

Jersey Homes Trust

Annual report and financial statements

For the year ended 31 December 2010

JERSEY HOMES TRUST

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JERSEY HOMES TRUST

Trustees

Michael Van Neste (Chairman)

Adv Steven Meiklejohn (Secretary)
resigned 30 November 2010

Martyn Scriven (Treasurer)

Ian Moore (Accountant)

Christopher Clarke
(Developments Director)

Paul Labesse (Estates Director)

Frank Dearie (Governance) appointed
2nd March 2010

Adv Phil Le Cornu (Secretary)
Appointed 12th October 2010

Independent Auditors

PricewaterhouseCoopers CI LLP
Chartered Accountants
Twenty Two Colomberie
St Helier
Jersey JE1 4XA

Legal Advisers

Ogier
Ogier House
The Esplanade
St Helier
Jersey JE4 9WG

Managing Agent

Brunel Management Limited
48-50 New Street
St Helier
Jersey
JE2 3TE

JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2010

My report last year considered the implications of the "Whitehead Review" of social housing and expressed the aspiration that its conclusions might be embraced by government and social housing providers, for the benefit of the sector. During the following twelve months the Housing Minister confirmed his intention to implement the Whitehead recommendation that the Housing Department should be re-constituted as a body at arm's length from the States. The process to achieve this will inevitably take time and the proposed body will not be in place before States' elections later this year, or any time soon after the elections. The financial objectives of the change will not sit well with the aim of reducing States' expenditure, which is seen as the main priority of current fiscal management.

Assuming that the change may be achievable, the sector meanwhile continues to under-perform in the procurement of new social housing. No significant rental developments were commenced during the three years awaiting publication of the Whitehead Report ("the Report") nor in the twelve months following publication. Any major housing scheme takes at least three years to complete, from land acquisition and design, appointment of consultants, funding, the planning process and actual construction. A pause of over six years in the supply of new affordable rental units will have undesirable consequences. It will also reverse previous progress made in the objective to eradicate poverty in Jersey. The shortage of affordable housing is the principal cause of poverty in the Island.

I look forward therefore to new initiatives and policies from the Housing Minister, informed by the various conclusions of the Whitehead Report. For example, the Report states that the rules in Jersey for eligibility for access to social rented housing are very restrictive and they are based on matching demand with supply in the sector. This has the effect of concealing the extent of actual need and results in the Island failing to meet adequately a vital social need. The Report goes on to say: "If (the States) is to address the requirements of those in longer term housing need then the size of the social sector must be increased..." "This would require a much more fundamental reorganisation of the housing system." "the number of households is very significantly above the number of dwellings in the Island -". The Jersey Homes Trust ("JHT") will be very supportive of the Minister and his Department in seeking solutions to these difficult problems.

Although eligibility as mentioned continues to be restrictive, the Housing Department waiting list for families accepted onto it continues to swell. It is the undeniable case that there is an acute shortage of social rented housing in Jersey.

The Report did not support the concept that shared-equity or similar schemes might make a substantive contribution to solving the problem. "The States' objectives of increasing owner-occupation are unlikely to be realised". The Jersey Homes Trust does support the concept of home ownership and has praised the Jersey Homebuy initiative. However, like Professor Whitehead, I doubt that this scheme will make a large contribution to the provision of affordable housing, especially in the present economic climate.

In recent years the Trust participated in three attractive housing developments, acquiring 45% of the homes for rental provision at about half the cost of homes to first-time buyers. This is a successful, tried and tested model and has been of great benefit to the sector and to the families we have been able to house. Given the low level of current interest rates it should be possible for the Trust to commit to such schemes without the necessity for any States' subsidies. The

JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2010

Trust will be able to replicate this success only through the necessary planning obligations being attached to future planning consents. All such decisions remain in the domain of the Environment Minister.

The Report makes comment on rent capping. "It is highly undesirable to use rent setting powers to achieve limiting inflation or income support costs. These would both increase uncertainty for managers and reduce efficiency." The Trust's rents are capped under its arrangements with the Housing Ministry. The Minister declined to increase the cap last year. I fully understand the constraints and problems that the Minister faces. His decision was understandable and not unexpected. However, it flies in the face of the Report's recommendation and fails to meet the agreed target for annual rental increases. Our financial models are prefaced by and driven by the rental projection. The resulting loss of revenue this year can be absorbed. The concern is that a disruption today in projected increases may have a cumulative effect over the years, resulting ultimately in substantial shortfalls of income in the predicted model.

The Jersey Homes Trust has always taken the view that stock transfers, from the public to private sector housing trusts, would be of great benefit to the sector. Over the years different housing committees have had varying and inconsistent policy in this area. As a result very few homes have been transferred to the Trust in the 16 years of its existence, even though substantial transfers were envisaged initially. In the UK, stock transfers have been central to the regeneration of the whole sector. They have rescued hundreds of thousands of homes from years of neglect and they have injected new hope into whole communities. It is hardly surprising therefore that Professor Whitehead takes the view that large scale transfers "would provide a more flexible approach to ensuring both adequate investment and effective management of the existing assets". "A large scale voluntary transfer would raise very considerable upfront funding for the States".

