

Andium Homes Limited



Annual Report for the period ended 31st December 2014



ANDIUM
HOMES

Contents

About Us.....	2
Chairman’s Statement	3
Chief Executive’s Review.....	4
Financial Review.....	9
Principal Risks and Uncertainties facing the Company	14
Governance	16
Directors’ Report.....	19
Directors’ Responsibilities Statement.....	20
Independent Auditor’s Report to the Guarantor of Andium Homes Limited	21
Income Statement.....	23
Balance Sheet	24
Statement of Changes in Equity.....	25
Cash Flow Statement.....	26
Notes to the Financial Statements	27

About Us

Legal form of the entity

Private company limited by guarantee.

Country of incorporation

Jersey

Address of the registered office

The Company's registered office is Jubilee Wharf. The Company will relocate to 33-35 Don Street, St Helier in 2015.

Jubilee Wharf
24 Esplanade
St Helier
Jersey
JE4 8XT

33-35 Don Street
St Helier
Jersey
JE2 4TR

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

Michael Jones	Non-executive Chairman	Appointed 1 July 2014
Heather Bestwick	Independent non-executive Director	Appointed 1 July 2014
Jane Martin	Independent non-executive Director	Appointed 1 July 2014
Colin Russell	Non-executive (Tenant) Director	Appointed 1 July 2014
Frank Walker O.B.E.	Independent non-executive Director	Appointed 1 July 2014
Ian Gallichan	Chief Executive	Appointed 1 July 2014
John Hamon	Chief Operating Officer / Finance Director	Appointed 1 July 2014

Company Secretary

Fiona Halliwell

Auditors

Baker Tilly Channel Islands Ltd
PO Box 437
13 Castle Street
St Helier
Jersey
JE4 0ZE

Bankers

HSBC
Halkett Street
St. Helier
Jersey
JE4 8NJ

Solicitors

Collas Crill
40 Don Street
St Helier
Jersey
JE1 4XD

Chairman's Statement

Welcome to our annual report, which tells you how we have been doing in the first six months since our incorporation as Andium Homes.

The States of Jersey has entrusted Andium Homes with significant responsibilities. Not only are we responsible for providing homes to over 4,500 families in Jersey, but also for making an annual financial contribution to the States' budget of some £27m. This Annual Report sets out how we have tackled these responsibilities.

At the forefront is our financial strategy. This aims to ensure that we are procuring contracts for construction work which give the best value for money, while enabling the local construction industry to plan for the future and invest in local skills and training. This is backed up by a prudent view of risk assessment and management in order to deliver the financial resources needed for investment to improve our existing homes and to build new ones for the future.

I should like to thank my colleagues on the Board for their support for this strategy, and in particular for the work that they have done in establishing and developing the Audit and Remuneration Committees.

We have established a strong Board of Directors, and our belief that the users of our services, our tenants, should have a strong voice in shaping our future work, is reflected in the two positions on our Board for tenants, a policy which is already proving its value.

We have made an energetic start on our Strategic Business Plan, with major refurbishment schemes starting on site, major redevelopment schemes at Le Squez and La Collette in planning, and new additions to our stock completing. I was delighted to be able to open our new development at Andium Court, adding 48 much needed lifetime homes. Having met some of the new tenants, I know that this scheme will bring great improvements to their quality of life.

The Council of Ministers has made St Helier one of its key issues for the next States Strategic Plan. Ministers want to rejuvenate the town so it becomes a modern, vibrant community that preserves the best of its history and accommodates quality homes, shops and offices and provides great public amenities. Andium Homes has a key part to play in this and we look forward to working closely with the Council of Ministers and the Constable of St Helier to deliver new high quality homes which contribute to this regeneration.

Our Independent Living Team continues to support tenants in maintaining their tenancies, and we plan to develop new services which will bring additional value to our clients and the wider population of Jersey, working within the policy objectives of the Housing Minister and Strategic Housing Unit.

I, and my fellow Directors, would like to thank all those who have contributed to making such a positive start to Andium Homes, including the wide range of our stakeholders, and in particular our staff, whose enthusiasm and commitment has been fundamental in achieving so much in the first six months.

Finally, I hope you enjoy reading this report and that it provides you with the information necessary for you to make your own assessment of how we are doing.



Michael Jones
Chairman
29th April 2015

Chief Executive's Review

I am delighted to present this report which covers activity and performance for our first six months in operation. Our Strategic Business Plan makes a number of commitments and delivering this ambitious plan will not be quick or easy. We recognise that it will involve changing the way we do things, including how we interact with our clients and the way we deliver our services. Nevertheless, we are determined to achieve our plans and build on the successes we have already achieved.

The report demonstrates our commitment to our plan and explains how we have already started to deliver on our promises to achieve our vision and objectives.

Our vision

"Changing lives and inspiring communities through great homes and services".

Our objectives

- ◆ Great homes and places
- ◆ Providing happy, safe neighbourhoods
- ◆ A renowned client experience
- ◆ Delivering more homes and services
- ◆ Financial strength and stability
- ◆ Provider, Employer, Investment...of choice

Great homes and places

We are striving to deliver great homes and places for our clients by:

- ◆ Achieving Decent Homes and delivering new homes
- ◆ Achieving the "Andium Standard" for open areas
- ◆ Realigning our stock to meet the needs of our current and future clients

Achieving decent homes and delivering new homes

The underinvestment in social housing in the past resulted in the condition of social homes being below an acceptable standard when they were transferred to Andium Homes on 1 July 2014.

We have embarked on an extensive programme of refurbishment and are pleased to have already seen an increase in the number of homes which now meet the Decent Homes Standard to 82%, in line with our target for 2014. Importantly, and something which is easily forgotten, is that we have stopped the homes from falling into worse condition. The 2012 Condition survey was clear that if the maintenance backlog was not addressed immediately, then the % of homes meeting the Decent Homes Standard would drop significantly over the next five years from 75% to 50%.

I am very pleased with the progress of our capital programme, the key projects are laid out below.

