019 £'000	2018 £'000
Trade Creditors	44	35
Deferred income	2,338	768
	2,382	**803**

16. Accrued Expenses

	2019 £'000	2018 £'000
Return to the Guarantor	7,418	7,185
Goods and services received but not yet invoiced	8,363	5,117
	15,781	**12,302**

17. Borrowing

	2019 £'000	2018 £'000
Loan instalments are due as follows:		
Within one year	18,413	11,153
After one year:		
Between one and five years	31,537	22,408
In over five years	144,076	113,872
	175,613	**136,280**

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 £38,429k. The advances were made to the States of Jersey Housing Department, prior to the incorporation of the Company, by the States of Jersey Treasury and 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	Brought Forward at 01/01/2019	Amount Drawn 2019	Amount Repaid in 2019	Amount Outstanding at 31/12/2019	End Date of Loan
	£'000	£'000	£'000	£'000	£'000	£'000
Loan - 1*	38,429	33,424	-	(1,692)	31,732	31/12/2033
Loan - 2	4,741	4,425	-	(186)	4,239	31/12/2032
Loan - 3	9,675	9,306	-	(404)	8,902	31/12/2032
Loan - 5	2,659	2,601	-	(69)	2,532	31/12/2033
Loan - 6	2,149	2,118	-	(37)	2,081	31/12/2038
Loan - 7	7,119	7,084	-	(48)	7,036	31/12/2042
Loan - 9	4,991	4,856	-	(65)	4,791	31/12/2039
Loan - 10	10,037	9,837	175	(110)	9,902	31/12/2043
Loan - 11	7,050	7,050	-	-	7,050	31/12/2020
Loan - 12	47,183	32,611	14,572	(6,381)	40,802	31/12/2041
Loan - 13	16,966	10,316	-	(8,971)	1,345	31/03/2020
Loan - 14	52,278	22,000	15,831	-	37,831	31/12/2048
Loan - 16	5,081	2,607	2,474	(5,081)	-	31/12/2019
Loan - 17	37,800	-	10,967	-	10,967	31/12/2046
Loan - 18	21,332	-	9,606	-	9,606	31/12/2047
Loan - 19	15,133	-	6,917	-	6,917	31/12/2039
Loan - 20	17,640	-	9,002	-	9,002	31/12/2021
Total Loans	300,263	148,235	69,544	(23,044)	194,735	
Set up costs	-	(802)	-	-	(709)	
Total Liability	**300,263**	**147,433**	**69,544**	**(23,044)**	**194,026**	

Loan repayments of £23,044k were made during the year (2018: £5,664k).

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 20 and Loan 9). The effective rate of interest charged on the first loan (after consideration of the loan setup costs) is 4.7% per annum. Loan repayments are due annually. The total value of the loans available but not yet drawn at year end is £69,860k (2018: £47,499k).

On 28 February 2020 the Company entered into a sterling revolving facility for £150m with HSBC Bank Plc and Natwest International (note 26). On the same date it was agreed that all loans entered into with the States of Jersey would be varied to halt all capital repayments due until after the facility is repaid.

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 £709k (2018: £802k).

18. Capital Commitments

Development expenditure contracted less certified or accrued as at 31 December 2019 amounted to £91,837k (2018: £62,575k).

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 £422k (2018: £395k).

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.

An Actuarial valuation with an effective date of 31 December 2018 is in progress with an anticipated publication date in late 2020 addressing the closure of the defined benefit, final salary scheme.

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

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

20. Ultimate Parent Undertaking

The Board of Directors consider the Guarantor to be the Ultimate Parent Undertaking. The role of the Guarantor and the Andium Homes' Board is established in the Andium Homes Memorandum and Articles of Association adopted by the States 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 £7,418k per quarter and incurs an inflation linked increased annually on 01 January (see note 3).

21. Related Party Transactions

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

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

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 38 of the Annual Report.

22. Risks and Uncertainties

Financial risk management

Overview

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

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

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

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

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

Credit risk

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

Cash

The creditworthiness of the Company's main bankers, HSBC Bank plc is under periodic review. HSBC Bank plc holds a current short-term credit rating of P-1 (2018: P-1), as issued by Moody's.