The Minister has confirmed his intention to put in place the proposed (and long-awaited) regulation of housing trusts. The Jersey Homes Trust is highly supportive of this. Whitehead takes the view that the regulation of Trusts by the Department is "clearly inappropriate". This will result in the need for an external regulator for the whole sector. As regards the nature of the regulation she makes no recommendations and sees the need for further regulation if policy were to change to enable trusts "to play a more significant role" and would need to be "based on the same financial and regulatory regime as that put in place as a result of restructuring the Housing Department". Since there is no policy in place to expand the role of the trusts, it would not appear that there is a pressing need to do more than replicate through regulation the existing bi-lateral arrangements between the Trusts and the Ministry. It would, however, have the great merit of improving transparency.

The present very low rates of interest payable by the Trust on its substantial borrowing have been of great benefit, both to the Trust and to the States, who are committed to paying an interest subsidy to the Trust when rates exceed certain specified levels. As a result of this saving the Trust has been able to set aside cash reserves earmarked for future developments. In the past the States, on some large development projects, have provided large capital subsidies to the Trust to make viable housing schemes that would otherwise have been unaffordable. This is consistent with similar policies adopted by governments throughout the civilised world to enable families in need to secure decent accommodation which would not, otherwise, be obtainable.

JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2010

The Trust has held detailed discussions with its bankers and I am pleased to report that very substantial additional funding for further large housing projects is available to the Trust, subject obviously to further negotiation and confirmation. The Trust is well placed, therefore, to spearhead further housing development and to support it with its cash reserves. The Trust can take this course only with the support and agreement of the Housing and Economics Ministers, under its agreements with the States. Also, the States can assist the process by formally confirming to the banks its support for any such enterprise.

I believe that valuable opportunities exist for further development of social housing provided that planning obligations receive careful consideration and the other interested ministries adopt the provision of rental schemes as a policy objective.

The Jersey Homes Trust was set up in 1995 and for sixteen years enjoyed the unflinching support and service of its six original Trustees. I now have to report the first resignation of a Trustee, our Secretary, Steven Meiklejohn. Steven's contribution to the Trust has been immeasurable and of huge benefit. I would like to pay tribute to this and to thank him for his service and also for his loyalty to me. He has guided us with quiet and consistent authority in matters legal, he has cheerfully carried out the duties of Secretary and has taken part fully in our deliberations and decisions over so many years. Steven, you will be missed.

I am delighted to report the appointment of two new Trustees: Frank Dearie has joined us with a brief that includes overseeing risk, compliance and regulation and also tenant consultation. Phil Le Cornu has been appointed to succeed Steven Meiklejohn as Secretary. Like Steven, Phil is an advocate at Ogier and the Trustees are very happy to achieve continuity in this way. I am confident that these appointments will result in a continuation of the highest standards rightly expected of us, and taken together, will strengthen our team.

I am very pleased to report that I now meet regularly with the chairmen of the Les Vaux Housing Trust, Ken Hughes, and of the CTJ Housing Trust, Diarmuid Lynes. Our meetings are useful, informative and enjoyable and I look forward to many more. I think it is right that our collective voice should be heard on many issues affecting housing. We recently held an encouraging meeting with the Minister, Sean Power and look forward to expanding our role, working in cooperation with the Housing Department.

The recent decision of the States to reduce the period of residence required to achieve housing qualifications, to ten years, has my unqualified support. Moral considerations aside, it is surely unsustainable to have in place a system that results in discrimination in housing against a section of the community that has resided and worked here for over ten years. The previous Minister, Senator Terry Le Main, was instrumental in bringing down the qualifying period gradually over a number of years and this can be regarded as a lasting memorial of his service to housing.

Annual benchmarking of performance:

There follows as usual our annual benchmarking review (compiled in 2010), which is based on a comparison of the Trust's performance with the performance indicators of UK housing associations. The Trust out-sources all of its administration and management, much of it to firms with which Trustees have a connection. The review demonstrates the cost-effectiveness of these arrangements, which are entered into under strict controls. The review should not be utilised to compare the performance of the Trust with UK local authority or the States Housing Department results, as they are not like-for-like.

JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2010

Footnote:

Since I wrote my report Dep. Sean Power resigned as Housing Minister, to be replaced by Dep. Andrew Green. I and my Trustees look forward with eagerness to working with the new Minister and wish him well in this vital role.

The table of results follows.

