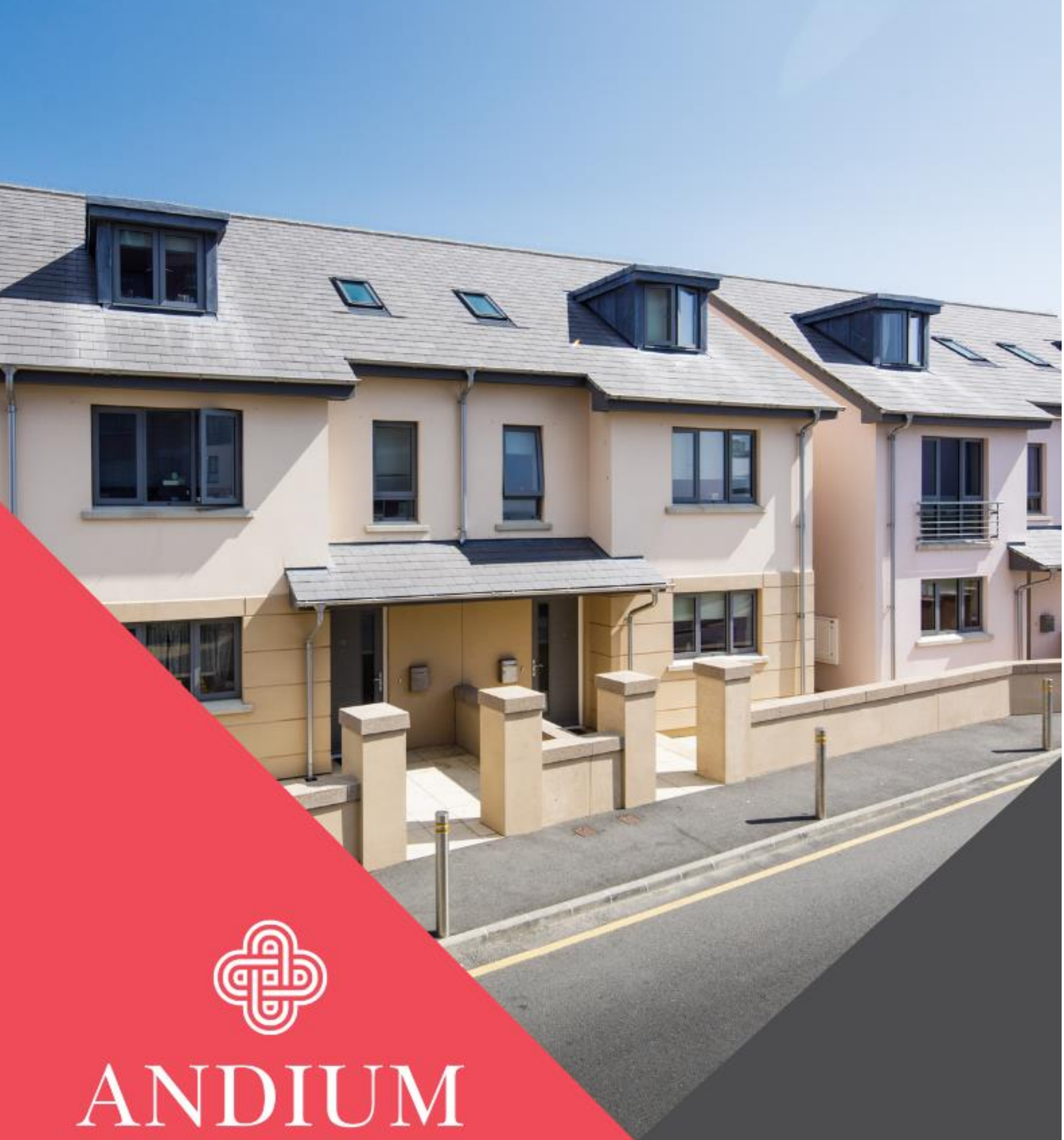

ANDIUM

HOMES

2018 ANNUAL REPORT

Andium Homes Limited

For the year ended 31 December 2018

Contents

Andium Homes Limited

For the year ended 31 December 2018

About Us

Legal form of the entity

Private company limited by guarantee.

Country of incorporation

Jersey.

Address of the registered office

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

What we do

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

Directors

Frank Walker OBE	Non-executive Chair*
Jane Martin	Non-executive Vice Chair*
Heather Bestwick	Non-executive Director*
Michael Jones	Non-executive Director*
Judy Beaumont	Non-executive Tenant Director*
Colin Russell	Non-executive Tenant Director*
Ian Gallichan	Chief Executive
John Hamon	Chief Operating Officer / Finance Director

*Independent

Company Secretary

Fiona Halliwell

Auditors

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

Bankers

HSBC
Halkett Street
St Helier
Jersey
JE4 8NJ

Solicitors

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

Chair’s Statement

Welcome to our 2018 Annual Report, which highlights our performance and the significant progress we have made during what has in some areas been a challenging twelve months. Delivering a renowned client experience continues to be a priority for us and during 2018 we focused on upgrades to our systems and building a new platform ready to host our Client App. The App will enable clients to access our services online whenever they want to and help us to better engage with our clients. With developments in technology, we must ensure we manage data safely and so we have also delivered cyber security training for all colleagues and received Cyber Essentials Certification for 2018.

Our capital programme, significantly increased to £500 million over the last 4 years is delivering new homes at Samares, Le Squez Phase 4 and the Ann Street Boiler House and we have recently received planning permission to deliver the new homes at Convent Court low rise along with the new facility for Age Concern. Following consultation, we have also approved the preferred option for the Gas Works site and are progressing towards Outline Planning Consent for a scheme which will provide 117 homes with parking, 60% of the site will also deliver a substantial extension to the Millennium Park. On completion, the park will run up the side of Tunnell Street all the way to St Saviours Road.

Demolitions and enabling works at La Collette, Ann Court and Summerland have continued over the past year. I am disappointed at the various delays, including the often-lengthy planning process and other delays outside of our control, which have meant that we are not where we wanted to be at this time. However, I am pleased that these projects are now progressing and set to deliver 394 new homes. Progress in bringing our homes up to the Decent Homes Standard remains well ahead of target with the capital refurbishment of Convent Court nearing completion. These homes have been the first to be fitted with a sprinkler system and have also been our flag ship development delivering keyworker accommodation for Health and Social Services. We will continue to install sprinkler systems in all our high-rise developments.

We have seen demand for home ownership continue to increase and it is now well over twice the level of the net rental demand. As a Board, we are committed to making home-ownership a reality for Islanders and have increased our sales targets in our latest Strategic Business Plan. We were pleased to work with the Jersey Homes Trust to purchase 6 new homes on the De La Mare Nursery site in the latter part of the year which we subsequently sold on to First Time Buyers. Sales from existing stock have also continued with 40 sales taking place this year, meeting the target set in the Business Plan.

We were pleased to have made the decision to defer the annual rent uplift due last October, which if implemented in line with the States’ Rent Policy, would have caused an increase in rent of 5.25% for some tenants. A new method of calculating the annual uplift has since been agreed with Treasury and the Minister for Children and Housing and the Policy has been updated to include a cap, which protects tenants from short term market fluctuations. Our tenants received circa £17 million in Income Support housing component in 2018, but this was more than covered by the £28.7 million paid to the Treasury in the Annual Return.

The Board of Andium is committed to working with the Treasury Minister, the Minister for Children and Housing and all States Members to ensure that it plays its part in delivering the strategic aims of the new Government, and to providing high quality homes for our tenants and for First Time Buyers.

I believe we have made excellent progress and I would like to thank my fellow Board members, our staff and stakeholders for their tireless work and continued commitment. I am particularly grateful to our two highly competent Executive Directors, who have endured sustained criticism of their remuneration but have remained focused on the job at hand, tirelessly working towards more and better homes for those people in Jersey who need the help the most.

Frank Walker

Frank Walker OBE, Chair 22 March 2019

Chief Executive's Review

I am delighted to present our Annual Report for 2018, which demonstrates our ongoing commitment to changing lives with great homes and services.

Our achievements are many and align well with the five Strategic Priorities set within the recently approved Common Strategic Policy.

