Annual Report 2016

ANDIUM
HOMES

R.78/2017

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About Us

Legal form of the entity

Private company limited by guarantee.

Country of incorporation

Jersey

Address of the registered office

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

What we do

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

Directors

Michael Jones	Non-executive Chair	Appointed 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 2015
Frank Walker OBE	Non-executive Director	Appointed 1 July 2014	
Colin Russell	Non-executive Tenant Director	Appointed 1 July 2014	
Judy Beaumont	Non-executive Tenant Director	Appointed 1 January 2017	
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
1st Floor
Kensington Chambers
46/50 Kensington Place
St Helier
Jersey
JE4 0ZE

Bankers

HSBC
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Solicitors

Collas Crill
40 Don Street
St Helier
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JE1 4X

Chairman's Statement

Welcome to our third Annual Report, which highlights our performance and the significant progress that we have made during 2016.

We have continued to make excellent progress in building new homes for the island, and we have now delivered 227 new homes across the Island since our incorporation, with many more schemes planned over the coming years.

As a significant landowner in the town area, we have an important role to play in the delivery of Future St Helier. The improvements already made to our town centre homes, along with those planned, will make a major contribution to the regeneration of Town. The ownership of the Summerland site has now been transferred to us, and with design work beginning on the Ann Court site we have a number of additional opportunities to make a positive impact on the town area.

As this report demonstrates, our progress in bringing our homes up to the Decent Homes Standard remains well ahead of target with the completion of refurbishments at Nicolle Close and the commencement of major projects at Caesarea Court, Convent Court and Clos Des Sables. This, along with a comprehensive programme of planned and cyclical maintenance works, underlines our commitment to achieving 100% Decent Homes by 2020.

We are particularly pleased to be able to support the policies of the Housing Minister and Strategic Housing Unit to create greater opportunities for local people to buy their first home. Andium Homebuy, our deferred payment scheme, remains popular with both clients and lenders and I am delighted that we will soon be able to extend this beyond our existing stock to newly built homes. Agreements are in place for the delivery of 40 new homes for affordable purchase at Samares, St Clement, and we have been chosen by the Parish of St Peter to pursue a development of 65 affordable homes in the Parish.

Andium Homes aims to offer the highest quality of services and ensure a positive experience for our clients. A major achievement during 2016 has been the development of Andium Extra, which includes a number of projects that have seen us working in partnership with a greater number of key partners to deliver a strategy for meeting the needs of our ageing clients.

I am particularly excited about our plans to work with Age Concern to deliver a new, purpose built modern facility from which they will be able to deliver their much-valued services in the future. We also continue our discussions with the Grace Crocker Family Support Foundation to find innovative solutions to their accommodation needs, specifically for local patients and their families visiting the UK for treatment. Andium Homes plays an important role in the wider community, we are not just about homes and working with these and other agencies will enable us to build on our existing reputation for taking our social and community responsibilities seriously.

Ensuring "best practice" governance and strong operational and financial performance whilst achieving value for money is something the Board continues to focus on in order to maintain our high standards. We continue to maintain a robust business model, which underpins our long-term strategic decisions, including our capital expenditure programme.

On a final note, it is with great pleasure that we welcomed a second Non-executive Tenant Director onto the Board. Judy Beaumont has been a resident of Andium Homes for over fourteen years and I know she will bring much value to our Board discussions. 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.

Michael Jones
Chair
19 April 2017

Chief Executive's Review

I am delighted to present our Annual Report for 2016, which covers our activity and performance during what has been a very busy twelve months. Our Strategic Business Plan made a number of commitments and this report demonstrates our achievements against that ambitious plan, and the significant progress we have made on delivering on those promises.

At Andium Homes' we believe in changing people's lives through providing great homes and places. We have listened to our clients and developed our objectives around what they want:

- An excellent client experience
- Great homes in safe communities
- More homes and specialised services
- Affordable home ownership

To deliver this we focus on maintaining our position as a sustainable housing provider that is financially strong. We must also attract and retain the talented colleagues we need to achieve our objectives.

Delivering a renowned client experience

We believe our people should expect an excellent experience from us in every service we provide and through every interaction with us.

The feedback we receive from all shapes the development of our services. We know that people value a decent home, with an excellent planned maintenance and emergency repair service, ample and controlled parking and for anti-social behaviour to be dealt with swiftly. That is why we are working hard to provide continuous improvement to our services and the way in which we deliver those services.

We are continuing to engage with our clients as this provides more opportunities for us to understand what they value. We delivered a wide and varied programme of community events throughout the year that highlighted our services. It was refreshing to see some of these events delivered in partnership with other agencies, such as the States of Jersey Community Policing Team, Jersey Archives, The Bridge Family Centre and the Youth Service.

We successfully delivered the first Andium Academy programme in 2016, taking a group of 12 people through a programme of sessions covering each of our service areas. The aim of the Academy is to inform people about the services we provide, generate feedback on those services, promote the importance of two-way communication and build mutually respectful relationships. Those that took part benefited from the knowledge they gained and feel able to act as ambassadors for the Company within their own communities. It is only by building trusting relationships that we can work to improve the services we provide and understand what new services might be required.

A key achievement for 2016 has been the development of new tenancy agreements which provide a more consistent approach and are less restricting and intrusive, less focused on preventing good tenants from doing reasonable things. The suite of new agreements also has the benefit of providing a more defined security of tenure. We were pleased to have involved resident focus groups in the development of these agreements.

Implementation of our IT Strategy has progressed throughout the year. I am pleased to report that colleagues now have the ability to work remotely from outside the office, making the delivery of our services more efficient. Further phases of our new housing and finance management system will go live in 2017, which will provide many efficiencies and modernised services, allowing people, for example, to download rent statements and pay rent online.

Providing great homes in safe communities

We believe that everyone has the right to a Decent Home in a safe community. Our extensive planned maintenance programme and major capital refurbishments have led to the number of homes meeting the Decent Homes Standard increasing to 93%, which is well ahead of programme.