	No. of homes	Status
Major refurbishment projects		
Osborne Court	23	Delivered in 2014
De Quetteville Court high rise	32	On site, due for completion in 2015
Nicolle Close	20	On site, due for completion in 2016
Hampshire Gardens	39	On site, due for completion in 2016
Convent Court	73	To be tendered in 2015
Caesarea Court	52	To be tendered in 2015
Hue Court high rise	90	To be tendered in 2017
	<hr/> 329 <hr/>	
New build projects		
Andium Court	48	Delivered in 2014, ahead of schedule
Ernest Briard Crescent (previously known as Lesquende phase 1)	35	Delivered in 2015
Brooklyn Court (formerly Le Coin)	23	On site, due for completion in 2015
Langtry Gardens S3	30	On site, due for completion in 2015
Le Squez phase 3	21	On site, due for completion in 2015
Le Squez phase 4	154	Existing properties being decanted, project due to start in 2015
Lesquende phase 2	44	On site, due for completion in 2016
La Collette low rise	147	Planning approval currently being sought, project due to start in 2016
	<hr/> 502 <hr/>	

I am delighted at the progress of the redevelopment of Le Squez, this project has been a focus for us and, with the funding now in place to complete the scheme, we have expedited the remaining phases and look forward to seeing the development fully completed in 2017. Importantly though, clients living in the old homes at Le Squez will have been fully decanted into new accommodation by October 2015.

We are also looking at further sites for development and have now been asked to undertake the Ann Court development which would result in an additional 175 units. We continue to work closely with the Jersey Construction Council and will be looking at ways to better procure these big contracts to ensure there is sufficient capacity and to maintain stability in the industry.

Achieving the “Andium Standard” for open areas

An initiative which sits alongside the important work we are doing to our buildings, is the Andium Homes Estate Standard – where each Andium Homes colleague has responsibility for some 100 homes and the community that lives in them. It allows us to measure and improve the condition of our open and communal spaces but also gives us a superb opportunity to engage with our clients in taking a more personal approach. It is a career long relationship which I am confident will develop well over the coming 12 months and beyond.

Realigning our stock to meet the needs of our current and future clients

Providing good quality homes for rent is important to us, as is increasing opportunities for home ownership. We recently celebrated our 100th sale and we will continue to not only sell homes using our unique deferred payment scheme, but also develop additional schemes enabling a greater number of local families to become home owners. This will be a major focus in 2015.

Providing happy, safe neighbourhoods

In delivering our commitment to provide happy safe neighbourhoods, we have increased the number of roadshows that we carry out each year, taking our services to clients’ doorsteps, linking up with communities and other stakeholders. We continue to provide financial assistance to support our community groups and associations and are proud of the new communal facilities provided at Pomme D’Or Farm and La Collette High-rise. We will work closely with our community group at Convent Court to ensure the future refurbishment of the high rise brings about an opportunity to provide them with a smart new headquarters.

We continue to tailor our homes to better meet the needs of those with poor mobility or disabilities by carrying out medical adaptations to help them live independently in their home for longer. We are serious about the part we play in safeguarding children and vulnerable adults. Safeguarding is everyone’s responsibility, and we are encouraged by our involvement as reflected in the Safeguarding Partnership Board’s Annual Report. We are also proud to have our Safeguarding policy approved and publicly available on our website.

Another key focus for us is providing safer communities, by acting swiftly and firmly to resolve issues of anti-social behaviour, including developing an improved partnership with the States of Jersey Police. This poor behaviour is usually caused by a very small minority, but impacts the whole community and unfairly damages the reputation of our clients.

Putting our clients at the heart of everything we do has its challenges and we know that we will all have to work hard to consistently reach the high standards we have set for ourselves. However, we are but six months in on a new journey and I am confident these changes and the investment we are making in improvements will enable us to deliver, in all areas, to the standard we have promised.

A renowned client experience

Client Engagement is a high priority for us and we are working closely with our current Tenants’ Forum and Residents’ Associations to look at how we can increase participation from our clients and generate higher levels of engagement. We will also be recruiting a second Tenant Director to the Board in 2015 which demonstrates our commitment to ensuring that clients have a voice at the highest level within Andium Homes.

An exciting milestone for us will be extending our client facing time by opening our doors every Saturday morning. This will commence when we move to our new and permanent home at 33-35 Don Street, which will offer far improved facilities for our clients.

We have also tendered for a new “Integrated Housing Management and Finance” IT system to support colleagues in delivering the most efficient service possible to our clients.

Delivering more homes & services

We are committed to expanding the supply of all types of Affordable homes particularly homes which are suitable for our ageing population and which contribute to the regeneration of St Helier. A number of potential development sites have already been identified and may prove suitable for development in the long term. The complexities of preparing proposals which support the acquisition of significant sites cannot be underestimated and will take time. There is significant activity underway which should bear fruit in due course.

As additional sites do come forward and the supply of Affordable homes increases we will have an opportunity to consider greater opportunities for home ownership through the introduction of new Affordable housing tenures.

Our Independent Living Service already provides a significant amount of support to our older and more vulnerable clients. With the ongoing challenges that an ageing population brings and the local shift to a far greater emphasis on safeguarding our young people and vulnerable adults, we will not only continue to deliver the excellent services that we already have in place, but also look to diversify those services and expand where appropriate.

Financial strength and stability

I am pleased to report a strong and stable balance sheet and cash position for the period, achieved by the management of the substantial net assets transferred to Andium Homes from the States of Jersey on 1 July 2014.

Whilst we have outperformed against budget for the period ended 31 December 2014, we continue to project operating deficits for the early years of our business. This results from our commitment to bring all stock up to Decent Homes Standard and develop new properties whilst rental income is relatively low, due to the States approved rent policy of charging at 90% of market rents being applied to new tenancies only. We expect to deliver operating deficits before depreciation and impairment up to 2018 in line with our Strategic Business Plan.