THE JERSEY HOMES TRUST

Annual Benchmarking of Performance (2009)
against Performance of UK Housing Associations (2008)

| | UK Associations | Jersey Homes Trust |
|----------------------------------|----------------------------|-------------------------------|
| Average stock | 4,422 | 741 |
| Vacant Stock | 1.8% | 0.0% |
| Vacant Stock available to let | 0.8% | 0.0% |
| Average re-let time (days) | 38.7 | 0.4 |
| Rent arrears at year end | 5.3% | 0.3% |
| Operating cost per unit; Weekly | £55.67 | £32.28 |
| Annual | £2,895 | £1,679 |
| excluding major repairs; Weekly | £45.95 | £30.73 |
| Annual | £2,389 | £1,598 |
| Management cost per unit; Weekly | £16.24 | £8.77 |
| Annual | £844 | £456 |

NOTES:

Sources:

The Tenant Services Authority websites.

The audited accounts and annual report of The Jersey Homes Trust and reports to Trustees by managing agents.

UK data selected for benchmarking:

Performance Indicators of General Needs stock.

The global accounts of housing associations over 1,000 units (97% of homes in the sector). Size of Associations: (Average no. of units owned)

The TSA website no longer offers the facility to filter on the basis of the size of associations.

JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2010

Annual Benchmarking of Performance (2009)
against Performance of UK Housing Associations (2008)-continued

It is reported by the TSA that larger associations benefit from economies of scale. The JHT has 741 residential units.

Average re-let time calculated by number of void days divided by number of re-lets in year.

“Operating cost” includes costs of all **maintenance and repairs**, and all **administration costs** including management, audit, accountancy, insurances and legal & professional fees. UK costs are net of depreciation and impairment costs (JHT does not depreciate).

JHT costs are net of Foncier Rates (for which there is no UK equivalent).

JHT benchmarking is not suitable for comparison with UK Local Authority or States of Jersey Housing Departments, which operate under different conditions.

JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2010

Property Management Report.

A total of 744 units are presently under management.

Brooklands, Old Trinity Hill, St Helier. 15 units of flats and houses.

La Folie Estate, St Lawrence. 30 units of houses and flats.

Maison de St Nicolas, St Peter. 6 flats.

St Paul's Gate, Dumaresq St, St Helier. 17 flats.

Cherry Grove, Roussel St, St Helier. 12 flats

Kent Lodge, Clarendon Rd, St Helier. 7 flats.

St Saviour's Court, St Saviour's Rd, St Helier. 28 flats.

Belle Vue, Route des Quennevais, St Brelade. 90 houses and flats on this estate.

La Roseraie, Mont Millais, St Helier. An estate of 35 houses and 10 flats.

Le Jardin Fleuri, Grouville. An estate of 16 houses.

Berkshire Court, La Motte Street, St Helier. 113 flats and 1 amenity unit.

5 St Clement's Road, St Helier. 10 flats,

John Wesley Apartments, Cannon Street, St Helier. 40 flats and 1 house.

Parkside, West Park and Lewis St, St Helier. 19 flats and maisonettes.

Victoria Place, Albert Pier, St Helier. 77 flats and a 5-unit group home, on the waterfront.

Clement Court, Ann Street, St Helier. 32 flats.

Le Coie, Springfield, St Helier. 96 flats and 2 amenity units.

Le Grand Clos, Mont-a-l'Abbe, St Helier. An estate of 54 houses and flats.

Clos Le Gallais, Mont-au-Pretre, St Helier. An estate of 13 houses.

Clos du Ruisseau, Maufant. An estate of 19 houses.

The Trust holds title to all the above estates and properties.

Letting: I am delighted to report that all units under management are fully let.

Rental: The current annual rental of the Trust's property is £7,365,400.

Void & Arrears: Please refer to the benchmarking table above.

**JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2010**

Acknowledgements

To:

Jim Bailey (Chairman's Assistant and JHT Monitoring Surveyor);
Marion Falle (public relations consultant);
Stephen Van Neste and his team at Brunel Management (property managers);
Tricia Redmond and the team at Moore Management (accountancy services);
Alex Nethercott-Parkes at Ogier (secretarial services);
Ian Gallichan (Chief Executive Officer at the Housing Department);
Ray Foster (Treasury and Resources)

and to my Trustees (see below).

Thank you all for your services and kindness in 2010.

**MICHAEL VAN NESTE
CHAIRMAN**

The Jersey Homes Trust is a Jersey Housing Association, registered in the Royal Court on 9th June 1995 as an association for the purposes of the law entitled "Lois (1862) sur les teneures en fideicommiss et l'incorporation d'associations". The 1862 law provides for duly registered incorporated associations and trusts to hold land and property for charitable purposes.

The Trustees of the Jersey Homes Trust:

Michael Van Neste, Chairman;
Advocate Philip Le Cornu, Secretary; Appointed 12 October 2010
Martyn Scriven, Treasurer;
Ian Moore, Accountant;
Chris Clarke, Developments Director;
Paul Labesse, Estates Director.
Frank Dearie, Risk, Regulation and Compliance; Appointed 2 March 2010
Advocate Steve Meiklejohn, Secretary, Resigned 30 November 2010

JERSEY HOMES TRUST

TRUSTEES' REPORT

The Trustees submit their report and the audited financial statements of the Jersey Homes Trust ("the Association") for the year ended 31 December 2010.