We have delivered major improvement works at Nicolle Close, Windsor Court (previously named Caesarea Court) and Clos Des Sables in St Brelade. We also have a significant planned maintenance programme, which saw investment of £11.3m last year. Planned works include roofing, external decorations, new doors and windows, thermal upgrades, a focused kitchen and bathroom replacement programme and electrical and mechanical improvements.

In early 2017, we began the refurbishment of 73 homes at Convent Court, Val Plaisant. We plan to perform similar works to the Hue Court and Le Marais high rises as we systematically address the maintenance backlog we inherited when the properties transferred to Andium Homes in 2014.

A summary of the major refurbishment projects is below.

	No. of homes	**Status**
De Quetteville Court	32	Delivered in 2015
Hampshire Gardens	39	Delivered in 2015
Nicolle Close	20	8 delivered in 2015, 12 delivered in 2016
Windsor Court (previously Caesarea Court)	52	24 delivered in 2016, 28 in early 2017
Convent Court high rise	73	Work commenced in early 2017
163-170 Clos des Sables	8	Completed January 2017
Hue Court high rises	90	Due to start on site in 2018
Le Marais high rises	224	Due to start on site in 2018
	538	

Whilst the refurbishment work is necessary and brings about significant benefits, we do understand that the need to move home to make way for a redevelopment can be unwelcome. We have developed a decant strategy which takes this into account and we consult residents regularly when they are to be affected. We support people in finding new homes and ensure that this unavoidable move is as easy as possible.

An initiative that 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 around 100 homes. We visit those neighbourhoods on a quarterly basis to engage with residents and ensure the open and communal areas meet the Andium Standard.

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

In delivering our commitment to provide safe communities, we have continued to offer financial assistance to support our community groups and associations. Our "Inspiring Communities Fund" has delivered a number of benefits across our neighbourhoods, from the installation of electric door openers, to the provision of benches, bike racks, additional parking spaces, whirly washing lines, planters and general financial support for community events.

The new suite of Tenancy Agreements and subsequent reviews will give us the opportunity to meet with clients more regularly, to understand how their needs might have changed and how we can better assist them – and importantly, enable us to act more swiftly and firmly to resolve issues of anti-social behaviour.

Supplying more homes & specialised services

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

Since incorporation, we have delivered 227 new homes across the Island:

	No. of homes	**Status**
Les Anquetils (Le Squez phase 2c)	24	Completed in 2014
Andium Court	80	50 completed in 2014, 30 completed in 2016
Ernest Briard Crescent	35	Completed in 2015
Brooklyn Court	23	Completed in 2015
School Road (Le Squez phase 3)	21	Completed in 2015
Walter Benest Court	44	Completed in 2016
	227	

We have an ambitious capital programme to deliver a further 1,000 new homes by 2020.

	No. of homes	**Status**
Le Squez phase 4	151	Site demolished, due to commence 2017
La Collette low rise	147	Due to commence October 2017
Ann Court	165	Due to commence in 2017
Samares nurseries	200	Due to commence in 2017
Summerland	86	Due to commence in 2017
Convent Court low rise	24	Due to commence in 2018
Other sites (commercially sensitive)	225	Due to commence from 2018
Field 632, St Peters	65	Due to commence in 2018
	1,063	

Whilst we had hoped to be on site at La Collette Low Rise and the final phase at Le Squez during 2016, the planning process, which we dutifully follow, has unfortunately caused delays to these projects. We have now received planning permission to commence both projects and will commence work in 2017.

Whilst the priority for new homes has been to add to our rental portfolio, we are equally committed to delivering affordable homes to purchase. Of the 200 homes being developed at Samares nurseries we will be providing 40 three-bedroom homes to sell using our deferred payment scheme, with the remaining 160 added to our existing rental stock.

The Island's Parishes continue to be the hub for many communities and we were delighted to have been chosen by the Parish of St Peter to deliver a new scheme for First Time Buyers. This site remains in the planning process but we have already pulled together a design team and look forward to progressing this project.

Of course, to build new homes we need new land and we continue to work both with the private sector and with Jersey Property Holdings to unlock suitable sites. We are pleased to have taken ownership of the Summerland site and will be starting this project at the end of 2017.

Whilst our homes are being upgraded to meet the Decent Homes Standard, we are also acutely aware of the changing needs of our older clients. Our medical adaptation scheme has been reviewed and is now more in tune with our extensive bathroom replacement programme. Adapting homes to better meet the needs of those with poor mobility or disabilities continues to be a focus for our teams. This helps our clients to live safely and independently in their home for longer, and to this end, we carried out 235 adaptations in 2016.

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.

We have a dedicated Independent Living Team, which we will be expanding this year in order to implement some new and exciting services linked to our "Andium Extra" strategy. A new Wellbeing Service will be established to assist our older clients with basic support to continue to live independently and to tackle instances of isolation, along with some practical assistance from a new Handyperson Service.

Promoting affordable home ownership

We are passionate about making homeownership a reality through our Andium Homebuy scheme. We provide affordable homes to people who thought home ownership was out of their reach, with a typical 3-bedroom house priced at £370k. Our Homebuy scheme also enables purchasers to defer up to 25% of the First Time Buyer purchase price.

We sold 15 of our existing properties in 2016 and plan to provide opportunities for over 300 new homeowners over the next 5 years, selling more of our existing homes and developing new ones.

This popular scheme has allowed us to diversify the sales of our existing stock and in 2016 we were able to add to the sale of three bedroom homes with some one and two bedroom flats. This has encouraged more residents to register with the Affordable Housing Gateway, which in turn enables us to better understand demand. Our Sales Strategy has been adapted to reflect that demand and, therefore, we will focus efforts on a wider range of homes to sell. Part of that Strategy is to review existing homes as they become available and assess viability for their future use, which enables us to potentially free up properties for sale.