I welcomed the valuable perspective of the C&AG report "Housing Repairs and Maintenance". It was a positive report and I am reassured that many of the recommendations made are already being addressed within our Strategic Business Plan.

More information on our business model and our financial performance can be found in the financial review on page 9.

Provider, employer, investment...of choice

I believe we are building our reputation as a good landlord and we will work hard to protect that reputation to become the landlord of choice.

Our reputation as an employer is also important. We are proud of our workforce, 47 dedicated colleagues who have been taken on a brave and at times bumpy journey. There are no plans to increase the number of employees but we will be working with colleagues to unlock performance and potential, through developed business skills, values and behaviours and put in place appropriate talent, succession and retention plans. We will attract new talent through our Bursary Scheme, launched for the first time this year.

The States of Jersey has given to us the responsibility for the direction, strategy and management of the social housing assets transferred to us on 1 July 2014. We meet with the Guarantor regularly and have adopted a "no surprises" approach to our interactions. In line with our agreements, we delivered a return of £13,580,986 to the Guarantor during the period which will continue at a rate of £6,844,386 each quarter, adjusted annually in October by Jersey RPI.

Our values

We are passionate about making a difference, the Andium Homes values are aligned to our personal drivers and as a result, we strive to be the best we can be.

Client obsessed	We are obsessed with delivering a renowned, consistent client experience - every time!
Results driven	We are action and results driven. We work hard to make a real, tangible and sustainable difference to our clients' lives.
Passionate	We are passionate, dynamic and proud to be part of Andium Homes.
Resilient	We are resilient, positive and self-motivated when working in a fast paced and ever-changing landscape.
Courageous	We are courageous, pro-active and enjoy "pushing the boundaries".
Integrity	We act with integrity and honesty to build mutual trust and to be your landlord of choice.



Ian K Gallichan
Chief Executive
29th April 2015

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 is one of the first social housing providers in the British Isles, to early adopt FRS 102 and the updated SORP 2014. Andium Homes’ principal accounting policies are set out in note 1 of the financial statements.

The Andium Homes’ business model

Financial strength and stability is essential to the success of Andium Homes and the delivery of social housing in Jersey. Housing is a long term business and hence decisions must be taken in the long term and performance monitored over that period. To achieve this, a 30 year business model is maintained to manage short and long term cash requirements. The business model and associated risk assessments are used to support strategic decision making.

We have maintained a strong and stable balance sheet and cash position resulting largely from the management of substantial net assets transferred to Andium Homes’ from the States of Jersey Housing Department on 1 July 2014.

From 2015 onwards, we plan to spend £12m per annum on maintenance expenditure (including replacement components) in order to bring all stock up to the Decent Homes Standard by 2024.

We also plan to undertake a capital programme to deliver over 500 new homes and refurbish over 300 homes. We are also looking at further sites for development and have now been asked to undertake the Ann Court development which would result in an additional 175 units. The programme will be funded by borrowing from the States of Jersey and repaid by net rents generated.

We will continue to deliver the agreed return of £26,948,000 (in real terms) per annum to the Guarantor which will be adjusted annually by Jersey RPI.

We will continue to generate rental income through the implementation of the rent policy adopted by the States of Jersey. We charge rent at 90% of private sector market rents for new tenancies and apply an annual adjustment to all tenancies at Jersey RPI plus 0.75%, except where such an adjustment would cause rent to be charged at more than 90% of market rent.

Operating surpluses before depreciation and impairment are projected from 2019 when rents generated from the rent policy, which takes effect over time, and from new properties developed is sufficient to cover expenditure, including loan interest. Operating deficits before depreciation and impairment, which are projected to be incurred until 2018, will, to the extent necessary, be funded by property sales.

The level of maintenance and building activity will have a further benefit of providing improved growth and stability in the construction industry. Andium Homes is a member of the Jersey Construction Council, a pan-industry forum that openly discusses issues within the local industry. We are working proactively within the body to avoid potential peaks and troughs in supply and demand with the aim of contributing to sustainable growth within the local industry. This approach enables suppliers to develop skills locally through, for example, apprenticeship schemes.

Financial review of the year

We are pleased to report an operating surplus before depreciation & impairment of £1,620k (compared to the budgeted deficit of £1,623k). This is after returning the agreed £13,581k to the Guarantor.

Of the £3,243k underspend against budget, £1,671k relates to maintenance costs that were capitalised during the period and £1,572k relates to other underspends, resulting either from the timing of works being completed in 2015 or costs being lower than budgeted.

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

Income Statement review

The actual versus budget results are set out below.

For the 6 months ended 31 December 2014

	Actual	Budget	Difference
	£000s	£000s	£000s
Rental income	21,052	21,354	(302)
Other income	1,139	1,079	60
Maintenance	(3,245)	(5,904)	2,659
Staff costs	(1,610)	(1,624)	14
Other expenses	(2,135)	(2,812)	677
Operating surplus before the return to the Guarantor, depreciation & impairment	15,201	12,093	3,108
Return to the Guarantor	(13,581)	(13,716)	135
Operating surplus before depreciation & impairment	1,620	(1,623)	3,243
Other:			
Interest payable and similar charges	(215)	(1,745)	1,530

Rental income

Rental income achieved for the 6 months to 31 December 2014 is £21,052k. This was lower than that budgeted of £21,354k predominantly due to:

- ◆ Jersey RPI and, therefore, the annual rent adjustment being lower than expected.
- ◆ More new tenancies being created than budgeted resulting in more void periods.
- ◆ Higher refusal rates resulting in average void times being 28 days for the 6 month period, above the target of 25 days. The Company is working with the Affordable Housing Gateway to resolve this.

The shortfall in rental income is offset by savings made in other areas.

Due to more new tenancies being created than expected, more properties are charged at 90% of market rent than expected, which will have a positive effect on rental income in future periods.

Average rent charged as a percentage of market rent at 31 December 2014 was 73%, in line with targets.