We are delivering significant improvements in the quality of our homes, with 97% now achieving the Decent Homes Standard. Our drive to improve and regenerate the North of Town is also evident from our plans for the Gas Works site, Brewery and Ann Court developments where we will deliver increased parking provision, public realm and open space for residents of and visitors to this part of St Helier. We are also building more homes and are now actively progressing five sites delivering 595 new homes.

Andium Homes stands ready to provide a range of solutions for Government to assist them in achieving and delivering on all five of their Strategic Priorities. A summary of achievements against our own Key Strategic Objectives follows.

Delivering a renowned client experience

Delivering the best services for our Clients is a priority for us. We listen to our customers and our services are shaped around what they want. Now embedded, our new QL business system has enabled us to improve our whole approach to client contact management, meaning we have better data available to deliver continuous improvement. We know that Clients want more online services but also to still have access to a friendly face when they want it.

Significant progress is being made on the implementation of the new Client and Contractor portals, which will enable us to better engage with Clients and allow them to access more of our services online, whenever they need to. We have also been able to migrate our website to a new hosted Cloud infrastructure which has improved IT resilience.

In May 2018, Jersey introduced a Data Protection Law which brings Jersey in line with latest International personal data security requirements, strengthening privacy rights and making clients' information safer. This gave us the opportunity, with the appropriate consents, to undertake a comprehensive collection of client contact information whilst also informing them about the data we hold, what it is used for, how it is stored and how long we keep it for. During the year, we achieved Cyber Essentials certification for 2018 and have also introduced cyber security training and awareness campaigns for all colleagues to make sure we hold data safely.

Rent arrears have remained low, within our target of 1% of rental income and significantly below average levels experienced in UK Housing Associations. Modernising the way tenants can pay their rent is a key strategy and we now have the capability for Clients to pay on-line with a new payment partner - CityPay.

Providing great homes in safe communities

Our ongoing commitment to achieving decent homes has seen the delivery of major improvement works at Plaisant Court (previously named Convent Court) where 73 homes have been fully refurbished internally and externally. We were also able to include the installation of a sprinkler system during the project, something we will be rolling out to all our high-rise buildings over the next five years.

An extensive planned maintenance programme and major capital refurbishments has led to the number of homes meeting the Decent Homes Standard increasing to 97%, which exceeds the target set in our most recent

Business Plan. We also delivered a significant maintenance programme, which saw investment of £10.6m last year.

We have concluded a Strategic Portfolio Review which has provided us the opportunity to assess the viability of all our homes to establish their best future use, optimising benefits. This will ensure that we continue to make the best possible use of our assets.

Our ongoing engagement with Clients, in particular our Tenants Forum - RADAR - has assisted us in the successful retendering of our decorations contract which now provides sustainable long-term and modern terms.

New modern Tenancy Agreements introduced last year are now providing opportunities for us to meet Clients at the point of renewal, enabling us to ensure their housing needs continue to be met and to discuss their changing needs.

In delivering our commitment to provide safe communities, our client groups and residents associations continue to be supported by us and we have provided financial assistance for several initiatives through the “Inspiring Communities Fund” which were delivered throughout 2018, including a contribution to the Parish of St Helier Parish in Bloom initiative and supporting residents at Clos de Roncier with their Community Cabin.

Supplying more homes and specialised services

In our last Business Plan, we committed to delivering 2,000 new, additional homes by 2025. We have progressed well with several new build projects and at the end of 2018 are on site and in the process of delivering 595 homes.

Whilst we await the publication of the Affordable Housing Gateway Review and Objectively Assessed Housing Needs Report, both commissioned by the States of Jersey, it remains clear that demand for affordable homes currently outstrips supply and that new homes are much needed. Indeed, in recent years house price inflation has exceeded average earnings, making homeownership even more difficult.

We are rightly proud of our achievements but acknowledge that the sometimes-lengthy planning process and other delays outside of our control will impact on our ability to deliver the number of homes required by 2025. We welcomed the decision from the States of Jersey in January regarding the future of Ann Court. This is a scheme we passionately believe in, not only in the provision of 165 new affordable homes, but it also ties in with our other nearby sites and our strategic plan to regenerate the North of Town. We are delighted to now be in a position to progress the scheme in order to deliver the homes by 2021

	No. of homes	**Status**
Le Squez phase 4	151	On site
La Collette low rise	147	On site
Samares Nurseries	200	On site
Summerland	82	On site
Ann Street Boiler House	15	On site
	595	

We are also working towards the delivery of an additional 574 homes on the following sites: -

	No. of homes	Status
Ann Court	165	States approval to progress obtained 29 Jan 2019
The Gas Works Site	117	Developing Outline Planning Application
Ann Street Brewery	266	Feasibility
Robin Hood Corner	5	Planning consent for larger scheme refused
Convent Court low-rise including Age Concern facility	21	Planning consent obtained
	574	

I am encouraged with progress being made with our plans for the Gas Works site, where the Board has approved a scheme to provide 60% of the site to deliver a substantial extension to the park of 5,480m^2 which, on completion, will run up the side of Tunnell Street all the way to St Saviours Road. The scheme will also deliver 117 new homes on the north of the site, with 106 residents parking spaces and a public car park providing an additional 172 spaces. We are now progressing with an application for Outline Planning Consent.

The needs of our older Clients have remained high on our agenda and I am delighted that our plans to deliver a new purpose-built facility at Convent Court low rise for Age Concern have now received planning consent. We have also carried out 216 medical adaptations in 2018 enabling people to stay living in their homes safely and independently, for longer.

The Jersey Independent Care Inquiry highlighted the need to better protect and provide for our children, and “putting children first” is one of the five strategic priorities set out in the recently approved Common Strategic Policy. A major contribution to achieving these priorities is the delivery of good quality accommodation to support keyworkers. Having already delivered a project of 38 studios at The Limes for junior doctors, this year we made an additional 48 homes available for keyworkers at the newly refurbished Plaisant Court.

Safeguarding is everyone’s responsibility and we take those responsibilities very seriously when it comes to children and vulnerable adults. We are committed to the Memorandum of Understanding in place with the Safeguarding Partnership Board and play a key role in developing appropriate policies and procedures to enable professionals and the wider public to act quickly in cases of concern. In 2018 we invested in training for our contractors, ensuring they also know what to do if they ever have cause for concern for the wellbeing of one of our Clients.

Promoting affordable home ownership

Demand for affordable home ownership continues to rise month on month, with the latest Gateway statistics showing demand of over 1,200 applicants registered to purchase a home. This has prompted us to further increase our sales target and we now aim to release 739 homes for affordable purchase by 2023.

270 of these will come from our existing portfolio with 469 homes planned for new developments. This includes 40 homes to sell on the Samares development and a further 15 at the Boiler House development, Belmont Court, which are currently being constructed and will be completed over 2019 and 2020. We have further developed our Homebuy Scheme to ensure that, where required by the Planning Obligation Agreement, future

new build properties sold in the affordable bracket, stay affordable in perpetuity. This has been a major step forward in protecting homes for future generations.

We were delighted to work in partnership with the Jersey Homes Trust to purchase 6 new homes on the De La Mare Nursery site from them which we subsequently sold on to First Time Buyers. The sale of these homes also encouraged greater sign up from lenders and we were pleased to have support from two new lenders for this scheme.

Sales from existing stock have also continued with 40 sales taking place this year. We have widened the pool of available properties which now includes homes at Clos De Roncier, Town Mills and St Thomas' Villas.

Our Sales and Lettings teams work in harmony to ensure that the most suitable client is allocated the most suitable property, whether that be for rental or purchase.

Maintaining financial strength and stability

Maintaining financial strength and stability underpins all of our objectives. I am pleased to report that we continue to maintain a strong and stable balance sheet and cash position. We are a not-for-profit organisation, reliant on rental income and property sale proceeds to fund our activities. All our net surpluses are re-invested in our homes and the development of new homes.

We generated a net surplus of £8.7m for the year, after paying the return of £28.7m to our Guarantor. This surplus was put to good use with £4.2m invested in maintenance of a capital nature, including 321 new kitchens and 278 new bathrooms installed in 2018. The remainder was used to fund interest costs and contribute towards enhanced landscaping at Le Squez phase 4.