As mentioned earlier, we are also working with the Parishes to identify sites that could be developed for affordable homes, with our next project being with the Parish of St Peter where we hope to deliver 65 homes for First Time Buyers.

During 2016 we were also pleased that Skipton International joined existing lenders in providing mortgages against our deferred payment scheme, giving people more lending choices.

Maintaining financial strength and stability

Maintaining financial strength and stability is essential in order for us to achieve our objectives. I am pleased to report that we continue to maintain a strong and stable balance sheet and cash position. In 2016, we outperformed our budget and delivered an operating surplus (before depreciation and impairments).

In 2016, we paid £27.7m to the States of Jersey in line with our transfer agreement. We will pay the same amount plus inflation in 2017 and each year thereafter. In 2016, we also made loan repayments to the States of Jersey to the value of £3.4m as well as £3.0m in loan interest.

We have utilised States of Jersey borrowing to fund our capital projects with outstanding debt at the end of 2016 amounting to £68.5m. We will use the rental income generated from the new homes to repay these loans.

As an independent company, we are able to enter into longer term contracts with our suppliers which can provide enhanced value for money and improved services. In 2016 we retendered our kitchen and bathroom contracts, involving tenants at every stage, which brought about numerous and significant benefits, such as a choice of 3 worktop styles, 5 floor vinyl colours, 3 handle designs and 3 tile colours when they have their kitchen replaced, and a new contract which offers better value for money for us.

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

An employer which attracts and retains talent

Our reputation as an employer is important in order for us to retain and attract talented individuals. With the Appointments and Remuneration Committee, we have developed a more modern set of employment terms and conditions, along with a new suite of related policies. I am delighted that all colleagues have now signed their new modernised and flexible contracts, which will assist us in delivering future objectives.

Ensuring we have the right people in the right roles is also important if we are to deliver our objectives. We carry out regular reviews to company and team structures in order to ensure that we are flexible and able to respond to the changing needs of the business.

We continue to support our colleagues with ongoing training and development, sponsoring professional development in Governance, Capital and Health & Safety during 2016. Andium Homes boasts many professionally qualified people in the areas of surveying, accounting and housing.

Having a focus on our colleague's well-being led us to deliver a number of companywide training sessions around De-escalation techniques and Mindfulness. The roles carried out by many of our colleagues can expose them to difficult and unpleasant situations, providing the tools to enable them to deal with this appropriately and to maintain their mental health is important to us.

We have also moved to a more mobile way of working, with colleagues able to access email and diary commitments whilst out of the office. As our new housing and financial management system is implemented colleagues will also be able to access and update the live system, making our services more efficient and streamlined.

Our Bursary Scheme continues to attract new talent to a career in housing and we are currently supporting two students in their university studies and have provided valuable work placements for each of them. We were pleased to show case career opportunities at the Beaulieu School Careers Fair and the Jersey Skills Show in 2016.

Conclusion

I am delighted with the progress made in 2016. When reflecting on the challenges we set ourselves in the last Strategic Business Plan, challenges we framed as “ambitious”, I am increasingly proud of the visible manifestation of what has been achieved. The townscape is changing with magnificent high rise refurbishments. We are injecting new life and thriving communities into areas of town which have for too long appeared abandoned. We have faced our challenges and hit a few obstacles along the way, but our ability to find confident and positive solutions has overcome them.

As an organisation, Andium Homes is just some 50 members of staff. Colleagues have embraced our values and new working culture, demonstrated by the significant performance evidenced in this report. Their passion for delivering leading edge, affordable and sustainable housing solutions is, I believe, now making us stand out from the rest.

Ian K Gallichan
Chief Executive

19 April 2017

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

Financial strength and stability continues to be 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 facilitate strategic decision making.

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

In our 2016-2020 Strategic Business Plan we committed to bring all stock up to the Decent Homes Standard by 2020, some 4 years ahead of the target contained in our previous business plan. In 2016, we spent £11m on maintenance expenditure (including replacement components) which brought our stock up to 93% compliance. From 2017, we plan to spend £12m - £13m per annum in order to bring all stock up to the Decent Homes Standard by 2020, as set out in our 2016-2020 Strategic Business Plan.

Our 2016-2020 Strategic Business Plan includes an ambitious capital programme to develop a thousand new homes over the next 5 years, as well as complete major refurbishments to a further 200 of our existing homes. The capital programme will, to the extent possible, be funded by borrowing from the States of Jersey. Private borrowing options will be explored where States of Jersey borrowing is not available. All loans will be repaid from net rents generated. Loans are put in place for each capital project, generally for a period of 25-30 years, although the Company is modelled to have sufficient cash resources to repay all loans early, by 2040.

We will continue to deliver the agreed annual return to the Guarantor, which will be adjusted annually by Jersey RPI, currently forecast at £28.2m for 2017.

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

In 2016, we outperformed our budget and delivered an operating surplus (before depreciation and impairments) and project similar surpluses for all future years included in the 2016-2020 Strategic Business Plan.

We will continue to provide opportunities for affordable home ownership through our Andium Homebuy scheme. We plan to sell 25 properties per annum from our existing stock as well as a number of newly developed properties. The proceeds fund, to the extent necessary, capitalised maintenance costs.

The level of maintenance and building activity has a further benefit of providing improved growth and stability in the construction industry and we remain committed to supporting the local Construction Industry.

Further information in relation to our business model and our future plans is included in our 2016-2020 Strategic Business Plan which is available on our website.

Financial review of the year

We are pleased to report an operating surplus before depreciation & impairment of £5,757k (2015: £2,795k) (compared to the budgeted surplus of £3,898k). This is after returning the agreed £27,728k (2015: £27,439k) to the Guarantor.

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.

Statement of Comprehensive Income review

The actual versus budget results are set out below.