Activities

The Jersey Homes Trust is a Jersey Housing Association, registered in the Royal Court on 9th June 1995 as an association for the purposes of the law entitled "Lois (1862) sur les teneures en fideicommiss et l'incorporation d'associations". The 1862 law provides for duly registered incorporated associations and trusts to hold land and property for charitable purposes.

Results

The results for the year are shown in the income and expenditure account on page 16.

Trustees

The Trustees of the Association during the year were as shown on page 2.

Trustees' responsibilities

The Trustees have undertaken responsibility for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure for that year. In preparing those financial statements, generally accepted accounting practice requires that the Trustees:

- select suitable accounting policies and then apply them consistently;
- state whether applicable accounting standards have been followed subject to any material departure disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis (unless it is inappropriate to presume that the Association will continue its activities).

The Trustees are required to act in accordance with the Constitution of the Association. They are responsible for keeping proper accounting records and have a general responsibility to take reasonable steps to safeguard the assets of the Association and to prevent and detect fraud, error and other irregularities. The Trustees confirm they have complied with the constitution dated 9th June 1995.

The accounts are published on www.jerseyhomestrust.org.je which is a website maintained by the Jersey Homes Trust. The work undertaken by the independent Auditors does not involve consideration of the maintenance and integrity of the website and accordingly the independent Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

JERSEY HOMES TRUST

TRUSTEES' REPORT

Key financial policies and strategies

- ***Objectives, policies and strategies for development and financing***

The objectives of the Association are to provide social housing primarily in the rental market for the inhabitants of the Island of Jersey. The creation of the Association was encouraged by the Housing Committee of the States of Jersey through the Housing Department in response to the establishment of a policy for the creation of Housing Trusts to undertake the development of social housing projects in the Island of Jersey for the foreseeable future (Policy Guidelines No 4 issued December 1993).

The Association aims to achieve its objectives primarily through the development of new units of accommodation. Each development must fall within the spirit of social housing and be a development which generally meets the approval of the Trustees for reasons of architectural appeal, environment, and social needs.

Each project is evaluated and approved by the Trustees and presented to the Housing Department for approval. If approved by the Housing Department the Trustees will then arrange for finance from banks in the private sector supported by an interest rate subsidy provided by the States of Jersey and a letter of comfort issued by the States Treasury with the authority of the Treasury and Resources Minister and the Housing Minister. It is often the case that a scheme will be subject to a valuation undertaken by the States of Jersey Property Services Department in order to assist with the approval process by the States Ministries.

Financing is usually negotiated on a five year review basis which includes a review of the subsidy and support provided by the Treasury & Resources Minister and the Housing Minister of the States of Jersey.

- ***Rent policy***

The Association's residential rentals will not exceed the maximum rentals set by the States of Jersey Housing Department's own fair rent structure.

- ***Long term stock maintenance and repair policy***

The properties owned by the Association are to be held for the long term, and are subject to the Association's policy of continuous maintenance, repair or refurbishment where considered appropriate.

- ***Reserves strategy***

The Association will pay to the States of Jersey Housing Ministry any cash surplus arising from its activities which have not been set aside, reserved or committed. The Association may set aside, reserve or commit sums from cash surpluses to:

- pay the debts and commitments (future or current) of the Association,
- pay for current or set aside for future property repairs and maintenance (taken to designated reserves – see note 12),
- pay for current or set aside for future property acquisitions, improvements, refurbishment or development, and
- provide working capital for the Association.

JERSEY HOMES TRUST

TRUSTEES' REPORT

Internal Financial Control

The Trustees have overall responsibility for ensuring that the Association maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Association has no employees. The day to day operations of the Association are all carried out by third parties, in which some of the Trustees have an interest, as disclosed in note 13. The Association is therefore dependent upon the financial controls of these third parties.

The Trustees appoint a project team to each development project, including a project architect and a client representative who reports to the Trustees on a regular basis. The Trustees also receive regular reports from the property managers in respect of all of the Association's properties.

Homes and bedspaces

| | 2010 | 2009 |
|--------------------------|--------------|-------|
| | Units | Units |
| <i>Under management</i> | | |
| One bedroom flats | 283 | 283 |
| Two bedroom flats | 257 | 257 |
| Three bedroom flats | 19 | 19 |
| Five bedroom flats | 1 | 1 |
| One bedroom houses | 1 | 1 |
| Two bedroom houses | 54 | 54 |
| Two bedroom maisonettes | 4 | 4 |
| Four bedroom maisonettes | 2 | 2 |
| Five bedroom maisonettes | 2 | 2 |
| Four bedroom houses | 108 | 108 |
| Five bedroom houses | 9 | 9 |
| Other facilities | 4 | 4 |
| | 744 | 744 |

There are currently no Homes under development

JERSEY HOMES TRUST TRUSTEES' REPORT

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers CI LLP as auditors to the Trust will be proposed at a future Trustees' meeting.