In total, we invested £10.6m in maintenance activities. This investment in maintenance, which is projected to continue around this level, has continued to raise the standard of our homes. We believe everyone has the right to live in a decent home and we are on track to meet 100% compliance by 2020 and maintain the standard at that level thereafter.

Our extensive capital programme is funded by borrowing, which is repaid from the income generated from the properties developed. We have utilised States of Jersey borrowing with outstanding debt at the end of 2018 amounting to £147.4m and we have met all borrowing requirements, including interest charges totalling £5.9m in 2018. Further borrowing will be required to deliver the homes needed, and we are working with States of Jersey Treasury and lenders to identify the best source of borrowing.

We were pleased with the outcome of the Minister for Children and Housing's review of the States of Jersey rent policy in relation to the annual uplift undertaken during 2018. The updated policy introduces a cap of 4% to annual rent increases which protects tenants from short term market fluctuations, over which they have no control.

When the cap was introduced to the annual rent increase, a cap was also introduced to the annual increase in the financial return we make to the States of Jersey. In 2018, we delivered a return of £28.7m. This amount is paid every year, with an inflation linked increase applied. Our tenants received circa £17 million in Income Support housing component in 2018, but this was more than covered by the Annual Return. We will continue to work with the Minister for Children and Housing and the Minister for Treasury and Resources to ensure the implications of any further proposed changes in the States of Jersey rent policy are fully understood.

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

An employer which attracts and retains talent

Our reputation as an employer is important for us to retain and attract talented individuals. We continue to support our colleagues with ongoing training and development and were delighted to join forces with the Leadership Trust in 2017 to deliver experiential training for our leaders, managers and rising stars which continued throughout 2018. We remain focused on performance management and carry out full and half year Performance Development Reviews with all our staff, assessing achievements in both delivery and living our Andium values. These have been further enhanced to embed more commercially based behaviours.

Ensuring we have a healthy work force remains a priority and we have put new focus into the promotion of healthy working and achieving a tailored work/life balance. This has been assisted by improvements in our technology which has also enabled us to promote more flexible working arrangements, ensuring we can offer career opportunities to those with other commitments, such as children or caring responsibilities.

Our Bursary Scheme continues to attract new talent to a career in housing and we have been supporting two students in their university studies, providing financial assistance and valuable work placements for each of them. Recent university funding decisions by the States of Jersey affords us the opportunity to review how we invest in youth development and employment. This will be a new focus for our 2019-2023 Strategic Business Plan.

Conclusion

I am immensely proud of what we have achieved in 2018 and the ongoing commitment and passion shown by the Andium team.

The number of people requiring affordable housing continues to grow. We know there is still not enough supply to meet the growing demand for affordable home ownership, and that there are also a number of Islanders who are not able to access our rental homes. We therefore need to provide more homes, develop more affordable products such as our successful Homebuy Scheme, and speak to more lenders. Increasing the supply of homes will also have a positive impact on the affordability of rents. We will continue to identify new sites and work with the States of Jersey to expand eligibility for affordable homes enabling all Islanders to access a decent home, something we feel very strongly about.

Andium Homes will continue to play a leading role in the delivery of great homes and services, providing better outcomes for the people of Jersey.

Ian Gallichan

Ian K Gallichan
Chief Executive 22 March 2019

Financial Review

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

The Andium Homes business model and financial viability

Andium Homes was incorporated to provide dedicated, ring-fenced affordable housing solutions for Islanders. Rental income and proceeds from the sale of properties funds all our activities. We provide the States of Jersey with a financial return of £28.7m each year, which incurs an inflation linked increase each year. Thereafter, all surpluses are re-invested in to our business.

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

Stress testing on a number of scenarios over the short, medium and long term, including a combination of related risks, is performed to ensure the long-term viability of the Company. We have maintained our strong and stable balance sheet and cash position through our close monitoring of our business model, strong financial controls and efficient management of our properties and capital programme.

Our 2017-2021 Strategic Business Plan includes an ambitious capital programme to develop in excess of 2,000 new homes by 2025, as well as complete major refurbishments to a further 500 of our existing homes. The States' Bond will soon be fully utilised and so we will increasingly use external funding for our capital programme. Private borrowing options are currently being explored. All loans will be repaid from net rents and property sale proceeds generated. Loans are put in place for each capital project, generally for a period of 25-30 years.

We will continue to deliver the agreed annual return to the Guarantor, with an annual inflation linked increase, currently forecast at £29.7m for 2019.

In 2018, we outperformed our budget and delivered an operating surplus (before depreciation and impairments) and project similar surpluses for all future years. As we are a not-for-profit company, all our surpluses, net of the return we deliver to the States, are invested back in to the provision of affordable homes. In particular, we invested £4.2m in maintenance of a capital nature.

We will continue to provide opportunities for affordable home ownership through our Andium Homebuy scheme which enables purchasers to defer up to 25% of the purchase price. Demand for affordable homes for purchase is now higher than demand for affordable rental homes. In order to service that demand we plan to sell 40 properties from our existing stock each year, rising to 60 a year in 2021 as well as circa 700 of the 2,000 newly developed properties planned for delivery by 2025.

Given the high level of construction works planned, it is important that we monitor construction industry capacity in order to ensure costs continue to represent value for money. We remain committed to supporting a sustainable local construction industry.

Based on this assessment, the Board fully expects the Company will be able to continue in operation and meet its liabilities as they fall due over a 40 year period.

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

States of Jersey rent policy

The States of Jersey rent policy for social housing provides tenants with a 10% discount compared with the private market as well as full provision for assistance in the form of Income Support, dependent on individual circumstances.

The States of Jersey rent policy was adopted in 2014, with new tenancies created after that date charged at 90% of market rent. All tenancies in existence prior to that date are not impacted by the rent policy, other than the annual rent increases. Our average rent charge across our 4,500 homes is 79% of market rent. 40% of our tenancies are now charged at 90% of market rent, with the remaining tenancies charged at a lower rate. 40% of our tenants are charged rent at 80% of market or less.

The States of Jersey rent policy also includes an annual uplift in rent, each October, equivalent to Jersey RPI plus 0.75%. We took the decision to defer the October 2018 rent increase, which was supported by the Minister for Children and Housing and the Minister for Treasury and Resources, following the unusually high inflation rate of 4.5% in June 2018. It was decided that the resulting rent adjustment of 5.25% would have placed an unreasonable financial burden on tenants.

Following a review, the Minister for Children and Housing amended the States of Jersey rent policy in relation to the annual uplift. The annual rent adjustment will now be calculated at a rate of Jersey RPI plus 0.75%, with the introduction of a minimum and maximum rent increase of 2.5% and 4.0% respectively. Going forward, the increase will apply each January.

The introduction of a cap is positive for social housing tenants as they will not be subject to short term market fluctuations. We were delighted to work with the Minister for Children and Housing and the Minister for Treasury and Resources to provide a positive outcome for our tenants, whilst not damaging our ability to deliver our business plan.

Rental income funds all of our costs including maintenance costs and the development of new rental homes (through repayment of loans). The annual rent increase provides circa £1.6m additional rental income each year and enables us to keep up with the cost of maintenance and other expenses, which tend to increase at the same rate. Our largest expenditure item is the financial return we deliver to the States of Jersey each year, the basis of which was changed in conjunction with the change to the rent increase and is explained later in this Financial Review.

Value for money

Demonstrating and achieving value for money is essential to provide our Guarantor with confidence that its investment is being managed efficiently, as well as to provide optimum services to our Clients. 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 and, as such, we have already introduced modern maintenance contracts, delivering enhanced Client experience and value for money. Continuous improvement is vital for all organisations and we will now be undertaking rolling value reviews of all our services. This formal approach will help us respond to change more effectively and focus on innovation and opportunity.