	Actual	Budget*	Difference
	£'000	**£'000**	**£'000**
Rental income	46,091	45,376	715
Other income	2,374	2,144	230
Maintenance	(7,768)	(8,412)	644
Staff costs	(3,668)	(3,520)	(148)
Other expenses	(3,544)	(4,038)	494
Operating surplus before the return to the Guarantor, depreciation & impairment	**33,485**	**31,550**	**1,935**
Return to the Guarantor	(27,728)	(27,652)	(76)
Operating surplus before depreciation & impairment	**5,757**	**3,898**	**1,859**
Other:			
Interest Receivable and Investment Income	127	44	83
Interest payable and similar charges	(2,549)	(2,517)	(32)

*This is the annual budget authorised by the Board of Directors at the start of 2016, which differ slightly from the financial projections indicated in the 2016-2020 Strategic Business Plan.

Overview

2016 has been a strong year for the Company.

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

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

Our overall expenditure, including maintenance expenditure, is lower than budgeted with no reduction in our services.

Rental income

Rental income has outperformed budget by £715k for the following reasons:

- Jersey RPI was higher than predicted which had a consequential impact on the annual rent adjustment (this is largely offset by the higher than expected return to the Guarantor which is also linked to Jersey RPI);
- Rent not charged for the period between a tenancy ending and a new tenancy commencing was reduced due to the introduction of Choice Based Lettings; and
- New tenancies, which are charged at the new rent policy, were weighted to the earlier part of the year resulting in the new rent charges applying for more of the year than expected

The introduction of Choice Based Lettings was in response to the high refusal rate experienced in 2015, and follows UK best practice. Under Choice Based Lettings, we advertise our available properties on our website enabling clients to express an interest for the properties, providing more transparency and choice to clients. Properties are still offered to the Gateway applicant assessed as being in the highest priority, but only from a pool of those who have expressed an interest. Following the introduction of Choice Based Lettings we have reduced the period that our properties are empty between tenancies and are now consistently meeting our targets in this area. Our average weekly rent loss has reduced from £13k at the start of the year to £5k at the end of the year.

We have built on our success in rent collection with arrears amounting to 0.9% of annual rental income, which places us in the top 10% of UK Housing Associations.

The Company also owns 6 properties which are occupied by charitable organisations including the Shelter Trust and Women's Refuge. The rental received is below the market rent achievable and as a result, the company is affording the occupiers a subsidy equivalent to £258k per annum. This further demonstrates our commitment to the wider community.

Other income

Other income has exceeded that budgeted predominantly due to higher than expected recovered costs and insurance claims.

Maintenance expenditure

At 31 December 2016, 93% of properties met the Decent Homes Standard, ahead of the target of 91% and the prior year figure of 88%.

In our 2016-2020 Strategic Business Plan we committed to bring all stock up to the Decent Homes Standard by 2020, some 4 years ahead of the target contained in our previous business plan. We are on track to achieve this commitment.

Maintenance work is planned to systematically bring all stock up to Decent Homes Standard across our stock whilst also responding to repairs of an emergency nature. The £644k which remains unspent relates to either work which was not required to be carried out in 2016 or works which will be completed in 2017.

Maintenance expenditure reported in the Statement of Comprehensive Income for 2016 amounts to £7,768k. A further £3,546k of maintenance work has been undertaken and capitalised during the period.

Staff costs

Staff costs are higher than budgeted due to an allowance being made in 2016 for a one-off past service pension liability of £164k.

Other expenses

Other expenses are £494k lower than budgeted predominantly due to lower than expected costs of site investigation and assessment in relation to future development of homes and certain other costs being less than expected.

Return to the Guarantor

The Company has delivered the agreed return to the States of Jersey of £27,728k for the year. In accordance with the Transfer Agreement entered in to between Andium Homes and the States of Jersey, the Company will continue to deliver a quarterly return to the States of Jersey of £7,010k which will continue to be adjusted annually in October by Jersey RPI.

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

Interest receivable and Investment income

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

Interest payable and similar charges

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

Interest charges during construction are included in the cost of the project. On completion, interest charges are included in the Statement of Comprehensive Income. The charge to the Statement of Comprehensive Income is higher than budgeted due to capital projects being completed ahead of that budgeted.

Statement of Financial Position review

The Company presents a strong asset position with overall net assets of £779,430k.

Property assets

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

During 2016, £10,482k has been invested in capital projects and £3,546k has been invested in the replacement of housing components (such as kitchens and bathrooms). Capital expenditure is lower than anticipated in 2016 due to a number of projects, namely Le Squez phase 4 and La Collette low rise, experiencing significant planning delays following the introduction of the 3rd Party Appeal System.

15 properties were sold from our existing stock during the period with a gross sales value of £4,750k. £691k 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 £4,059k.

Property sales achieved were lower than the target of 20 sales. Properties identified as suitable for sale are sold when tenancies associated to these properties come to an end. In 2017, we will develop procedures to ensure more properties suitable for sale become available. In doing so, we will look to downsize those that are under occupying and, for those that are fully occupying properties but are happy to move, we will provide suitable alternative properties.

The value of property assets, determined by independent valuations, has increased by £70,607k. This is driven by the increase in rentals as the Company moves towards charging 90% of market rates and the improved condition of the properties in relation to the Decent Homes Standard.

Cash

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

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

Cash at 31 December 2016 amounted to £19,025k, which represents a strong and stable cash position for the Company. Of the cash balance, £7,010k is held to pay the Return to the Guarantor in January 2017, approximately £3,000k to cover two months revenue expenditure and the balance is ring-fenced for capital projects.

Borrowing

The Company has entered into loan agreements with the States of Jersey with total outstanding borrowing amounting to £68,475k as at 31 December 2016. Borrowing is taken out to fund capital projects and repaid from net income generated, repayments made in 2016 amounted to £3,433k.

Interest on loans is paid quarterly at a fixed interest rate of 4.3% - 5.0% per annum. Interest paid in 2016 amounted to £3,042k.