We have built on our success in rent collection with arrears amounting to only 1% of annual rental income, in line with targets, which compares favourably when compared with UK Housing Associations.

Maintenance expenditure

Maintenance work is planned to systematically bring all stock up to decent homes standard by 2024 whilst also responding to repairs of an emergency nature. At 31 December 2014, 82% of properties met the decent homes standard in line with targets.

Maintenance expenditure reported in the income statement for the 6 months to 31 December 2014 amounts to £3,245k. A further £1,671k of maintenance work has been undertaken and capitalised during the period and a further £727k of expenditure was moved to early 2015 due to works being completed after the period end (both of which were included in the original budget).

Other expenses

Other expenses are £677k lower than budgeted predominantly due to costs in relation to the incorporation of the Company being lower than anticipated and certain other costs being incurred in 2015.

Return to the Guarantor

The Company has delivered the agreed return to the States of Jersey of £13,581k for the six month period. In accordance with the Transfer Agreement entered into between Andium Homes and the States of Jersey, the Company will continue to deliver a quarterly return to the States of Jersey of £6,737k which will be adjusted annually in October by Jersey RPI.

Interest payable and similar charges

The Company has incurred finance costs in relation to loan agreements entered into with the States of Jersey to fund capital projects. Finance costs expensed for the 6 months ended 31 December 2014 amount to £215k.

This is less than budgeted due to the loans being entered into later than expected and £1,179k of the £1,190k loan set up fees paid being amortised over the period of the loans.

Balance sheet review

The Company presents a strong balance sheet position with overall net assets of £690m.

Property assets

On 1 July 2014, the States of Jersey transferred the assets and liabilities of the States of Jersey Housing Department to the Company amounting to a net position of £678,171k. Social housing and other property assets amounted to £683,784k of the £678,171k net assets transferred.

During the period ended 31 December 2014, £9,362k has been invested in capital projects and £1,671k has been invested in the replacement of housing components (such as replacement kitchens and bathrooms).

Eight properties were sold during the period with a gross sales value of £3,185k. £532k bonds were issued under the deferred payment scheme, which enables qualifying purchasers to defer up to 25% of the sales price. Net sales proceeds achieved were therefore £2,653k (against a target of £2,447k).

The value of housing assets, determined by independent valuations, has increased by £18,048k. This is driven by the increase in rental rates as the Company moves towards charging 90% of market rates and the improved condition of the properties.

Cash

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

Cash held is invested in low risk cash and cash equivalents. The Company has taken advantage of the knowledge and expertise of the States of Jersey Treasury function in establishing the most suitable investment strategy.

Cash at 31 December 2014 amounted to £19,012k which represents a strong and stable cash position for the Company. Of the cash balance £2,960k is held as a float to cover 2 months expenditure, £6,844k is held to pay the Return to the Guarantor in January 2015 and the balance is ring-fenced for capital projects.

Borrowing

The Company has entered in to loan agreements with the States of Jersey with drawdowns amounting to £39,373k at 31 December 2014. Borrowing is taken out to fund capital projects and repaid from net income generated. Interest on loans taken out to date is paid quarterly at a fixed interest rate of 4.3% per annum. .

Key Performance Indicators

Key performance indicators were set in the Company's Strategic Business Plan. A summary of actual results against targets for the Company's key performance indicators is given below. Further explanation of the actual results is given in the preceding sections.

	2014 Actual	2014 Target
Great homes and places		
% of homes meeting the Decent Homes Standard	82%	81%
Major refurbishment of existing properties	23	21
Deliver net new homes on existing sites	48	41
Net proceeds from property sales	£2.7m	£2.4m
Delivering more homes and services		
Deliver further growth (completions)	-	-
Financial strength and stability		
Rent charged as a % of market rent	73%	73%
Rent arrears as a % of rental income and charges	1%	1%
Average rent days lost due to properties being void (excluding capital projects)	28	25
Provider, employer, investment.....of choice		
Agreed financial returns delivered to the States of Jersey (subject to actual RPI levels)	£14m	£14m
Level of colleague turnover	3.5%	3.5%
Bursary Scheme Graduates employed	-	-
Colleague sickness levels (maximum days average over 12 month period)	3.6	5

From 2015, the Company intends to monitor additional key performance indicators as follows:

- % of open areas meeting the Andium Homes Standard
- Client satisfaction with their neighbourhood as a place to live
- Client satisfaction with overall services
- Client satisfaction with the way a complaint is handled

The Andium Homes Standard is a new initiative and the client satisfaction KPIs involve new methods of obtaining feedback which includes the differentiation between individual contractor performance and satisfaction with more specific service areas. Processes were developed in 2014 to enable the Company to monitor these KPI's from 2015.

Principal Risks and Uncertainties facing the Company

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

Fundamental to the Company risk management is the development and maintenance of a risk register and the implementation of a compliance function.

- ◆ Risk register - risks are identified, scored and mitigations put in place with involvement at all levels of the business.
- ◆ Compliance function – a compliance function will be developed in 2015 which will focus on the significant risk areas and key controls highlighted by the risk register. The compliance function, in place of an internal audit function, aims to reduce risk and deliver improved practices 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.

Principal risks

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

Financial risk

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

The potential future financial risks managed by the Company are as follows:

- ◆ Sufficient funding for capital projects is not achieved;
- ◆ Funding is available on less preferable terms than projected;
- ◆ Rental income is lower than projected due to a change in the rent policy;
- ◆ Basis of financial return delivered to the States of Jersey is changed resulting in higher returns than projected;
- ◆ Capital proceeds from sales of existing social housing stock is lower than projected; and
- ◆ States of Jersey Social Security Department implement changes in the housing component of Income Support.