We already manage and report on a set of key performance indicators, noted on page 16. In addition, from 2019, we have adopted a suite of industry standard key performance indicators. By doing so, we are able to report our performance against benchmark data from a range of UK Housing Associations. Key data will include additional key performance indicators, such as:

Efficient indicators	2018 Actual	Benchmark data
Occupancy	99.6%	99.5%
Operating margin – overall (pre-return)	77%	30%
Return on capital employed (pre-return)	4%	4%
Overhead costs as a % of turnover	9%	12%

Efficiency indicators demonstrate that our business operates efficiently compared with benchmarked UK Housing Associations. For meaningful comparison, indicators are compared prior to the financial return we make to the States of Jersey as similar arrangements are not in place for UK Housing Associations. Our overall operating margin after allowing for the financial return is 17%.

Price per property indicators	2018 Actual	Benchmark data
Headline social housing cost per home[*]	£4,821	£3,306
Management cost per home[1]	£948	£944
Maintenance cost per home[2]	£1,403	£923
Major repairs cost per home[2]	£1,951	£1,101
Service charges cost per home[1]	£322	£334
Other social housing costs per home[1]	£197	£180

[*]Total of the indicators listed directly below

[1]Non-maintenance related indicators compare well with benchmark data, despite Jersey's high cost of living compared with the UK.

[2]Maintenance and major repairs price per property indicators demonstrate our investment in maintenance to bring our stock up to the Decent Homes Standard, dealing with the backlog maintenance required to achieve this standard.

Liquidity indicators	2018 Actual	Benchmark data
Re-investment in new housing supply	£0.81	£0.69
Interest capacity – earnings as a % interest (pre-return)	851%	228%
Gearing (interest/assets)	16%	42%

Liquidity indicators demonstrate our investment in new housing supply exceeds that of average UK Housing Associations. Our investment in new supply will continue to grow as we progress with our capital programme.

Our interest capacity is favourable compared with the benchmark, however, after allowing for the financial return we deliver to the States of Jersey this drops to 114%.

Our gearing % is well below average UK Housing Associations, which indicates our ability to take on more debt for the delivery of more homes.

Benchmark data taken from UK Sector 2017 median, UK Housemark 2017, UK Personnel Today 2014 or UK Monster.

Financial review of the year

We are pleased to report an operating surplus before depreciation and impairments of £8.7m (2017: £5.9m) (compared to the budgeted surplus of £7.3m). This is after returning the agreed £28.7m (2017: £28.2m) to the Guarantor.

The surplus is used to fund maintenance costs of a capital nature, which amounted to £4.2m and loan interest, which amounted to £3.9m.

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

Statement of Comprehensive Income review

The actual versus budget results are set out below.

	Actual	Budget*	Difference
	£'000	£'000	£'000
Rental income	48,374	48,357	17
Other income	2,851	2,670	181
Maintenance	(10,607)	(11,546)	939
Maintenance costs capitalised	4,233	4,774	(541)
Staff costs	(3,626)	(3,778)	152
Other expenses	(3,804)	(4,215)	411
Operating surplus before the return to the Guarantor, depreciation and impairment	**37,421**	**36,262**	**1,159**
Return to the Guarantor	(28,739)	(28,919)	180
Operating surplus before depreciation and impairment	**8,682**	**7,343**	**1,339**
Other:			
Interest receivable and investment income	174	45	129
Interest payable and similar charges	(3,902)	(3,354)	(548)
Depreciation and impairment	(17,304)	(19,496)	2,192

*Budget approved by the Board of Directors for the year, which differs from the financial projections indicated in the 2017-2021 Strategic Business Plan.

Rental income

As noted earlier in this Financial Review, the annual rent increase was deferred from 1 October 2018 to 1 January 2019, resulting in us foregoing the impact of the rent increase in the final quarter of 2018. The rent increase would have generated additional rent of £0.4m in 2018 if it had been applied. This shortfall was offset by additional rental income achieved through minimising the period a property is empty between tenancies.

Other income

Other income has exceeded that budgeted predominantly due to additional parking and commercial rental income on acquired sites, as well as vehicle release fees being higher than budgeted.

Maintenance expenditure

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

At 31 December 2018, 97% of our homes met the Decent Homes Standard. We are very proud to have seen this rise from just 73% when Andium Homes was incorporated in 2014. Bringing all homes up to this standard by 2020 and maintaining them at that standard thereafter will continue to be a priority for us.

Staff costs

Staff costs are 4% below budget as we continue to manage resource efficiently and effectively.

Other expenses

£2.4m of other expenses relates to property specific expenditure such as utility costs, rates and buildings insurance. £0.6m of other expenses relates to the management and acquisition of sites acquired for future development and expenses in relation to property sales. The remaining £0.8m is the cost of delivering the landlord services for our 4,500 homes, which equates to less than 2% of our rental income.

Return to the Guarantor

We delivered a financial return to the States of Jersey in 2018 amounting to £28.7m. This amount is payable to the States of Jersey, with an inflationary increase, each year. Our tenants received circa £17 million in Income Support housing component in 2018, but this was more than covered by the Annual Return.

It was agreed during 2018, that the basis of the increase to the return be amended in conjunction with the change to the States of Jersey rent policy described earlier in this Financial Review. The financial return to the States of Jersey will, commencing in January 2019, be increased by Jersey RPI, with a minimum and maximum increase of 1.75% and 3.25% respectively.

Interest receivable and investment income

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

Interest payable and similar charges

Interest charges represent interest costs on loans for completed capital projects. Interest charges also includes interest on a loan taken out to fund enabling works across a number of sites, which was originally expected to be capitalised but has been expensed, hence the increase in charge compared to budget.

Depreciation and impairments

Depreciation and impairments are lower than budgeted due to less property impairments being incurred than expected.

Statement of Financial Position

We present a strong asset position with overall net assets of £822.8m.

Property assets

Our 4,500 social rented homes represent the majority of our assets, amounting to £911.7m. We have invested £10.6m in the maintenance of these homes in 2018 and £4.2m on major refurbishment projects to bring the entire stock up to 97% of the Decent Homes Standard.

We are undergoing a major capital programme to deliver 2,000 new homes by 2025 and a further 200 a year to 2030. We invested £39.0m in capital projects in 2018 and are currently on site for the delivery of 595 new homes for projects totalling £167.9m. We are also progressing a number of sites through the design and planning process which are set to deliver a further 574 homes which will see further investment totalling £169.8m.

We sold 40 properties from our existing stock during 2018. These properties are sold through our Andium Homebuy scheme, which enables purchasers to defer up to 25% of the purchase price until the property is next sold. These sales generated net sales proceeds of £12.8m which are fed back in to the delivery of more new homes, with £1.6m deferred in relation to these sales.

The value of property assets, determined by independent valuations, has increased by £44.1m. This is driven by the increase in rentals as we move towards charging 90% of market rents and the improved condition of the homes.

Cash

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

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

Cash at 31 December 2018 amounted to £39.7m, which represents a strong and stable cash position for the Company. Of the cash balance, £7.2m was held to pay the Return to the Guarantor in January 2019, approximately £3.0m to cover two months revenue expenditure and the balance is ring-fenced for capital projects.

Borrowing

We have entered into loan agreements with the States of Jersey with total outstanding borrowing amounting to £147.4m as at 31 December 2018. Borrowing is taken out to fund capital projects and repaid from net income generated from the project. In 2018, we made loan repayments of £5.7m and paid loan interest of £5.9m.

To deliver the extensive capital programme set out in our Strategic Business Plan, we expect to enter into private borrowing during 2019, the form of which is currently being reviewed. The borrowing will be repaid by income generated from the new homes, enabling us to deliver the new homes whilst also maintaining the solid financial platform of which we are so proud.