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

Receivables

The Company's exposure to credit risk is reduced by the risk being spread across 4,500 tenancies and approximately 52% of income being received directly from Government in relation to Income Support benefit..

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

Liquidity risk

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

Per the Company's Treasury Management Policy, Andium Homes monitor actual versus forecast cash flow on a monthly basis to ensure short term cash flow is maintained, while the 40-year business model provides long term assurance.

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

Market risk

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

Currency risk

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

Interest rate risk

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

Interest on borrowing is currently fixed, therefore there is no exposure to underlying movements in the base rate. Additional borrowing was agreed after the year end on floating terms exposing the Company to interest rate risk in 2020. This risk is mitigated through the development of an interest rate hedging policy which includes entering into relevant hedging instruments if certain trigger points are reached.

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

Inflation risk

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

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

Market risk, specifically inflation risk, is considered to pose the Company a significant risk in relation to the progression of future capital projects.

Operational risk

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

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

23. Contingent Liabilities

As at 31 December 2019, the Board of Directors noted one contingent liability valued at £545k (2018: nil).

As part of the process to de-construct the existing gas holder on the former Gas Works site, it was necessary to remove the residual material sludge within the holder itself (following the pumping-out of excess water), and ship to the UK for disposal at an approved waste facility.

The sludge was pumped-out by tanker and transported to the UK under an existing Duly Reasoned Request agreed between Jersey's Environment Department and the UK Environment Agency. To facilitate the shipment an Agreement to Transfer was put in place.

To support the Agreement to Transfer application, we were required to obtain a Bank Guarantee to underwrite the risk of the waste not being accepted by the UK waste disposal facility. The guarantee value of £545k was calculated on the potential number of shipments that could be in transit at any one time. The guarantee was in place as there was a risk that the waste would not be accepted in the UK and would need to be transported elsewhere for disposal.

To mitigate this risk the waste disposal facility was provided with a full analysis of the sludge and the method of disposal agreed by the importing contractor; a UK specialist in the decommissioning and demolition of former gas works.

The guarantee was subsequently rescinded once the shipments had been accepted for disposal at the approved UK facility thus eliminating this contingent liability. This was on 07 September 2020.

24. Net Cash Inflow from Operating Activities

	2019	2018
	£'000	£'000
Operating deficit	(22,110)	(8,622)
Depreciation and impairment	27,939	17,304
(Increase)/Decrease in debtors	(1,319)	712
Increase/(Decrease) in creditors	5,151	(654)
Net cash inflow from operating activities	**9,661**	**8,740**

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. It also includes the net assets transferred from the States of Jersey on incorporation. This was a non-cash transaction of £678,000k in July 2014. Net assets transferred from the States of Jersey were treated as a non-exchange transaction with no related performance conditions and were realised in full in the Income Statement in the year it occurred.

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

There are no restricted or ear-marked reserves.

26. Post Balance Sheet Events

On 26 February 2020 the Board accepted a tender sum for the delivery of 147 homes at La Collette Low-Rise. On the same date they also approved the development agreement for a minimum of 250 new homes at the former Ann Street Brewery site.

On 26 February 2020 the Board authorised the signing of a sterling revolving facility agreement for £150 million. On 28 February 2020 the Company signed the facility agreement. This facility enables Andium Homes to progress future capital projects in line with its strategic business plan. To date, no funds have been drawn from the facility as there is still existing capacity within the debt available from the States of Jersey (note 17).

On 12 May 2020 the Board accepted a tender sum for the delivery of 21 homes and a dedicated facility for Age Concern at the Convent Court Low Rise site.

On 12 August 2020 the Capital Programme Sub-Group accepted a tender sum for the refurbishment of 256 apartments at Le Marais.

The coronavirus outbreak (COVID-19), which originated in China in December 2019 was declared a Public Health Emergency of International Concern by the World Health Organisation in January of this year and declared a pandemic on 11 March 2020. The COVID-19 situation required the whole island to go into lock-down, which has now been lifted with the Government of Jersey moving to Level 1 of the Safe Exit Framework on 08 August 2020, with the aim of living safely with the virus.

ANDIUM

HOMES