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

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

Other risks

Other risks to the Company's ability to meet its objectives include:

- ◆ Housing policy change that the Company is not able to react to sufficiently
- ◆ Legislative changes including the introduction of sector specific legislation
- ◆ Growth not achieved due to unavailability of appropriately priced land driven by:
 - ◆ Limited amount of Category A¹ rezoned land and a limited appetite for more
 - ◆ Renewed confidence in the development sector boosting the value of Category B² land
 - ◆ Additional supply impacting on market rents generally
 - ◆ The entrance into the affordable housing market of another significant provider
 - ◆ An increase in new development activity by other existing providers
- ◆ Insufficient staff resources
- ◆ Inability of the construction industry to supply to the Company's demand due to capacity constraints

These risks are mitigated by ongoing monitoring of the Company's operations and communications with stakeholders principally the Strategic Housing Unit and the Planning and Environmental Department.

¹ Revised Island Plan 2011 Section 6.13 – Definition of Affordable Housing

² Revised Island Plan 2011 Section 6.14 – Definition of Market Housing

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 practices as this is essential to ensure sound financial practices and the delivery of an appropriate social housing function. The Board’s performance will be formally evaluated at least annually.

The Company is led by a Board of Directors that includes a number of Independent Non-Executive Directors as below. The Board met 8 times in 2014, with attendance at these meetings indicated below:

Member		Board	Risk and Audit Committee	Appointments and Remuneration Committee
Number of meetings held		8	1	4
Michael Jones	Chairman	8	n/a	n/a
Jane Martin	Independent Non-Executive Director	7	n/a	4
Frank Walker OBE	Independent Non-Executive Director	6	1	n/a
Heather Bestwick	Independent Non-Executive Director	8	1	n/a
Colin Russell	Non-Executive Director	8	n/a	4
Ian Gallichan	Chief Executive	8	n/a	1*
John Hamon	Chief Operating Officer / Finance Director	8	1*	4*

*Attendance by invitation

Delegation

In accordance with best practice, specific responsibilities have been delegated to Board committees 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 that supported the Board and governance arrangements during the period were:

- ◆ Appointments and Remuneration Committee – responsible for overseeing and advising the Board on Board and Committee appointments and the remuneration of the Board members and Company staff.
- ◆ Risk and Audit Committee – responsible for overseeing and advising the Board on external audit, the effectiveness of internal controls and the risk management framework.

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 to the Board with regard to any changes.

The Memorandum of Understanding with the Treasury and Resources Minister ("The Guarantor") requires that any changes paid to the non-executive Directors must be agreed in advance by the Guarantor. Any material changes to the structure or quantum of remuneration paid to executive Directors are also required to be approved by the Guarantor in advance of their taking effect.

The remuneration of the Directors for the 6 month period ended 31 December 2014 is set out below:

	Salary/Fees	Pension contributions	Total
	£	£	£
Michael Jones	20,000	-	20,000
Jane Martin	7,500	-	7,500
Frank Walker OBE.	7,500	-	7,500
Heather Bestwick	7,500	-	7,500
Colin Russell	7,500	-	7,500
Ian Gallichan	60,353	8,072	68,425
John Hamon	44,601	5,930	50,531
Total	154,954	14,002	168,956

Risk and Audit Committee

The Committee members are Frank Walker OBE (chair) and Heather Bestwick.

The Committee held their first meeting in 2014, and have held a further 2 meetings in 2015 with all members in attendance.

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, including the transfer of assets from the States of Jersey and the valuation of property assets.

Following a competitive tendering process, external auditors were appointed in 2014 for a period of 3 years. The Committee has reviewed non-audit services (£11k - for assistance in documenting internal policies and management reporting) provided by the auditors during the year and 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.

The Risk and Audit Committee considers the Company's risk management and internal controls systems to be appropriate. This opinion has been shared with the Board who are in agreement with the Committee. The Board has implemented the Company's Risk Management policy which includes the development of an improved risk register and an internal compliance function. The Risk and Audit Committee will oversee the implementation of the policy in 2015.

The Guarantor

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

The role of the Guarantor and the Company’s Board is established in the Company’s Memorandum and Articles of Association adopted by the States of Jersey in June 2014. This is further clarified in the Memorandum of Understanding between the Minister for Treasury and Resources and Andium Homes Limited entered in to 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 regularly, in accordance with the Memorandum of Understanding, ensuring that they maintain an understanding of the views of the Guarantor.

Strategic Housing Unit

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

Social housing policy and the long term housing strategy for the island is set by the States of Jersey Strategic Housing Unit (the “Strategic Housing Unit”), led by the Housing Minister. The Strategic Housing Unit has been charged with developing options for appropriate regulation of the social housing sector which will be debated by the States of Jersey Assembly.

The Strategic Housing Unit is also responsible for the management of the Affordable Housing Gateway, a consolidated waiting list used by all social 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 period ended 31 December 2014.

Directors of the Company

The Directors of the Company are Michael Jones (Chairman), Heather Bestwick, Jane Martin, Colin Russell, Frank Walker OBE., Ian Gallichan (Chief Executive) and John Hamon (Finance Director) who were all appointed on 1 July 2014. No other persons have served as Directors during the period.

Future developments

An analysis of future developments are described in the Financial Review on pages 9 to 13.

Post balance sheet date events

The Board of Directors is not aware of any significant events affecting the Company after the 2014 period 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.

Re-appointment of auditors

The auditors, Baker Tilly Channel Islands Limited have indicated their willingness to continue in office.

A resolution is to be proposed at the Annual General Meeting for their reappointment as auditor of the Company.

Statement of Directors' Responsibility

The Statement of Directors' responsibility is presented separately on page 20.

By Order of the board



Michael Jones
Chairman
29th April 2015



John Hamon
Finance Director
29th April 2015

Directors' Responsibilities Statement

The Board of Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Board of Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements as described on page 9. Under company law the Board of 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 are 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 are 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. They are 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

We have audited the financial statements of Andium Homes Limited for the period ended 31 December 2014 which comprise the Income statement, Balance sheet, Statement of changes in equity, Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable Jersey law, 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").