Andium Homes Limited

For the year ended 31 December 2018

Key Performance Indicators

	2018 Actual	2018 Target
Delivering a renowned client service		
Overall client satisfaction[1]	96%	90%
Providing great homes in safe communities		
% of homes meeting the Decent Homes Standard	97.0%	95.5%
Completed property refurbishments[2]	64	73
Supplying more homes and specialised services		
Gross new homes – commenced on site[3]	-	306
Gross new homes – completed[4]	-	75
Promoting affordable home ownership		
Number of existing properties sold	40	40
Net proceeds from existing property sales	£10.8m	£8.9m
Number of new properties sold	6	-
Net proceeds from new properties sold	£2.0m	-
Maintaining financial strength and stability		
Operating surplus, after interest and before depreciation and impairment[5]	£5.0m	£4.0m
Cash held[6]	£39.7m	£19.5m
Minimum rent charged as a % of market rent	79%	78%
Maximum rent arrears as a % of rental income and charges	0.96%	<1%
Average number of unlet properties at any time	17	<30
Agreed financial returns delivered to the States of Jersey	£28.7m	£28.7m
An employer that attracts and retains talent		
Maximum colleague sickness levels (average over 12 month period)	4	5

Key Performance Indicators, continued

[1]To assess this important performance indicator, we targeted Clients about specific services they had been in receipt of during the year across key areas such as response repairs, planned maintenance and parking administration, to provide as broad a possible assessment of client satisfaction with these key front line services.

[2]The target of 73 relates to the major refurbishment of Plaisant Court high rise (previously named Convent Court). 64 homes were completed at the end of 2018, with the remainder completed early 2019. The project was varied in 2018 to include the installation of a sprinkler system, which added additional time to the project.

[3]The target of 306 relates to developments on Summerland, Convent Court low rise, Robin Hood Corner, Ann Street Boiler House and a site acquisition. Work at Summerland and Ann Street Boiler House started early in 2017. Works on Convent Court low rise and Robin Hood corner were delayed in the planning process and are now set to start in 2019, albeit that Robin Hood will provide a lower number of homes as a result of planning outcomes. The site acquisition did not go ahead as planned but has been replaced with alternative sites to deliver the equivalent amount of homes in subsequent years.

[4]The target of 75 relates to new homes at Le Squez phase 4, Samares Nurseries and Ann Street Boiler House all of which are now in site and progressing well with a number of homes due for completion in 2019.

[5]Target taken from budget approved by the Board of Directors for the year, which differs from the financial projections indicated in the 2017-2021 Strategic Business Plan.

[6]Of the cash balance, approximately £3.0m is held to cover two months revenue expenditure, £7.2m is held to pay the Return to the Guarantor in January 2019 and the balance is ring-fenced for capital projects currently on site, £9.8m of which relates to loan drawdowns received on the last day of the year, which were due on 1 January.

Principal Risks and Uncertainties facing the Company

Like all businesses, the Company faces a wide variety of business-related risks. The Board recognises that it is essential for the Company to effectively manage risk in order to achieve its objectives. The Company has a Risk Management Policy and Strategy in place that outlines how Andium Homes identifies and actively manages all such risks and confirms the risk appetite of the Company for different forms of risk.

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

The Company continues to review and update its risk management framework in accordance with good practice. In response to the continued growth of Andium Homes, during 2018 we have introduced an updated risk management framework and quantification of risk on major capital projects in accordance with best practice. During 2019, the risk-based compliance framework will be expanded to ensure further embedding of risk management across the organisation.

Principal risks

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

Financial risk

Housing is a long-term business, requiring us to closely manage financial risk to ensure that the business remains financially strong and stable, ensuring there are resources in place to meet both long term and short term liabilities as they fall due and that adequate financial planning is performed to facilitate strategic decisions.

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

Risk Category	Description / Impact	Mitigation
Economic		
Insufficient Property Sales from existing portfolio	Sale of existing homes not made as planned / insufficient flow to ensure Treasury Management policy maintained.	Strategic Asset Strategy identifies sufficient homes to meet requirement in business plan. Working with banks to ensure sufficient mortgage options. Additional sales resources included in budget for 2019.
Construction inflation	Construction cost inflation increases beyond forecast / unviable capital projects.	Andium specification efficiencies. Adoption of modern methods of design, construction and procurement. Supply chain improvements.

Risk Category	Description / Impact	Mitigation
Delayed property sales on newly developed sites	Proceeds from new homes under development are delayed / cash received later than planned.	Financing arrangements flexible for extension. Pre-sales off plan. Supply and demand monitored. Staggered release of homes.
Reduced sale proceeds on newly developed sites	Reduction in sale values achieved for homes under development / unsustainable financial model.	Pre-contract valuations reviewed against affordability and viability assumptions.
Higher interest rates	Interest rates on external borrowing higher than forecast / unviable capital projects.	Consideration of financial instrument to fix interest rate on borrowing or alternative funding sources.
Insufficient borrowing capacity	Insufficient borrowing at tolerable interest rate / no new capital project delivery.	Expert financial advisors appointed to identify funding alternatives.

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

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

Other risks

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

Risk / Category	Descriptions / Impacts	Mitigations
Political		
Affordable Housing Gateway effectiveness	Insufficient mechanism to quantify housing demand and make informed strategic decisions.	Contribution to the Affordable Housing Gateway review.
Honouring political commitments	Previously agreed political commitments are not honoured / loss or inability to achieve business plan objectives.	Briefing of Ministers to ensure understanding of implications to the business and Clients.
Political uncertainty	A political / structural change in how the Company is perceived compromising our potential to deliver Affordable Housing solutions.	Continued dialogue with Minister for Children and Housing and Minister for Treasury and Resouces.
Legislative change	Legislative changes impact on our ability to achieve our strategic objectives.	No surprises policy in our communications with stakeholders, regular meetings with Guarantor.
Housing Demand	Housing demand is unrepresented / no new land for affordable homes identified.	Advocate for affordable housing in the development of Housing Policy.

Risk / Category	Descriptions / Impacts	Mitigations
Parish Re-zoning	Challenges to achieving Parish support for re-zoned affordable homes schemes / Business Plan and Island Plan objectives not achieved.	Continued engagement with Parishes and Government to build understanding of demand for homes.
Social		
Affordability Gap	An increasing gap between the viable cost of delivering an affordable sale home and Client affordability / difficulty in making new capital projects viable.	Minimisation of capital costs through partnerships with developers. Alternative housing products.
Technical		
Capital skill or capacity shortfall	Insufficient skills available within the supply chain / poor value for money .	Recruitment of external client advisors for major projects.
Cyber Attack	A cyber attack damages information systems or causes data breach / loss of operational capacity or reputational damage.	Cyber essentials qualification, external security assessment and staff cyber awareness training.
Response repair contract	The threat that the loss of a key contractor prevents continuity of service for Clients on key response repairs.	Re-procurement. Legal requirements of notice periods and contingency arrangements if required.
Legal		
Discrimination Law	Failure to comply with requirements / leads to claim or safety consequence.	Investment in adaptions for identified impairments in priority order.
Grenfell implications	Unknown implications for our high-rise stock arise from the Grenfell inquiry / significant unforeseen and unavoidable costs.	Take action as contingency to secure Clients in safe homes. Review of recourse to indemnity, insurance and legal measures as required. Fire sprinkler roll-out.
Environmental		
Planning process	Uncertainties in the planning process limit our ability to deliver homes leading to unmet demand.	Professional supply chain partnerships and a risk-based development pipeline.

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

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

Governance

The Board

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

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

The Company is led by a Board of Directors that includes a number of Independent Non-Executive Directors as noted below. The Board met 6 times in 2018, with attendance at these meetings indicated below:

Member		Board	Risk and Audit Committee	Appointments and Remuneration Committee	Capital Programme Sub Group
Number of meetings held		6	3	2	4
Frank Walker OBE	Non-executive Chair[1]	6	n/a	n/a	4
Jane Martin	Non-executive Vice Chair[1]	6	n/a	2	n/a
Heather Bestwick	Non-executive Director[1]	6	3	n/a	n/a
Michael Jones	Non-executive Director[1]	5	3	n/a	n/a
Judy Beaumont	Non-executive Tenant Director[1]	5	n/a	n/a	4
Colin Russell	Non-executive Tenant Director[1]	5	n/a	2	3
Ian Gallichan	Chief Executive	6	3*	2*	3
John Hamon	Chief Operating Officer / Finance Director	6	2*	2*	4

*Attendance by invitation
[1] Independent

Delegation

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

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

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

Appointments and Remuneration Committee

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

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

Remuneration Policy

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

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

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

Directors remuneration

The total remuneration of the Directors in relation to the year ended 31 December 2018 is set out below:

	Basic salary £	Bonus £	Benefits in kind £	Total 2018 £	Total 2017 £
Executive Directors					
Ian Gallichan	192,780	18,900	-	211,680	189,000
John Hamon	143,820	14,100	-	157,920	141,000
Non-executive Directors					
Frank Walker OBE	40,000	-	-	40,000	27,500
Jane Martin	20,000	-	-	20,000	16,500
Heather Bestwick	20,000	-	-	20,000	16,500
Michael Jones	20,000	-	-	20,000	34,000
Judy Beaumont	20,000	-	-	20,000	16,500
Colin Russell	20,000	-	-	20,000	16,500
Total	476,600	33,000	-	509,600	457,500

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:

	2018 £	2017 £
Ian Gallichan	26,218	25,704
John Hamon	19,560	19,176
Total	45,778	44,880

External appointments

The Executive Directors did not hold any external directorships in 2018 or 2017.