Key Performance Indicators

A summary of actual results against targets for the Company's key performance indicators is given below. Further explanation of the actual results is provided in the preceding sections.

	2016 Actual	2016 Target*
Delivering a renowned client service		
Community events delivered	15	12
Number of clients progressing through the Andium Academy	12	12
Overall client satisfaction	80%	80%
Providing great homes in safe communities		
% of homes meeting the Decent Homes Standard	93%	91%
Major refurbishment of existing properties[1]	36	12
Supplying more homes and specialised services		
Gross new home completions[2]	44	44
Promoting affordable home ownership		
Minimum number of existing properties sold[3]	15	20
Minimum net proceeds from property sales	£4.1m	£4.8m
Maintaining financial strength and stability		
Operating surplus before depreciation and impairment	£5.7m	£3.9m
Cash held	£19.0m	£13.2m
Minimum rent charged as a % of market rent	76%	76%
Maximum rent arrears as a % of rental income and charges	0.9%	1%
Maximum number of unlet properties at any time[4]	19	30
Agreed financial returns delivered to the States of Jersey	£27.7m	£27.7m
An employer that attracts and retains talent		
Maximum colleague sickness levels (average over 12 month period)	6	5

*This is the target authorised by the Board of Directors at the start of 2016, which differs in some cases to the targets indicated in the 2016-2020 Strategic Business Plan.

[1]The major refurbishment of 12 units was completed at Nicolle Close and the major refurbishment of 24 units at Windsor Court (previously Caesarea Court) were completed in 2016 ahead of the expected completion in 2017.

[2]44 new units were completed at Walter Benest Court.

[3]See Property Assets section in this Financial Review for further information.

[4]The number of unlet properties has reduced following the introduction of Choice Based Lettings which has generated additional rental income in 2016. See Rental Income section in this Financial Review for further information.

Principal Risks and Uncertainties facing the Company

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

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

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

Principal risks

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

Financial risk

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

The potential future financial risks that could impact the liquidity of the Company are as follows:

- Sufficient funding for capital projects is not achieved;
- Funding is available on less preferable terms than projected;
- Capital projects become unaffordable due to price inflation in the Construction Industry, resulting from additional activity;
- Rental income is lower than projected due to a change in the rent policy;
- Rental income is lower than projected due to insufficient demand from the Affordable Housing Gateway;
- Rental income derived from capital projects is lower than projected due to RPI being lower than expected;
- 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 A[1] rezoned land and a limited appetite for more;
  - Renewed confidence in the development sector boosting the value of Category B[2] land;
  - Additional supply impacting on market rents generally; and
  - An increase in new development activity by other existing providers;
- Inability to retain or recruit sufficient high quality staff;
- Inability of the construction industry to supply to the Company's demand due to capacity constraints; and
- New IT system implementation interrupts continuity of services and operational records
- Data is compromised through a cyber security issue resulting from the Company's move to a cloud environment

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.

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.

[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 as this is essential to ensure sound financial practice and the delivery of an appropriate social 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 7 times in 2016, with attendance at these meetings indicated below:

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

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 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 are reviewed annually by the Committee with recommendations made to the Andium Homes' Board, with material changes being subject to the prior agreement of the Guarantor. The Committee endeavours to ensure that the value of remuneration packages of the two executive directors matches the Board's policy on market position and sits appropriately against comparator organisation benchmarks.

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

The total salary of the Directors in relation to the year ended 31 December 2016 is set out below:

	Salary/Fees
	£
Michael Jones	40,000
Jane Martin	15,000
Frank Walker OBE	15,000
Heather Bestwick	15,000
Colin Russell	15,000
Ian Gallichan	150,000
John Hamon	120,000
Total	370,000

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. Total remuneration paid to these individuals, including pension contributions, in relation to services provided in 2016 was £706k (2015: £702k).

Risk and Audit Committee

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

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.

Following a competitive tendering process, external auditors were appointed in 2014 for a period of 3 years. The Committee are satisfied that the auditors are able to express their opinion independently.

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

On the recommendation of the Risk and Audit Committee, the Board has implemented the Company's Risk Management policy which includes the creation and maintenance of a Company risk register and the development of an internal compliance function.

The Risk and Audit Committee pays particular attention to the mitigation of key risks facing the Company, including the procurement and implementation of the new IT system. Cyber Security has been a particular focus in 2016 given the move to a hosted cloud environment with Microsoft. During 2016, an audit of the Company's Cyber Security was undertaken by a third party specialist which provided assurance and recommendations as to the controls and governance in this area, which includes provision for Cyber Protection insurance.

The Risk and Audit Committee considers the Company's risk management and internal controls systems to represent Best Practice. This opinion has been shared with the Board who are in agreement with the Committee.

The Guarantor

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

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

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

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

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

Strategic Housing Unit

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

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 Housing Minister has published her Housing Strategy R.29/2016.

The Strategic Housing Unit is also responsible for the Affordable Housing Gateway, a consolidated waiting list used by all 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 year ended 31 December 2016.

Directors of the Company

The Directors of the Company are Michael Jones (Chair), Heather Bestwick (re-appointed 1 July 2015), Jane Martin (re-appointed 1 July 2016), 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 10 to 15.

Post balance sheet date events

The Board of Directors is not aware of any significant events affecting the Company after the 2016 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.

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 22.

By Order of the board

Michael Jones
Chair
19 April 2017

John Hamon
Finance Director
19 April 2017

Directors' Responsibilities Statement

The Board of Directors is 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 10. 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 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

We have audited the financial statements of Andium Homes Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 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.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 22, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable Accounting Standards and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its surplus for the year then ended; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law, 1991 as amended.

Opinion on other matters:

- the information given in the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Principal Risks and Uncertainties Facing the Company, Governance, Director's Report and the Director' Responsibilities Statement 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
- 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.