Trustee



INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF JERSEY HOMES TRUST

Report on the financial statements

We have audited the accompanying financial statements of Jersey Homes Trust ("the Trust") which comprise the Balance Sheet as of 31 December 2010 and the Income and Expenditure Account and the Cash flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards and with the requirements of Jersey law and have been properly prepared in accordance with the requirements of the Constitution. The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Constitution.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Report and the Trustees' Report.

In our opinion the information given in the Chairman's Report and the Trustees' Report is consistent with the financial statements.

Report on relates party services rendered to the Trust

In our opinion, the schedule of payments made by the Trustees as set forth in Note 13(i)(a) to 13(i)(f), "Related Parties", for professional services rendered to the Trust by a Trustee acting as an employee, director, partner or member of a firm or company appointed by the Trustees to render such services for the year ended 31 December 2010, is in accordance with the provisions of the Constitution as set forth in Note 13(ii).

This report, including the opinion, has been prepared for and only for the Trustees as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
27 June 2011

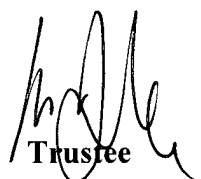
JERSEY HOMES TRUST
BALANCE SHEET
as at 31 December 2010

| | | 31 December 2010 | | 31 December 2009 | |
|--|-------|---------------------|---------------------|---------------------|---------------------|
| | Notes | £ | £ | £ | £ |
| Trust fund | | | | | |
| Income account | 11 | | 10,007,374 | | 8,276,814 |
| Designated reserve | 12 | | 3,522,008 | | 2,560,367 |
| Development reserve | 12 | | <u>3,300,000</u> | | <u>1,500,000</u> |
| | | | <u>16,829,382</u> | | <u>12,337,181</u> |
| Represented by: | | | | | |
| Fixed assets | | | | | |
| Housing properties | 5 | 116,840,193 | | 116,816,360 | |
| Less: States of Jersey grants | 6 | <u>(11,299,000)</u> | | <u>(11,299,000)</u> | |
| | | | 105,541,193 | | 105,517,360 |
| Current assets | | | | | |
| Debtors and prepayments | 7 | 214,082 | | 167,205 | |
| Balance at managing agents | | 504,576 | | 492,967 | |
| Bank balances | | <u>7,302,579</u> | | <u>4,664,478</u> | |
| | | <u>8,021,237</u> | | <u>5,324,650</u> | |
| Current liabilities – amounts due in less than one year | | | | | |
| Bank loans | 10 | 15,626,449 | | 23,895,895 | |
| Bank Overdraft | | 12,572 | | - | |
| Creditors | 8 | 144,476 | | 176,147 | |
| Tenants' deposits | 9 | <u>188,564</u> | | <u>187,736</u> | |
| | | <u>15,972,061</u> | | <u>24,259,778</u> | |
| Net current liabilities | | | <u>(7,950,824)</u> | | <u>(18,935,128)</u> |
| Total assets less current liabilities | | | 97,590,369 | | 86,582,232 |
| Liabilities falling due after more than one year | | | | | |
| Bank loans | 10 | 80,760,987 | | 74,245,051 | |
| | | | <u>(80,760,987)</u> | | <u>(74,245,051)</u> |
| Net Assets | | | <u>16,829,382</u> | | <u>12,337,181</u> |

The financial statements were approved by the Trustees on 24th June 2011 and are signed on their behalf by:



Trustee



Trustee

The notes on pages 19 to 32 form part of these audited financial statements

JERSEY HOMES TRUST
INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 December 2010

| | | 31 December 2010 | 31 December 2009 |
|---------------------------------------|--------------|-----------------------------|---------------------|
| | <i>Notes</i> | £ | £ |
| Income from property rentals | | 7,272,298 | 7,132,574 |
| Property expenses | | (864,473) | (760,988) |
| Provision for bad debts | | (11,131) | (6,046) |
| Net property income | | 6,396,694 | 6,365,540 |
| Sundry Income | | 11,100 | - |
| Operating expenses | 3 | (583,794) | (581,913) |
| Operating surplus | | 5,824,000 | 5,783,627 |
| Interest receivable | | 70,766 | 7,879 |
| Interest payable | 4 | (1,402,564) | (2,052,851) |
| Surplus on ordinary activities | | 4,492,202 | 3,738,655 |
| Transfer to designated reserve | 11&12 | (961,641) | (546,721) |
| Transfer to development reserve | 11&12 | (1,800,000) | (1,500,000) |
| Retained income for the year | | 1,730,561 | 1,691,934 |

All of the operations of the Association are classified as continuing.

There is no difference between the retained income for the year and its historical cost equivalent. The Association has no recognised gains and losses other than the income for the year.

The notes on page 19 to 32 form part of these audited financial statements.