Risk and Audit Committee

The Committee members are Heather Bestwick (Chair) and Michael Jones.

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

The external auditors were re-appointed in 2017 for a period of 2 years, bringing their period as auditors for the Company to 5 years. In accordance with the terms of reference of the Risk and Audit Committee, the audit services contract will be put out for tender in 2019 to enable the Company to compare the quality and effectiveness of the services provided by the incumbent auditor. The Committee are satisfied that the auditors are able to express their opinion independently.

The Committee met with the external auditors at both the planning and final stages of the audit to understand their audit approach, the results of their work and how they determined that the annual report was fit for purpose. This included meeting with the auditors without the presence of the Company's staff.

On the recommendation of the Risk and Audit Committee, the Board has implemented a new Risk Management policy and strategy, which includes the maintenance of the Company risk framework and the compliance function.

Cyber security has remained a particular focus in 2018 and a number of independent security audit reviews have been undertaken which provided assurance and recommendations as to the controls and governance in this area, including provision for cyber protection insurance.

The Risk and Audit committee in approving the proposed internal control approach, considered the requirement for internal audit and the recommendation that this may be developed as a result of the development of the Company's compliance schedule. In practice, no formal internal audit requirement was in place during 2018. The Board will look to formalise this during 2019.

The Risk and Audit Committee considers the Company's risk management and internal controls systems to represent good practice.

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

Capital Programme Sub Group

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

The Sub Group's responsibilities include:

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

Board Review

During 2018, the Board of Andium Homes commissioned an independent firm, unconnected to the Company, SGN Advisors Limited ("Satori"), to conduct an independent governance review of the current Board, its structure, composition, processes and function, particularly in relation to forward strategy.

The findings of this review are overwhelming positive, and the Board is delighted with its outcome, whilst recognising the recommendations that the review has highlighted. The Board will seek to appropriately implement these recommendations in due course.

The independent review stated that:-

“Andium benchmarks very well across the rest of the UK Housing Association market with organisations of similar scale. The company appears to have a strong sense of social purpose and has stayed true to its original social impact philosophies. At the same time, it has delivered an ambitious programme of further improvements.

The culture of the company and the Board seems professional, committed, socially aware, empathetic and customer focussed, as well as a positive place to work. It is true to say that Andium has achieved a considerable amount in its short period of incorporation and the whole team deserves recognition for this.”

Equality and Diversity

Andium Homes is committed to creating a workplace that is centred on fairness, dignity and respect. Through creating awareness, promoting equality of opportunity, addressing discrimination and valuing diversity. Andium Homes will ensure that no individual or group is treated less favourably on the grounds of: race, religious beliefs, political opinions, creed, colour, ethnic origin, nationality, marital/civil partnership status, sex, sexual orientation, disability, pregnancy and maternity or age.

Andium Homes recognises the importance of providing a workplace that is inclusive and respectful as we continually strive to deliver quality services across our local communities. Equality of opportunity and diversity is embedded in our core values and evidenced through our endeavours to secure, retain and encourage a continued contribution from current and potential colleagues.

When Board positions first become available, an open recruitment exercise is undertaken. When existing Board position periods come to an end, we consider the need for an open recruitment, balanced with the benefits of continuity of Board members. There is a maximum tenure of nine years for Non-executive Board positions, with rotation on a more frequent basis considered. At the time of initial recruitment to Board positions, we were fortunate in the significant range and mix of gender and skills of candidates. In 2018, we re-appointed an existing Board member in recognition of their valuable and continuing contribution, without the need to perform an open recruitment process. Our current Board, comprising of eight people, includes three women and two tenant representatives.

Complaints and Appeals Procedure

Andium Homes has a complaints & 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 2018 there was one formal complaint acknowledged & dealt with by the Company Secretary and the Chief Executive.

The Guarantor

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

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

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

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

The Board meet with the Guarantor, in accordance with the Memorandum of Understanding, ensuring a mutual understanding of views is maintained.

Strategic Housing Unit

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

Affordable housing policy and the long term housing strategy for the Island is set by the States of Jersey Strategic Housing Unit, led by the Minister for Children and Housing.

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

Directors' Report

ANDIUM HOMES LIMITED.
Registration No. 115713

Introduction

The Directors of the Company present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Directors of the Company

The Directors of the Company are as follows:

Frank Walker OBE	Non-executive Chair	Appointed as Non-executive Chair on 1 July 2017 Previously appointed as Non-executive Director on 1 July 2014
Jane Martin	Non-executive Vice Chair	Appointed 1 July 2014, re-appointed 1 July 2016
Heather Bestwick	Non-executive Director	Appointed 1 July 2014, re-appointed 1 July 2018
Michael Jones	Non-executive Director	Appointed 1 July 2014, re-appointed 1 July 2017
Judy Beaumont	Non-executive Tenant Director	Appointed 1 January 2017
Colin Russell	Non-executive Tenant Director	Appointed 1 July 2014, re-appointment 1 July 2017
Ian Gallichan	Chief Executive	Appointed 1 July 2014
John Hamon	Chief Operating Officer / Finance Director	Appointed 1 July 2014

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

The Board of Directors is not aware of any significant events affecting the Company after the 2018 year end.

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

In accordance with the terms of reference of the Risk and Audit Committee, the audit services contract will be put out for tender in 2019 to enable the Company to compare the quality and effectiveness of the services provided by the incumbent auditor.

Statement of Directors' Responsibility

The Statement of Directors' responsibility is presented separately on page 29. The Company implements "best practice" from the UK Corporate Governance Code with a separate governance report included on page 21.

By Order of the board

Frank Walker OBE
Chair
22 March 2019

John Hamon
Finance Director
22 March 2019

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements as described 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; and
- make an assessment of the Company's ability to continue as a going concern.

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

Board Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

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

Opinion

We have audited the financial statements of Andium Homes Limited ("the Company") for the year ended 31 December 2018 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 2018 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: tests of control of new tenants, to ensure the rental recorded in the tenant management software reconciles to the rental per the tenancy agreements which confirm the rental and other charges and we re-calculated these at year end to ensure the rental increases are accurately recorded. We also tested the rental recorded and ensured it agreed to the active tenancies for the period the rental was recorded, and that it was recorded in the correct financial year.

(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 2018 (updated from a valuation at 31 October 2018). 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 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.