This report is made solely to the Company's Guarantor, as a body, in accordance with 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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 20, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable Accounting standards.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Opinion on the financial statements

In our opinion the financial statements:

- ◆ give a true and fair view in accordance with applicable UK accounting standards in the United Kingdom of the state of the Company's affairs as at 31 December 2014 and of its surplus for the period then ended;
- ◆ have been prepared in accordance with the requirements of the Companies (Jersey) Law, 1991 as amended; and
- ◆ the information given in the Chairman's report, the Chief Executive's review and the Financial Review is consistent with the financial statements.

Matters on which we are required to report by exception

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
- ◆ the financial statements are not in agreement with the accounting records and returns.



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

29th April 2015

Income Statement

For the 6 months ended 31 December 2014

	Notes	For the 6 months ended 31 December 2014 £'000
Rental income		21,052
Other income		1,139
Operating costs (excluding depreciation & impairment)		(6,990)
Operating Surplus before the return to the Guarantor, depreciation & impairment	2	15,201
Return to the Guarantor	3	(13,581)
Operating Surplus before depreciation & impairment		1,620
Depreciation & impairment		(7,852)
Operating deficit		(6,232)
Fair value gains on financial instruments	10	545
Interest receivable and similar income		33
Interest payable and similar charges	4	(215)
Realised surplus from disposal of financial assets		30
Deficit for the year, before extraordinary items		(5,839)
Net assets transferred from the States of Jersey		678,171
Surplus for the period*		672,332
Other comprehensive income		
Unrealised surplus on revaluation of housing properties	7	18,048
Total comprehensive income for the period		690,380

*The surplus for the period of £672m includes £678m net assets transferred from the States of Jersey which was a non-cash transaction.

The notes on pages 27-41 form part of the financial statements.

Balance Sheet

As at 31 December 2014

	Notes	2014 £'000
Fixed Assets		
Housing Properties	7	696,962
Property, Plant and Equipment	8	4,761
Investment Properties	9	352
Financial Assets	10	16,618
		<hr/>
		718,693
Current Assets		
Housing Properties held for sale	11	1,386
Debtors	12	2,537
Cash at bank and in hand	14	19,012
		<hr/>
		22,935
Amounts Falling due within one year :		
Creditors	15	(2,528)
Accrued expenses	16	(9,347)
Borrowing	17	(833)
		<hr/>
		(12,708)
Net Current Assets (liabilities)		10,227
Total assets less current liabilities		<hr/> 728,920
Amounts falling due after more than one year		
Borrowing	17	(38,540)
		<hr/>
Net Assets		690,380
Capital and reserves		
Housing property revaluation reserve		18,048
Retained earnings		672,332
		<hr/>
		690,380
		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 29th April 2015 and were signed on its behalf by:

Michael Jones
Chairman



John Hamon
Finance Director



The notes on pages 27-41 form part of the financial statements.

Statement of Changes in Equity

	Revaluation reserves	Retained earnings	Total reserves
	£'000	£'000	£'000
Balance at 1 July 2014	-	-	-
Surplus on ordinary activities*	-	672,332	672,332
Other comprehensive income for the year	18,048	-	18,048
Balance at 31 December 2014	18,048	672,332	690,380

*The surplus for the period of £672m includes £678m net assets transferred from the States of Jersey which was a non-cash transaction.

The notes on pages 27-41 form part of the financial statements.

Cash Flow Statement

For the 6 months ended 31 December 2014

	Notes	2014
		£'000
Net cash inflow from operating activities	25	7,428
Returns on investments and servicing of finance:		
Interest and similar charges received		33
Interest and similar charges paid	4	(226)
Net cash inflow from returns on investments and servicing of finance		(193)
Capital expenditure and financial investment		
Additions to housing properties	7	(11,022)
Purchase of Property, Plant and Equipment	8	(1,631)
		(12,653)
Reduced by:		
Redemption of housing bonds	10	228
Sale of housing properties net of bonds issued	5	2,653
Net cash outflow from capital expenditure and financial investment		(9,772)
Financing		
Repayment of previous advances from the States of Jersey	17	(38,489)
Borrowing drawn down	17	39,373
Capital budgets transferred from the States of Jersey		20,665
Net cash outflow from financing		21,549
Increase / (decrease) in cash in the period		19,012
Opening cash balance		-
Closing cash balance	14	19,012

The notes on pages 27-41 form part of the financial statements.

Notes to the Financial Statements

For the 6 months ended 31 December 2014

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 Jubilee Wharf, The Esplanade, St Helier, JE4 8XT and will be 33-35 Don Street, St Helier, Jersey, JE2 4TR in 2015. The Company is a public benefit entity.

b) Statement of compliance

The financial statements as at 31 December 2014 have been prepared in accordance with the early adoption of 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.

c) Basis of preparation

The financial statements have been prepared under the historical cost accounting convention modified for the revaluation of fixed assets. The financial statements have been prepared in sterling which is the functional currency of the Company rounded to the nearest £'000.

d) Going Concern

The Board of Directors consider 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 consider 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 includes contributions received for properties known as "Cottage Homes". Previous legislation requires these properties to be allocated to applicants under a different allocation policy, whereby instead of rental income, the clients would make contributions to these homes. The legislation has recently been repealed, and any new clients would fall under the same criteria as the remaining social housing properties, with no change to existing clients.

f) Other Income

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

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

g) Net assets transferred from the States of Jersey

Net assets transferred from the States of Jersey are treated as a non-exchange transaction as there are no related performance conditions and are realised in full in the Income Statement. The net assets consisted of properties, financial assets (bonds), cash and cash equivalents, debtors and creditors. 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 Regulations were transferred to the Company. The values assigned to the assets, rights and liabilities have been 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

Housing Properties 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 are recognised in other comprehensive income and accumulated in equity. Works to existing 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 properties which fail to meet the above criteria are charged to the income statement. The major components are deemed to be land as well as those listed in part k) below.

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. The Company engaged independent valuation specialists to determine fair value at 31 December 2014.