JERSEY HOMES TRUST
CASHFLOW STATEMENT
for the year ended 31 December 2010

| | 31 December 2010 | | 31 December 2009 | |
|--|--------------------|-------------------------|--------------------|-------------------------|
| | £ | £ | £ | £ |
| Net cash flow from operating activities (Note 1) | | 5,807,871 | | 5,679,189 |
| Returns on investing and servicing of finance | | | | |
| Interest paid | (1,397,042) | | (2,034,097) | |
| Interest received | <u>3,651</u> | | <u>12,029</u> | |
| Net cash out flow from returns on investment and servicing of finance | | (1,393,391) | | (2,022,068) |
| Capital expenditure and financial investment | | | | |
| Acquisition and construction of properties | <u>(23,833)</u> | | <u>(504,989)</u> | |
| Net cash outflow from capital expenditure | | (23,833) | | (504,989) |
| Financing | | | | |
| Loan advances received | | | 100,000 | |
| Loan principal repayments | <u>(1,753,509)</u> | | <u>(1,738,948)</u> | |
| Net cash outflow from financing | | (1,753,509) | | (1,638,948) |
| Increase in cash in the period | | <u>2,637,138</u> | | <u>1,513,184</u> |

JERSEY HOMES TRUST
CASHFLOW STATEMENT
for the year ended 31 December 2010

Note 1 to Cashflow Statement

| Reconciliation of operating profit to net cash inflow from operating activities | 2010 | 2009 |
|--|-------------------------|------------------|
| Operating Surplus | 5,824,000 | 5,783,627 |
| Decrease/(increase) in debtors | (46,877) | 30,576 |
| Add back movement in Interest subsidy receivable | - | (51,824) |
| Decrease in creditors | (30,844) | (112,111) |
| Less movement in Interest payable | (5,521) | (51,824) |
| Less movement in Interest receivable | 67,113 | (4,150) |
| | <u>5,807,871</u> | <u>5,679,189</u> |

Note 2 to Cashflow Statement

| Reconciliation of net cash flow to movement in net debt | 2010 | 2009 |
|--|----------------------------|---------------------|
| Increase in cash in period | 2,637,138 | 1,513,184 |
| Loan advances received | - | (100,000) |
| Loan principal repayments | 1,753,509 | <u>1,738,948</u> |
| Movement in net debt in the period | 4,390,646 | 3,152,132 |
| Opening net debt | <u>(92,983,499)</u> | <u>(96,135,631)</u> |
| Closing net debt | <u>(88,592,853)</u> | <u>(92,983,499)</u> |

Note 3 to Cashflow Statement
Analysis of changes in net debt

| | 01 Jan 2010 | Cashflows | 31 Dec 2010 |
|-------------------------------|---------------------|-------------------------|----------------------------|
| Cash at bank & held at agents | <u>5,157,445</u> | <u>2,637,138</u> | <u>7,794,583</u> |
| Debt due after one year | (74,245,050) | (6,515,937) | (80,760,987) |
| Debt due within one year | <u>(23,895,894)</u> | <u>8,269,445</u> | <u>(15,626,449)</u> |
| | (98,140,944) | 1,753,508 | (96,387,436) |
| | <u>(92,983,499)</u> | <u>4,390,646</u> | <u>(88,592,853)</u> |

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

1. Principal accounting policies

The financial statements have been prepared in accordance with generally accepted accounting standards in the United Kingdom, as adopted/deemed appropriate in accordance with the constitution and have been prepared, where appropriate, in accordance with the Statement of Recommended Practice - Accounting by Registered Social Landlords ('the SORP') given that the SORP has been prepared for social landlords registered as housing associations within the United Kingdom.

The following accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the Association's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and under the presumption that the Trust is carrying on business as a going concern.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise of demand deposits and short term deposits with maturities of 3 months or less. As at 31 December 2010 all cash and cash equivalents were held in bank accounts at Barclays Bank Plc and Lloyds TSB Plc.

Income and expenditure

Income and expenditure is accounted for on an accruals basis, except for certain property expenses disbursed by the managing agent which are accounted for on a cash basis, due to the nature of the transactions.

Loan interest and interest subsidies

Loan interest and interest subsidies are accounted for on an accruals basis.

Loan interest payable on loans for properties held for letting and the related interest subsidies receivable are included in the income and expenditure account. Loan interest payable on loans to finance property developments is capitalised up to the date that the development is completed.

Designated and Development reserves

The designated reserve has been set up as a reserve for future repairs and maintenance costs to completed developments. The amount transferred to the reserve is calculated based on financial models prepared for each individual property. Separate reserves are maintained for each property. Where expenditure is incurred on a property on such repairs, the reserve for that property may be utilised and a transfer is made to the income and expenditure account for the amount involved.

In accordance with Clause 8a of the contract with the Housing Committee the Association has set aside an additional £1,800,000 as a development reserve to provide seed capital for future housing developments.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

1. Principal accounting policies – continued

Depreciation of housing properties

Financial Reporting Standard No 15 (Tangible Fixed Assets) permits exclusion from depreciation of properties on which the annual charge and accumulated depreciation charge are immaterial. Depreciation may be immaterial as the result of very long estimated useful economic lives or high estimated residual values (or both). This applies to the Association housing properties and accordingly no depreciation has been provided.