Our response
We reviewed the accounting policies of the Company to ensure they are in accordance with applicable accounting standards. We also reviewed the financial statement notes and all other reporting made (e.g. key performance indicators) to ensure they are in accordance with FRS 102, the SORP and the UK Corporate Governance Code 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 £9,826,295 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 £491,315, 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 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

We were appointed by the Company, on 14 November 2014. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 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

22 March 2019

Andium Homes Limited

For the year ended 31 December 2018

Statement of Comprehensive Income

	Notes	2018 £'000	2017 £'000
Rental income		48,374	47,568
Other income		2,851	2,385
Operating costs (excluding depreciation and impairment)		(13,804)	(15,823)
Operating Surplus before the return to the Guarantor, depreciation and impairment	**2**	**37,421**	**34,130**
Return to the Guarantor	**3**	(28,739)	(28,214)
Operating Surplus before depreciation and impairment		**8,682**	**5,916**
Depreciation and impairment	**2,7,8,9**	(17,304)	(26,632)
Operating deficit		**(8,622)**	**(20,716)**
Fair value gains on financial instruments	**10**	1,318	489
Interest receivable and similar income		174	74
Interest payable and similar charges	**4**	(3,902)	(3,141)
Realised surplus/(deficit) from disposal of financial assets		53	(36)
Deficit for the year		**(10,979)**	**(23,330)**
Other comprehensive income			
Unrealised surplus on revaluation of housing properties	**7,11**	44,165	33,186
Unrealised surplus on revaluation of other assets	**8,9**	-	316
Total comprehensive income for the period		**33,186**	**10,172**

The notes on pages 39 - 56 form part of the financial statement

Andium Homes Limited

For the year ended 31 December 2018

Statement of Financial Position	Notes	2018	2017
Fixed Assets		**£'000**	**£'000**
Housing Properties	**7**	911,672	858,777
Property, Plant and Equipment	**8**	6,299	6,677
Investment Properties	**9**	390	395
Financial Assets	**10**	22,104	19,688
		940,465	**885,537**
Current Assets			
Housing Properties held for sale	**11**	1,222	212
Debtors	**12**	1,971	2,683
Cash and cash equivalents	**14**	39,668	19,945
		42,861	**22,840**
Amounts Falling due within one year:			
Creditors	**15**	(803)	(1,070)
Accrued expenses	**16**	(12,302)	(12,782)
Borrowing	**17**	(11,153)	(19,215)
		(24,258)	**(33,067)**
Net Current (Liabilities)/Assets		**18,603**	**(10,227)**
Total assets less current liabilities		**959,068**	**875,310**
Amounts falling due after more than one year			
Borrowing	**17**	(136,280)	(85,708)
Net Assets		**822,788**	**789,602**
Capital and reserves			
Housing property revaluation reserve		212,516	168,351
Office premises revaluation reserve		828	828
Retained earnings		609,444	620,423
		822,788	**789,602**

The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2019 and were signed on its behalf by:

Frank Walker OBE - Chair

John Hamon – Finance Director

The notes on 39 – 56 form part of the financial statements.

Statement of Changes in Equity

	Housing property revaluation reserves	Other assets revaluation reserves	Retained earnings	Total reserves
	£'000	£'000	£'000	£'000
Balance at 1 January 2017	135,165	512	643,753	779,430
Deficit on ordinary activities	-	-	(23,330)	(23,330)
Other Comprehensive Income for the year	33,186	316	-	33,502
Balance at 31 December 2017	168,351	828	620,423	789,602
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**

The notes on pages 39 – 56 form part of the financial statements.

Andium Homes Limited

For the year ended 31 December 2018

Cash Flow Statement

	Notes	2018	2017
		£'000	£'000
Net cash inflow from operating activities	**24**	**8,740**	**7,276**
Returns on investments and servicing of finance			
Interest and similar charges received		174	74
Interest and similar charges paid	**4**	(5,883)	(3,674)
Net cash outflow from returns on investments and servicing of finance		**(5,709)**	**(3,600)**
Capital expenditure and financial investment			
Additions to Housing Properties	**7**	(37,030)	(47,575)
Additions to Housing Properties held for sale	**11**	(1,950)	-
Purchase of Property, Plant and Equipment	**8**	(58)	(81)
		(39,038)	**(47,656)**
Reduced by:			
Redemption of housing bonds	**10**	528	807
Sale of housing properties net of bonds issued	**5**	12,785	6,751
Net cash outflow from capital expenditure and financial investment		**(25,725)**	**(40,098)**
Financing			
Repayment of borrowing	**17**	(5,664)	(1,550)
Borrowing drawn down	**17**	48,081	38,892
Net cash (outflow)/ inflow from financing		**42,417**	**37,342**
Increase in cash in the period		**19,723**	**920**
Opening cash and cash equivalents balance		19,945	19,025
Closing cash balance	**14**	**39,668**	**19,945**

The notes on pages 39 – 56 form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

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 2018 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
Kitchens	30
Stairs	60
Wiring and Electrical Installations	30
Plumbing and Installations	30
Builders Work in connection with services	30
Lifts	30
Partitions	60
Wall, floor and ceiling finishes	30 - 60
Sundry Builders work	60
Balconies	60
External works including underground Drainage	40

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

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

m) Property, Plant and Equipment

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

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

Depreciation is charged on a straight line basis as follows:

Office Premises	50 years
Infrastructure assets	50 years
IT Systems Development	10 years
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.

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 2018 by independent professionally qualified valuers who hold a recognised professional qualification and have experience in the properties valued. The Company reviews the valuations performed by the independent valuers for financial reporting purposes.

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

v. ***Estimates of value of work in progress for housing properties under construction***
Housing properties under construction are valued using valuation certificates provided by suppliers or, where such a certificate is not available, management estimates are made with reference to lead professionals, associated contracts and stage of completion.

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

2. Operating Deficit

Operating deficit is stated after charging:

	2018	2017
	£'000	£'000
Depreciation	13,004	12,796
Impairment*	4,300	13,836
Wages and Salaries	2,991	2,930
Social Security costs	156	151
Other Pension costs	395	370
Repairs; cyclical, planned, day to day	6,374	8,207
Auditors remuneration - audit services	44	46

*An additional impairment was made during the 2017 for the purchase of the Gas Works site (see Note 7)

3. Return to the Guarantor

	2018	2017
	£'000	£'000
Return to the Guarantor	28,739	28,214

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

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 1 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 1 January (previously 1 October). Rent uplifts continue to be inflation linked and now also include a minimum and maximum increase of 2.5% and 4.0% respectively.

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

	2018	2017
	£'000	£'000
Interest on loan agreements with States of Jersey	3,902	3,141

The interest charge of £3,902k (2017: £3,141k) comprises £3,809k (2017: £3,045k) of interest and £93k (2017: £96k) of bond set-up fees which are amortised over the lifetime of Loan 1. Further finance costs of £1,981k (2017: £629k) 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

	2018	2017
	£'000	£'000
Gross Proceeds	14,358	7,838
Net Asset Cost (Cost less accumulated depreciation)	(14,358)	(7,838)
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 £12,785k (2017: £6,751k) plus housing bonds issued during the period £1,573k which are repayable to the Company on next conveyance of the property (2017: £1,087k), see note 10.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

6. Employee Information

	2018	2017
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	48

	2018	2017
	£'000	**£'000**
Staff costs (including Directors emoluments):		
Wages and salaries	2,991	2,930
Social security costs	156	151
Pension costs	395	370
Other staff costs	84	71
Total staff costs	**3,626**	**3,522**

7. Housing properties

Cost	Held for letting £'000	Land acquired for future development £'000	Under construction £'000	Total housing properties £'000
At 1 January 2018	851,267	26,904	19,008	897,179
Additions (note a)	4,233	-	34,778	39,011
Transfer from under construction to held for letting	10,581	-	(10,581)	-
Disposals (note 11)	(13,388)	-	-	(13,388)
Revaluation	32,000	-	-	32,000
At 31 December 2018	**884,693**	**26,904**	**43,205**	**954,802**
Depreciation and impairments				
At 1 January 2018	(28,428)	(9,974)	-	(38,402)
Charged during the period	(12,563)	-	-	(12,563)
Net impairments recognised	(4,300)	-	-	(4,300)
Revaluation	12,135	-	-	12,135
At 31 December 2018	**(33,156)**	**(9,974)**	**-**	**(43,130)**
Net book value as at 31 December 2018	**851,537**	**16,930**	**43,205**	**911,672**
Net book value as at 31 December 2017	**822,839**	**16,930**	**19,008**	**858,777**

(a) Additions of £39,011k (2017: £48,204k) is reflected as £37,030k (2017: £47,575k) in the cash flow statement as the above amount includes £1,981k (2017: £629k) of finance costs capitalised. These finance costs are included as part of 'interest and similar charges paid' within the cash flow statement.