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 income statement. Depreciation on these properties ceases at the date they are classified as held for sale.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

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 of each component is as follows:

	Expected life (years)
◆ Structure	80
◆ Roof	30 – 50
◆ Windows & Doors	30 - 40
◆ Kitchens	30
◆ Stairs	60
◆ Wiring and Electrical Installations	30
◆ Plumbing and Installations	30
◆ Builders Work in connection with services	30
◆ Lifts	30
◆ Partitions	60
◆ Wall, floor and ceiling finishes	30 - 60
◆ Sundry Builders work	60
◆ Balconies	60
◆ External works including underground Drainage	40

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

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

m) Property, Plant and Equipment

Other fixed assets (other than housing property) 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

Expenditure less than £1,000 is charged to the income statement as incurred. Land that forms part of Property, Plant and Equipment is not depreciated.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

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 income statement.

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 income statement.

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

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.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

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 income statement 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 income statement.

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 income statement as they fall due.

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 qualifies as a "qualifying entity" in terms of FRS 102 as the Company is 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.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

u) Frequency of reporting and comparative information

The financial statements of the Company are to be issued annually as at 31 December. As the Company was incorporated on 1 July 2014, the period disclosed is for part of the year from incorporation to the financial statement date. As such no comparative information is disclosed.

v) Related parties

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

w) Critical accounting estimates and assumptions

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

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, and 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 2014 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.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

2. Operating Surplus

Operating surplus is stated after charging:

	£'000
Depreciation & Impairment	7,852
Wages & Salaries	1,344
Social Security costs	73
Other Pension costs	163
Repairs; cyclical, planned, day to day	3,245
Auditors remuneration - audit services	50
Auditors remuneration – non audit services	11

3. Return to the Guarantor

	£'000
Return to the Guarantor	13,581
	<hr/> 13,581 <hr/>

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 the 1 July 2014. The base amount would be subsequently increased annually by the previous quarters Jersey Retail Price Index ("RPI"). These payments would continue indefinitely. It is the view of the Board of Directors that the Annual Return payable to the Guarantor should be classified separately from the transfer of net assets at incorporation and recognised as an expense in the income statement.

4. Interest payable and similar charges

	£'000
Interest on loan	215
	<hr/> 215 <hr/>

Finance costs of £11k have been capitalised and are included within additions to housing properties (note7).

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

5. Surplus on sale of housing properties

	£'000
Gross Proceeds	3,185
Net Asset Cost (Cost less accumulated depreciation)	(3,185)
Gain / (loss) on sale	<u>-</u>

Housing properties are revalued at the date of being identified for disposal. Gross proceeds is the total amount of cash received being £2,653k plus housing bonds issued during the period £532k (refer to note 10).

6. Employee Information

The average full time equivalent number of persons employed in the period was:	47
The average number of persons employed in the period was:	49
	£'000
Staff costs (including Directors emoluments)	
Wages and salaries	1,344
Social security costs	73
Pension costs	163
Other staff costs	30
Total staff costs	<u>1,610</u>

Directors emoluments included within total staff costs are salaries/fees (£155k), benefits (£14k) and social security payments (£4k).

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

7. Housing properties

	Held for letting	Under construction	Total housing properties
Cost	£'000	£'000	£'000
At 1 July 2014	-	-	-
Transfer from States of Jersey	634,050	41,680	675,730
Additions (note a)	1,671	9,362	11,033
Transfer from under construction to held for letting	38,485	(38,485)	-
Disposals	-	-	-
Revaluation	14,262	-	14,262
At 31 December 2014	688,468	12,557	701,025
Depreciation & impairments			
At 1 July 2014	-	-	-
Charged during the period	(5,224)	-	(5,224)
Impairments recognised	(2,625)	-	(2,625)
Disposals	-	-	-
Revaluation	3,786	-	3,786
At 31 December 2014	(4,063)	-	(4,063)
Net book value as at 31 December 2014	684,405	12,557	696,962

Where indicators of impairment have been identified an impairment assessment is carried out and those charges recognised in the income statement. Valuations have been carried out as at 31 December 2014 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 ("EUUV-SH"), as expected by the SORP.

(a) The amount of £11,033k is reflected as £11,022k in the cash flow statement as the above amount includes £11k of finance costs capitalised. These finance costs are included as part of 'interest and similar charges paid' within the cash flow statement.

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

	Held for letting	Under construction	Total housing properties
Historical Cost	£'000	£'000	£'000
Carrying value 31 December	666,357	12,557	678,914

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

8. Property, Plant and Equipment

	Office premises	Infrastructure assets	Total other fixed assets
Cost	£'000	£'000	£'000
At 1 July 2014	-	-	-
Transferred from States of Jersey	-	3,133	3,133
Additions	1,631	-	1,631
Disposals	-	-	-
Revaluation	-	-	-
At 31 December 2014	<u>1,631</u>	<u>3,133</u>	<u>4,764</u>
Depreciation			
At 1 July 2014	-	-	-
Charged during the period	(2)	(1)	(3)
Disposals	-	-	-
Revaluation	-	-	-
At 31 December 2014	<u>(2)</u>	<u>(1)</u>	<u>(3)</u>
Net book value as at 31 December 2014	<u>1,629</u>	<u>3,132</u>	<u>4,761</u>

9. Investment properties

	£'000
At 1 July 2014	-
Transferred in from States of Jersey	352
At 31 December 2014	<u>352</u>

Investment properties consist of commercial properties rented at market rates.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

10. Financial Assets

	£'000
Housing bonds	
At 1 July 2014	-
Valuation at transfer from States of Jersey	15,739
Redeemed during the period	(198)
Issued during the period	532
Unrealised surplus in the period	545
Valuation at period end	<u>16,618</u>

All housing bonds are considered to be non-current as the underlying properties are not expected to be sold within one year. Profit on disposal of bonds redeemed totals £30k from total receipts of £228k.