The majority of the properties owned by the Association are newly built developments, constructed within the last ten years. The Association has a policy of continuous maintenance and refurbishment, with a designated reserve provision specifically for this purpose. The Trustees also believe that the residual value of the properties will not be less than the cost.

Labesse & Co, qualified surveyors, undertook an impairment review on behalf of the Trustees of all of the Association's properties as at 31 December 2010 in accordance with the requirements of both Financial Reporting Standard No 15 (Tangible Fixed Assets) and Financial Reporting Standard No 11 (Impairment of Fixed Assets and Goodwill). This impairment review has (as recommended by Financial Reporting Standard No 11) taken account of the economic and political environment in which the Association operates, the financial model of each of the completed development projects compared with actual financial performance, and the physical condition of all of the properties owned by the Association. Based on this impairment review the Trustees have concluded that there is no impairment in the carrying value of any of the properties owned by the Association.

Housing properties

Housing properties held for letting and under construction are stated at cost. The cost of properties is their purchase price and building costs together with any directly attributable costs of acquisition and development.

States of Jersey grants

Grants received from the States of Jersey have been received as a contribution towards the capital costs of housing properties and as such have been shown on the face of the balance sheet as a deduction from the cost of those properties in accordance with the SORP.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

2. Taxation

The Association is exempt from income tax under the provisions of Article 115(a) of the Income Tax (Jersey) Law, 1961.

3. Operating Expenses

| | 2010 £ | 2009 £ |
|-------------------------------------|-----------------------|-----------------------|
| Property management fees (note 13) | 345,104 | 339,165 |
| Audit fees | 14,905 | 14,400 |
| Administration and accountancy fees | 50,094 | 56,528 |
| Insurance | 77,723 | 77,082 |
| Legal & professional fees | 86,064 | 82,901 |
| Bank charges | 1,145 | 2,224 |
| Sundry expenses | <u>8,759</u> | <u>9,613</u> |
| | <u>583,794</u> | <u>581,913</u> |

4. Interest payable

| | 2010 £ | 2009 £ |
|--|------------------|------------------|
| Interest payable on loans attributable to housing properties | <u>1,402,564</u> | <u>2,052,851</u> |

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

5. Housing properties at cost

| | 2009 £ | Movement in year £ | 2010 £ |
|---|--------------------|--------------------------|---------------------------|
| Housing properties held for letting | | | |
| Maison de St Nicolas, St Peter, Jersey | 626,182 | | 626,182 |
| Brooklands, St Helier, Jersey | 1,545,956 | | 1,545,956 |
| La Folie Estate, St Lawrence, Jersey | 1,862,592 | | 1,862,592 |
| St Paul's Gate, St Helier, Jersey | 1,520,679 | | 1,520,679 |
| Cherry Grove, St Helier, Jersey | 1,410,026 | | 1,410,026 |
| St Saviour's Court, St Helier, Jersey | 3,749,452 | | 3,749,452 |
| Kent Lodge, St Helier, Jersey | 881,011 | | 881,011 |
| Belle Vue, St Brelade, Jersey | 11,859,858 | | 11,859,858 |
| La Roseraie, St Helier, Jersey | 8,264,000 | | 8,264,000 |
| Le Jardin Fleuri, Grouville, Jersey | 3,292,577 | | 3,292,577 |
| Berkshire Court, St Helier, Jersey | 19,464,903 | | 19,464,903 |
| 5 St Clements Road, St Helier, Jersey | 1,426,221 | | 1,426,221 |
| John Wesley Apartments, St Helier, Jersey | 7,351,413 | | 7,351,413 |
| Parkside, St Helier, Jersey | 4,064,943 | | 4,064,943 |
| Victoria Place, Albert Pier, St Helier, Jersey | 12,541,421 | | 12,541,421 |
| Clement Court, Ann Street, St Helier, Jersey | 5,967,446 | 841,351 | 6,808,797 |
| Le Coie, Springfield, St Helier, Jersey | 12,137,290 | | 12,137,290 |
| La Folie redevelopment scheme, St Lawrence, Jersey | 3,819,775 | | 3,819,775 |
| Le Grand Clos, Maufant, Jersey | 8,493,243 | (18,500) | 8,474,743 |
| Clos le Gallais, Mont-au-Pretre, Jersey | 2,309,720 | | 2,309,720 |
| Clos du Ruisseau (formerly Field 690A) | <u>3,428,634</u> | | <u>3,428,634</u> |
| | <u>116,017,342</u> | | <u>116,840,193</u> |

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

5. Housing properties at cost – continued

| | 2009 £ | Movement in year £ | 2010 £ |
|--------------------------------------|--------------------|--------------------------|--------------------|
| Properties under construction | | | |
| Clement Court Phase 2 | <u>799,018</u> | <u>(799,018)</u> | <u>0</u> |
| | <u>116,816,360</u> | | <u>116,840,193</u> |

Land acquired by the Association for development with the financial support of the Ministry is subject to covenants protecting the interests of the Public and perpetuating its use for social rented housing.