Ewan John Spraggon

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

20 April 2017

Statement of Comprehensive Income

For the Year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Rental income		46,091	43,323
Other income		2,374	2,385
Operating costs (excluding depreciation & impairment)		(14,980)	(15,474)
Operating Surplus before the return to the Guarantor, depreciation & impairment	**2**	**33,485**	**30,234**
Return to the Guarantor	**3**	(27,728)	(27,439)
Operating Surplus before depreciation & impairment		**5,757**	**2,795**
Depreciation & impairment		(18,182)	(16,659)
Operating deficit		**(12,425)**	**(13,864)**
Fair value gains on financial instruments	**10**	306	1,196
Interest receivable and similar income		127	97
Interest payable and similar charges	**4**	(2,549)	(1,746)
Realised surplus from disposal of financial assets		123	156
Deficit for the year		**(14,418)**	**(14,161)**
Other comprehensive income			
Unrealised surplus on revaluation of housing properties	**7,11**	70,607	46,510
Unrealised surplus on revaluation of other assets	**8,9**	100	412
Total comprehensive income for the period		**56,289**	**32,761**

The notes on pages 29 - 46 form part of the financial statement

Statement of Financial Position

As at 31 December 2016	Notes	2016	2015
Fixed Assets		**£'000**	**£'000**
Housing Properties	**7**	810,556	748,742
Property, Plant and Equipment	**8**	6,706	6,481
Investment Properties	**9**	400	345
Financial Assets	**10**	18,955	18,742
		836,617	**774,310**
Current Assets			
Housing Properties held for sale	**11**	1,082	1,007
Debtors	**12**	2,152	2,481
Cash and cash equivalents	**14**	19,025	26,076
		22,259	**29,564**
Amounts Falling due within one year :			
Creditors	**15**	(2,225)	(1,858)
Accrued expenses	**16**	(9,736)	(10,243)
Borrowing	**17**	(1,455)	(3,339)
		(13,416)	**(15,440)**
Net Current Assets		**8,843**	**14,124**
Total assets less current liabilities		**845,460**	**788,434**
Amounts falling due after more than one year			
Borrowing	**17**	(66,030)	(65,293)
Net Assets		**779,430**	**723,141**
Capital and reserves			
Housing property revaluation reserve		(135,165)	(64,558)
Office premises revaluation reserve		(512)	(412)
Retained earnings		(643,753)	(658,171)
		(779,430)	**(723,141)**

The financial statements were approved by the Board of Directors and authorised for issue on 19 April 2017 and were signed on its behalf by:

Michael Jones
Chairman

John Hamon
Finance Director

The notes on 29 – 46 form part of the financial statements.

Statement of Changes in Equity

For the Year ended 31 December 2016

	Housing property revaluation reserves	Other assets revaluation reserves	Retained earnings	Total reserves
	£'000	£'000	£'000	£'000
Balance at 1 January 2015	18,048	-	672,332	690,380
Deficit on ordinary activities	-	-	(14,161)	(14,161)
Other comprehensive income for the year	46,510	412	-	46,922
Balance at 31 December 2015	64,558	412	658,171	723,141
Deficit on ordinary activities	-	-	(14,418)	(14,418)
Other Comprehensive Income for the year	70,607	100	-	70,707
Balance at 31 December 2016	135,165	512	643,753	779,430

The notes on pages 29 – 46 form part of the financial statements.

Cash Flow Statement

For the year ended 31 December 2016

	Notes	2016	2015
		£'000	£'000
Net cash inflow from operating activities	**24**	**5,946**	**3,077**
Returns on investments and servicing of finance			
Interest and similar charges received		127	97
Interest and similar charges paid	**4**	(3,042)	(2,298)
Net cash outflow from returns on investments and servicing of finance		**(2,915)**	**(2,201)**
Capital expenditure and financial investment			
Additions to Housing Properties	**7**	(13,440)	(26,673)
Purchase of Property, Plant and Equipment	**8**	(366)	(1,342)
		(13,806)	**(28,015)**
Reduced by:			
Redemption of housing bonds	**10**	907	434
Sale of housing properties net of bonds issued	**5**	4,059	4,603
Net cash outflow from capital expenditure and financial investment		**(8,840)**	**(22,978)**
Financing			
Repayment of borrowing	**17**	(3,433)	(927)
Borrowing drawn down	**17**	2,191	30,093
Net cash (outflow)/ inflow from financing		**(1,242)**	**29,166**
Increase in cash in the period		**(7,051)**	**7,064**
Opening cash and cash equivalents balance		26,076	19,012
Closing cash balance	**14**	**19,025**	**26,076**

The notes on pages 29 – 46 form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2016

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 2016 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, 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 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, 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.

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 are held at cost until they become available for letting.

Housing properties identified for sale are classified as housing properties held for sale.

j) Investment properties

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

k) Sale of housing properties

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

l) Depreciation – housing properties

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

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

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

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

m) Property, Plant and Equipment

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

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

Depreciation is charged on a straight line basis as follows:

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

Office premises were valued at fair value. The aggregate surplus or deficit on revaluation is the difference between the cost of the property less accumulated depreciation and the amount of the valuation. Revaluation surplus is recognised in other comprehensive income and transferred to the Office Premises revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit is charged (or credited) to the Statement of Comprehensive Income.

n) Impairment of Fixed Assets

Where indicators of impairment have been identified, an impairment assessment is carried out and any required charges are recognised in the Statement of Comprehensive Income.

Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use at the date an impairment loss is recognised. Value in use represents the net present value of expected future cash flows from these units. Impairment of fixed assets are recognised in the Statement of Comprehensive Income.

o) Leases

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

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

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

p) Financial Instruments

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

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

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

Financial Assets

i. ***Housing bonds***

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

ii. ***Trade Debtors***

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

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

Financial Liabilities

i. ***Trade creditors***

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

ii. Borrowings

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

q) Pension costs

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

r) Taxation

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

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

s) Provisions and contingencies

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

t) Disclosure exemptions

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

The Company has taken advantage of the following exemptions:

i. FRS 102.33.11 – Exemption from related party disclosure requirements 33.9 in relation to a state that has control, joint control or significant influence over the reporting entity.

u) Frequency of reporting and comparative information

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

v) Key Related parties

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

w) Critical accounting estimates and assumptions

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

i. ***Useful lives of tangible fixed assets***
Tangible fixed assets are depreciated on a systematic basis based on management's best estimate of the asset's useful life. This estimate is based on a variety of factors such as the expected use, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

ii. ***Impairment of assets***
Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or an Existing Use Value calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices.

iii. ***Valuation of housing and Investment properties***
The Company carries its housing properties on an Existing Use Value. Revaluation deficits or surpluses are recognised in other comprehensive income and accumulated in equity. In determining the value, assumptions are made of the discount rate, future costs to be incurred such as management costs, total repair costs and the amount of bad debts and voids.

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

The Company's housing and investment properties were valued as at 31 December 2016 by independent professionally qualified valuers who hold a recognised professional qualification and have experience in the properties valued. The Company reviews the valuations performed by the independent valuers for financial reporting purposes.

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

2. Operating Deficit

Operating deficit is stated after charging:

	2016	2015
	£'000	£'000
Depreciation	11,511	10,623
Impairment*	6,671	6,035
Wages & Salaries	2,890	2,658
Social Security costs	150	146
Other Pension costs	510	337
Repairs; cyclical, planned, day to day	7,768	8,301
Auditors remuneration - audit services	43	43

*Impairments are principally attributable to completed refurbishment projects. Project costs are capitalised and may be subsequently impaired when the estate is revalued.

3. Return to the Guarantor

	2016	2015
	£'000	£'000
Return to the Guarantor	27,728	27,349

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 3, by the June Jersey Retail Price Index ("RPI") of the same year.

These payments would continue indefinitely. It is the view of the Board of Directors that the Annual Return payable to the Guarantor should be classified separately from the transfer of net assets at incorporation and recognised as an expense in the Statement of Comprehensive Income.

4. Interest payable and similar charges

	2016	2015
	£'000	£'000
Interest on loan agreements with States of Jersey	2,549	1,746

The interest charge of £2,549k (2015: £1,746k) comprises £2,454k (2015: £1,653k) of interest and £95k (2015: £93k) of bond set-up fees which are amortised over the lifetime of Loan 1. Further finance costs of £588k (2015: £645k) 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

	2016	2015
	£'000	£'000
Gross Proceeds	4,750	5,809
Net Asset Cost (Cost less accumulated depreciation)	(4,750)	(5,809)
Gain / (loss) on sale	-	-

Housing properties are revalued at the date of being identified for disposal. Gross proceeds is the total amount of cash received being £4,059k (2015: £4,603k) plus housing bonds issued during the period £691k (2015: £1,206k) (refer to note 10).

6. Employee Information

	2016	2015
The average full time equivalent number of persons employed in the period was:	49	48
The average number of persons employed in the period was:	51	50

	£'000	£'000
Staff costs (including Directors emoluments):		
Wages and salaries	2,890	2,658
Social security costs	150	146
Pension costs	510	337
Other staff costs	118	85
Total staff costs	**3,668**	**3,226**

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

7. Housing properties

	Held for letting	Under construction	Total housing properties
Cost	**£'000**	**£'000**	**£'000**
At 1 January 2016	746,194	12,369	758,563
Additions (note a)	3,546	10,482	14,028
Transfer from under construction to held for letting	13,847	(13,847)	-
Disposals (note 11)	(4,825)	-	(4,825)
Revaluation	58,035	-	58,035
At 31 December 2016	**816,797**	**9,004**	**825,801**
Depreciation & impairments			
At 1 January 2016	(9,821)	-	(9,821)
Charged during the period	(11,326)	-	(11,326)
Impairments recognised	(7,154)	-	(7,154)
Impairments reversed	484	-	484
Revaluation	12,572	-	12,572
At 31 December 2016	**(15,245)**	**-**	**(15,245)**
Net book value as at 31 December 2016	**801,552**	**9,004**	**810,556**
Net book value as at 31 December 2015	**736,373**	**12,369**	**748,742**

Where indicators of impairment have been identified an impairment assessment is carried out and those charges recognised in the Statement of Comprehensive Income. Valuations have been carried out as at 31 December 2016 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").

(a) The amount of £14,028k (2015: £27,318k) is reflected as £13,440k (2015: £26,673k) in the cash flow statement as the above amount includes £588k (2015: £645k) of finance costs capitalised. These finance costs are included as part of 'interest and similar charges paid' within the cash flow statement.

7. Housing Properties (continued)

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

Historical Cost	Held for letting £'000	Under construction £'000	Total housing properties £'000
Carrying value 31 December 2016	665,917	9,004	674,921
Carrying Value 31 December 2015	671,345	12,369	683,714

8. Property, Plant and Equipment

Cost	Office premises £'000	IT Systems Development £'000	Infrastructure assets £'000	Total other fixed assets £'000
At 1 January 2016	**3,348**	**31**	**3,186**	**6,565**
Additions	72	294	-	366
Revaluation	-	-	18	18
At 31 December 2016	**3,420**	**325**	**3,204**	**6,949**
Depreciation				
At 1 January 2016	(84)	-	-	(84)
Charged during the period	(182)	-	-	(182)
Revaluation	23	-	-	23
At 31 December 2016	**(243)**	**-**	**-**	**(243)**
Net book value as at 31 December 2016	**3,177**	**325**	**3,204**	**6,706**
Net book value as at 31 December 2015	**3,264**	**31**	**3,186**	**6,481**

9. Investment properties

	2016 £'000	2015 £'000
At 1 January	345	352
Depreciation Charge	(4)	(7)
Revaluation	59	-
At 31 December	**400**	**345**

Investment properties consist of commercial properties rented at market rates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

10. Financial Assets

Housing bonds	2016	2015
	£'000	£'000
At 1 January	18,742	16,618
Redeemed during the period	(784)	(278)
Issued during the period	691	1,206
Unrealised surplus in the period	306	1,196
Valuation at period end	**18,955**	**18,742**

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 £123k (2015: £156k) from total receipts of £907k (2015: £434k).