Where indicators of impairment have been identified an impairment assessment is carried out and those charges recognised in the Statement of Comprehensive Income. Impairments recognised are net of prior year reversals for ongoing refurbishment work. Valuations have been carried out as at 31 December 2018 by Jones Lang LaSalle IP Incorporated (an independent valuer) using the discounted cash flow method. The valuations have been prepared using the Existing Use Value for Social Housing, as required by the SORP. Valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Professional Standards, January 2014, Global and UK Edition (the "Red Book"). The key assumptions used within the discounted cash flow calculations are as follows:

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

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%

2017

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

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 2018	638,587	16,930	43,205	698,722
Carrying Value 31 December 2017	654,024	16,930	19,008	689,962

8. Property, Plant and Equipment

Cost	Office premises £'000	IT Systems Development £'000	Infrastructure assets £'000	Vehicles £'000	Total other fixed assets £'000
At 1 January 2018	3,422	404	3,324	-	7,150
Additions	-	33	-	25	58
Revaluation	-	-	-	-	-
At 31 December 2018	**3,422**	**437**	**3,324**	**25**	**7,208**
Depreciation					
At 1 January 2018	(431)	(42)	-	-	(473)
Charged during the period	(187)	(40)	(204)	(5)	(436)
Revaluation	-	-	-	-	-
At 31 December 2018	**(618)**	**(82)**	**(204)**	**(5)**	**(909)**
Net book value as at 31 December 2018	**2,804**	**355**	**3,120**	**20**	**6,299**
Net book value as at 31 December 2017	**2,991**	**362**	**3,324**	**-**	**6,677**

Internal valuations have been carried out for Office Premises and IT Systems Development as at 31 December 2018. This resulted in a revaluation of £nil (2017: £nil). Infrastructure Assets form part of the States of Jersey Asset Valuation as at 31 December 2018. 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 £nil (2017: £120k).

9. Investment properties

	2018 £'000	2017 £'000
At 1 January	395	400
Depreciation Charge	(5)	(5)
Revaluation	-	-
At 31 December	**390**	**395**

Investment properties consist of commercial properties rented at market rates. Valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Professional Standards, January 2014, Global and UK Edition (the "Red Book"). In 2016 CBRE performed the valuation making certain assumptions on tenure, letting, taxation, town planning and the condition and repair of the buildings and sites. Given these assumptions still apply in 2018 no further revaluation was performed and our review confirmed a depreciated valuation of £390k (2017: £395k).

10. Financial Assets

Housing bonds	**2018**	**2017**
	£'000	**£'000**
At 1 January	19,688	18,955
Redeemed during the period	(475)	(843)
Issued during the period	1,573	1,087
Unrealised surplus in the period	1,318	489
Valuation at period end	**22,104**	**19,688**

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 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 £818k (2017: £nil) and are recorded at nil value.

Surplus on disposal of bonds redeemed totals £53k (2017: deficit of £36k) from total receipts of £528k (2017: £807k).

11. Housing Properties held for sale

	2018	**2017**
	£'000	**£'000**
At 1 January	212	1,082
Transferred from Social Housing Assets	13,388	6,961
Additions	1,950	-
Disposals	(14,358)	(7,838)
Revaluation	30	7
At 31 December	**1,222**	**212**

12. Debtors

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Rental debtors – current	738	1,090
Rental debtors – Other	1,242	1,210
GST Receivable	382	357
Less* - Provisions for former tenant rental debts	(144)	(143)
Provision for non-tenant debts	(247)	(176)
	1,971	**2,338**
Prepayments and accrued income	-	24
Other debtors	-	321
	1,971	**2,683**

* 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 £475k (2017: £494k).

13. Leases

	2018	2017
	£'000	£'000
Minimum lease payments receivable:		
Within one year	9,664	5,965
Within one to five years	19,599	8,321
More than five years	-	39
	29,263	**14,325**

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

i. prior to 1 January 2010 have a one week notice of cancellation,
ii. between 1 January 2010 and 1 January 2017 carry a one month notice of cancellation, and
iii. post 1 January 2017 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.

The introduction of the new tenancy agreements on 1 January 2017 has resulted in a significant increase in lease payments receivable. 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

	2018	2017
	£'000	**£'000**
Short term cash investments	39,668	19,945
	39,668	**19,945**

15. Creditors

	2018	2017
	£'000	**£'000**
Trade Creditors	35	1
Deferred income	768	1,058
Related party settlement account States of Jersey	-	11
	803	**1,070**

16. Accrued Expenses

	2018	2017
	£'000	**£'000**
Return to the Guarantor	7,185	7,185
Goods and services received but not yet invoiced	5,117	5,597
	12,302	**12,782**

17. Borrowing

	2018	2017
	£'000	**£'000**
Loan instalments are due as follows:		
Within one year	11,153	19,215
After one year:		
Between one and five years	22,408	33,476
In over five years	113,872	52,232
	136,280	**85,708**

On 17 November 2014, the Company entered into 3 separate loan agreements with the States of Jersey. The first loan agreement was put in place to repay advances totalling £38,489k. The advances were made to the States of Jersey Housing Department, prior to the incorporation of the Company, by the States of Jersey Treasury 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 £'000**	**Brought Forward at 01/01/2018 £'000**	**Amount Drawn 2018 £'000**	**Amount Repaid in 2018 £'000**	**Amount Outstanding at 31/12/2018 £'000**	**End Date of Loan**
Loan - 1*	38,429	34,934	-	(1,510)	33,424	31/12/2033
Loan - 2	4,741	4,592	-	(167)	4,425	31/12/2032
Loan - 3	9,675	9,675	-	(369)	9,306	31/12/2032
Loan - 5	2,659	2,659	-	(58)	2,601	31/12/2033
Loan - 6	2,149	2,149	-	(31)	2,118	31/12/2038
Loan - 7	7,119	7,119	-	(35)	7,084	31/12/2042
Loan - 9	4,991	4,910	-	(54)	4,856	31/12/2039
Loan - 10	10,037	6,141	3,721	(25)	9,837	31/12/2043
Loan - 11	7,050	7,050	-	-	7,050	31/12/2019
Loan - 12	47,183	12,858	19,753	-	32,611	31/12/2041
Loan - 13	16,966	13,731	-	(3,415)	10,316	31/12/2018
Loan – 14	52,278	-	22,000	-	22,000	31/12/2048
Loan - 16	5,081	-	2,607	-	2,607	31/12/2019
Total Loans	208,358	105,818	48,081	(5,664)	148,235	
Set up costs*	-	(895)	-	-	(802)	
Total Liability		**104,923**	**48,081**	**(5,664)**	**147,433**	

Loan repayments of £5,664k were made during the year (2017: £1,550k).

Interest on all loans is paid quarterly at a fixed interest rate of either 4.3% per annum (Loans 1 to 8 and Loan 10) or 5% (Loans 11 to 13 and Loan 9). The effective rate of interest charged on the first loan (after consideration of the loan setup costs) is 4.7% per annum. Loan repayments are due annually. The total value of the loans available but not yet drawn at year end is £47,499k (2017: £41,456k).

*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 £802k (2017: £895k).

18. Capital Commitments

Development expenditure contracted less certified or accrued as at 31 December 2018 amounted to £62,575k (2017: £40,240k).

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 £395k (2017: £370k).

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 31st December 2018 is in progress with an anticipated publication date of March 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 £7,185k per quarter and incurs an inflation linked increased annually on 1st January (see note 3).

21. Related Party Transactions

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

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

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 23 of the Annual Report.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

22. Risks and uncertainties

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

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

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

23. Contingent Liabilities

As at 31 December 2018, the Board of Directors was not aware of any contingent liabilities (2017: nil).

24. Net Cash Inflow from Operating Activities

	2018	2017
	£'000	£'000
Operating deficit	(8,622)	(20,716)
Depreciation and impairment	17,304	26,632
(Increase)/Decrease in debtors	712	(531)
Increase/(Decrease) in creditors	(654)	1,891
Net cash inflow from operating activities	**8,740**	**7,276**

25. Reserves

The Company's reserves are as follows:

The retained earnings reserve represents cumulative profits or losses, including fair value gains on financial instruments and realised surplus from disposal of financial assets.

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

26. Post Balance Sheet Events

The Board was not aware of any significant post balance sheet events after 31 December 2018 having a significant impact on these financial statements.


PLAISANT COURT