11. Housing Properties held for sale

	£'000
Cost	
At 1 July 2014	-
Transferred in from States of Jersey	4,571
Disposals	(3,185)
Revaluation	-
At 31 December 2014	<u>1,386</u>

12. Debtors

	£'000
Amounts falling due within one year:	
Rental debtors – current	1,204
GST receivable	622
Rental debtors – Other	618
Less bad debt provisions*	(173)
	<u>2,271</u>
Prepayments and accrued income	39
Other debtors	227
	<u>2,537</u>

* Provisions relate only to rental debtors that are not current, identified specifically after individual assessments have been made for each debtor. There are no general provisions for debtors. The total of rental debtors past due but not impaired amounts to £447k.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

13. Leases

	£'000
Minimum lease payments receivable:	
Within one year	2,036
Within one to five years	-
More than five years	-
	<hr/> 2,036 <hr/>

Leases, being tenancy agreements for all properties entered into after 1 January 2010, carry a one month notice of cancellation period. Leases entered into before this date have a one week notice of cancellation period.

14. Cash at bank and in hand

	£'000
Cash at bank	182
Overnight deposits	18,830
	<hr/> 19,012 <hr/>

15. Creditors

	£'000
Trade Creditors	905
Deferred income	1,563
Related party settlement account States of Jersey*	60
	<hr/> 2,528 <hr/>

* The Company has an arrangement with the States of Jersey's Treasury and Resources Department whereby rental income is collected by the cashiers. The Department also makes payments to suppliers on behalf of the Company, and at the end of each month the balance of receipts and payments is settled.

16. Accrued Expenses

	£'000
Return to the Guarantor	6,844
Goods received but not yet invoiced	2,503
	<hr/> 9,347 <hr/>

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

17. Borrowing

	£'000
Loan instalments are due as follows:	
Within one year	833
After one year:	<hr/>
Between one and five years	8,651
In over five years	29,889
	<hr/> 38,540 <hr/>

On 17 November 2014 the Company entered into 3 separate loan agreements with the States of Jersey. The loan end dates are 31 December 2032 for 2 of these loans and 31 December 2033 for the remaining loan.

Loan setup costs 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 incurred is £1,190k.

The first loan agreement was put in place to repay advances totalling £38,489k. The advances were made to the States of Jersey Housing Department, prior to the incorporation of the Company, by the States of Jersey Treasury & Resources Department in order to fund capital projects. This includes projects noted in P.40/2012 Social Housing Schemes: Funding. The liability to repay the advances was transferred to the Company on incorporation along with the other assets and liabilities of the States of Jersey Housing Department.

The total value above is made up of these loans where cash has been drawn down by the Company. Interest on all three loans is paid quarterly at a fixed interest rate of 4.3% per annum. 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 first repayment is due on 31 December 2015. The total value of the loans available but not yet drawn at year end is £12,293k. The total value drawn down against existing loans after year end amounts to £8,561k.

18. Capital Commitments

Housing expenditure contracted less certified as at 31 December 2014 amounted to £17,930k. Expenditure authorised by the Board of Directors but not contracted as at 31 December 2014 amounts to £2,300k.

In addition the Board of Directors has authorised expenditure on other fixed assets amounting to £1,076k.

19. Pension Costs

The Company participates in the Public Employees Contributory Retirement Scheme ("PECRS"), operated by the States of Jersey, which whilst a final salary scheme, is not a conventional multi-employer defined benefit scheme because the Company is not responsible for meeting any ongoing deficit in the scheme. The assets of the scheme 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 amounted to £163k.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

Because the Company is unable to readily identify its share of the underlying assets and liabilities of PECRS 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 2013. 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 surplus in the scheme assets at the valuation date of £92,7m. Because the scheme is accounted for as if it is a defined contribution scheme, no account has been taken of the Company's potential share of this surplus.

On the date of incorporation the States of Jersey Housing Department paid a pension liability of £1,908k which was for pension liabilities for a pre-1987 pension scheme. This was part of the terms of incorporation for the transfer of the Company's employee's benefits to the newly formed entity. The Company does not have any outstanding liability as at period ended 31 December 2014 for the pre-1987 pension scheme.

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

20. Ultimate Parent Undertaking

The Board of Directors consider the States of Jersey 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 £6,737k per quarter and will be increased annually by Jersey RPI.

21. Related Party Transactions

Member of the Board of Directors Colin Russell held a tenancy with the Company during the period. The tenancy was granted under the Company's allocations policy, with rent under normal terms.

Borrowings (note 17) and interest expense as presented on the face of the Income Statement and Balance Sheet are due to the States of Jersey. The amount of interest expense accrued and not yet paid as at year end is £11k. 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.

Notes to the Financial Statements (continued)

For the 6 months ended 31 December 2014

22. Risks and uncertainties

The key financial risks managed by the Company are as follows:

- ◆ Sufficient funding for capital projects is not achieved;
- ◆ Funding is available on less preferable terms than projected;
- ◆ Rental income is lower than projected due to a change in the rent policy;
- ◆ Basis of financial return delivered to the States of Jersey is changed resulting in higher returns than projected;
- ◆ Capital proceeds from sales of existing social housing stock is lower than projected; and
- ◆ States of Jersey Social Security Department implement changes in the housing component of Income Support resulting in increased bad debts for the Company.

The Company does not 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 2014, the Board of Directors was not aware of any contingent liabilities, with the exception of those referred to in Note 18, and none has emerged since.

24. Commitments

The Company committed to new loan agreements after the year end. The terms of these agreements are similar to those in existence at balance sheet date. The total value of these commitments is £4,808k, with a total of £3,681k drawn down to date.

25. Net Cash Inflow from Operating Activities

	£'000
Operating deficit	(6,232)
Depreciation and impairment	7,852
Increase in debtors	(2,537)
Increase in creditors	11,875
Net debtors & creditors transferred from the States of Jersey	(3,530)
Net cash inflow from operating activities	<u>7,428</u>

26. Post Balance Sheet Events

The Board of Directors was not aware of any significant post balance sheet events after the 31 December 2014 having a significant impact on these financial statements.



www.andiumhomes.je



ANDIUM
— HOMES —