11. Housing Properties held for sale

	2016	2015
	£'000	£'000
At 1 January	1,007	1,386
Transferred from Social Housing Assets	4,825	5,420
Disposals	(4,750)	(5,809)
Revaluation	-	10
At 31 December	**1,082**	**1,007**

12. Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Rental debtors – current	1,157	1,160
Rental debtors – Other	819	927
GST Receivable	272	456
Related party settlement account States of Jersey*	-	3
Less** - Provisions for former tenant rental debts	(188)	(127)
Provision for non-tenant debts	(62)	(91)
	1,998	**2,328**
Prepayments and accrued income	7	6
Other debtors	147	147
	2,152	**2,481**

*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. See note 15 for comparable balance.

** 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 £438k (2015: £398k).

13. Leases

	2016	2015
	£'000	£'000
Minimum lease payments receivable:		
Within one year	2,591	2,293
Within one to five years	94	114
More than five years	6	26
	2,691	**2,433**

Leases, being generally tenancy agreements for residential 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. There are 3 leases for commercial premises; one for 21 years ending in 2020 and two for 9 years ending in 2022.

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

14. Cash at bank and cash equivalents

	2016	2015
	£'000	£'000
Short term cash investments	19,025	26,076
	19,025	**26,076**

Cash balances as at 31 December 2016 include the early drawdown of loans on 31 December 2016 amounting to £1,303k (2015: £11.2million).

15. Creditors

	2016	2015
	£'000	£'000
Trade Creditors	862	375
Deferred income	1,276	1,483
Related party settlement account States of Jersey*	87	-
	2,225	**1,858**

* See note 12

16. Accrued Expenses

	2016	2015
	£'000	£'000
Return to the Guarantor	7,508	6,906
Goods and services received but not yet invoiced	2,228	3,337
	9,736	**10,243**

17. Borrowing

	2016	2015
	£'000	£'000
Loan instalments are due as follows:		
Within one year	1,455	3,339
After one year:		
Between one and five years	10,575	8,676
In over five years	55,455	56,617
	66,030	**65,293**

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17. Borrowing (continued)

On 17 November 2014, the Company entered into 3 separate loan agreements with the States of Jersey. The first loan agreement was put in place to repay advances totalling £38,489k. The advances were made to the States of Jersey Housing Department, prior to the incorporation of the Company, by the States of Jersey Treasury & Resources Department in order to fund capital projects. This includes projects noted in P.40/2012 Social Housing Schemes: Funding. The liability to repay the advances was transferred to the Company on incorporation along with the other assets and liabilities of the States of Jersey Housing Department.

Further loan agreements have subsequently been entered into with the States of Jersey. All loans are set out in the table below:

Loan	Total Loan Amount £'000	Brought Forward at 01/01/2016 £'000	Amount Drawn 2016 £'000	Amount Repaid in 2016 £'000	Amount Outstanding at 31/12/2016 £'000	End Date of Loan
Loan - 1*	38,429	37,502	-	(1,212)	36,290	31/12/2033
Loan - 2	4,741	4,740	-	-	4,740	31/12/2032
Loan - 3	9,675	9,091	584	-	9,675	31/12/2032
Loan - 4	-	-	-	-	-	-
Loan - 5	2,659	2,499	160	-	2,659	31/12/2033
Loan - 6	2,149	2,023	126	-	2,149	31/12/2038
Loan - 7	7,119	6,686	433	-	7,119	31/12/2042
Loan - 8	2,185	2,185	-	(2,185)	-	31/12/2016
Loan - 9	4,991	4,991	-	(36)	4,955	31/12/2039
Loan - 10	10,037	-	888	-	888	31/12/2043
Total Loans	81,985	69,717	2,191	(3,433)	68,475	
Set up costs*	-	(1,085)	-	-	(990)	
Total Liability		**68,632**			**67,485**	

Loan repayments of £3,433k were made during the year (2015: £927k).

Interest on all loans is paid quarterly at a fixed interest rate of 4.3% per annum (with the exception of Loan 9 on which interest accrues at 5% p.a.). 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 £9,149k (2015: £1,303k).

*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 £990k (2015: £1,085k).

18. Capital Commitments

Development expenditure contracted less certified or accrued as at 31 December 2016 amounted to £10,858k (2015: £10,218k).

In addition the Board of Directors has authorised expenditure on other fixed assets amounting to £573k (2015: £295k).

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 during the year amounted to £510k (2015: £337K).

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 2016 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 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 £7,010k per quarter and will be increased annually by Jersey RPI (see note 3).

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.

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.

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;
- Capital projects become unaffordable due to price inflation in the construction industry, resulting from additional activity;
- Rental income is lower than projected due to a change in the rent policy;
- Rental income is lower than projected due to insufficient demand from the Affordable Housing Gateway;
- Rental income derived from capital projects is lower than projected due to RPI being lower than expected;
- 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; and
- Data is compromised through a cyber security issue resulting from the Company's move to a cloud environment.

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 2016, the Board of Directors was not aware of any contingent liabilities (2015: nil).

24. Net Cash Inflow from Operating Activities

	2016	2015
	£'000	£'000
Operating deficit	(12,425)	(13,864)
Depreciation and impairment	18,182	16,659
Decrease in debtors	329	56
(Decrease)/Increase in creditors	(140)	226
Net cash inflow from operating activities	**5,946**	**3,077**

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 of Directors was not aware of any significant post balance sheet events after the 31 December 2016 having a significant impact on these financial statements.

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