Housing properties owned are used as security against the borrowings of the Association. For further details see note 10.

6. States of Jersey grants

The States of Jersey have provided capital grants for the total sum of £11,299,000 as follows:

- a) for the purchase of the Berkshire Court site, St Helier, Jersey in the sum of £6,215,000. This grant is non-repayable.
- b) for the purchase and development of John Wesley Apartments, St Helier, Jersey in the sum of £1,425,000. This grant is non-repayable.
- c) for the Le Jardin Fleuri development, Grouville, Jersey in the sum of £75,000. This grant is non-repayable.
- d) for the purchase and development of the Clement Court site, St Helier, Jersey in the sum of £1,750,000. This grant is non-repayable.
- e) to assist in the purchase of the Parkside site, St Helier, Jersey in the sum of £975,000. This grant is non-repayable.
- f) To assist in the purchase of 5 St Clements Road, St Helier, Jersey in the sum of £225,000. This grant is non-repayable.
- g) For the purchase and development of the Clement Court site, St Helier, Jersey in the sum of £634,000. This grant is non-repayable.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

7. Debtors and prepayments

| | 2010 | 2009 |
|-------------------------------|----------------|----------------|
| | £ | £ |
| Current rentals due | 90,509 | 83,558 |
| Other debtors and prepayments | <u>123,573</u> | <u>83,647</u> |
| | <u>214,082</u> | <u>167,205</u> |

8. Creditors

| | 2010 | 2009 |
|-------------------------------------|----------------|----------------|
| | £ | £ |
| Other | 100,359 | 101,253 |
| Loan Interest Payable | 24,201 | 18,680 |
| Retentions re Work in Progress | <u>19,916</u> | <u>56,214</u> |
| Creditors due in less than one year | <u>144,476</u> | <u>176,147</u> |

All property expenses are paid within thirty days upon receipt of the invoices.

9. Tenants' deposits

This amount of £188,564 represents deposits received from tenants (2009: £187,736). All deposits shall be repaid to the tenants at the expiry or earlier determination of the tenancy subject only to the deduction there from of any arrears of rent and a reasonable amount in respect of any damage to the premises by the tenant.

10. Bank loans

| | 2010 | | 2009 | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Repayable in less than 1 year | | 15,626,449 | | 23,895,895 |
| Repayable in 1 to 2 years | 2,285,730 | | 1,986,390 | |
| Repayable in 2 to 5 years | 8,638,363 | | 7,569,608 | |
| Repayable in 5 years or more | <u>69,836,894</u> | | <u>64,689,053</u> | |
| | | <u>80,760,987</u> | | <u>74,245,051</u> |
| | | <u>96,387,436</u> | | <u>98,140,946</u> |

All of the loans are from Barclays Bank Plc or Lloyds TSB Plc. The terms of the loans are as follows:

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

10. Bank loans – continued

Loans for Maison de St Nicolas, Brooklands and St Paul's Gate

All of these loans are repayable over a period of 21 years. They are all secured by unregistered promissory notes over the land and property. The value of the unregistered promissory note for Maison de St Nicolas is £633,000. The value of the unregistered promissory note for Brooklands is £1,653,750. The value of the unregistered promissory note for St Pauls Gate is £1,596,000. The rate of interest incurred on each of these loans amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of each borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for Cherry Grove

This loan is repayable over a period of 23 years and is secured by unregistered promissory note in the sum of £1,548,750 over the land and property. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for La Folie Estate

This loan is repayable over a period of 21 years and is secured by registered promissory note in the sum of £1,531,523 and £2,000,000 over the land and property. The rate of interest incurred on the loan amounted to 0% per annum until 31 March 2005, as the States of Jersey were providing an interest subsidy of 100% of interest incurred in these years. Thereafter, the rate of interest amounts to LIBOR + 0.75%. In the event the interest payable exceeds a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 1%), is reimbursed to the Association by the States of Jersey. The reviews are carried out as determined by Barclays Bank.

Loan for St Saviours Court

This loan is repayable over a period of 23 years and is secured by an unregistered promissory note in the sum of £3,321,000 over the land and property. The rate of interest incurred on the loan amounted to 0% per annum until 31 December 2003, as the States of Jersey were providing an interest subsidy of 100% of interest incurred until this date. From 1 January 2004, the rate of interest amounts to LIBOR + 0.75%. In the event the interest payable exceeds a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

10. Bank loans – continued

Loan for St Saviours Court (continued)

The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for Kent Lodge

This loan is repayable over a period of 24 years and is secured by a registered promissory note in the sum of £80,000 and a registered promissory note in the sum of £820,000 over the land and property. The rate of interest incurred on the loan amounts to amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for Belle Vue

This loan is repayable over a period of 23 years and is secured by registered promissory notes totalling £11,865,000 registered over the Belle Vue site. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of each borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for 5 St Clements Road

This loan is repayable over a period of 24 years and is secured by a registered promissory note in the sum of £1,200,000 over the land and property. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for Le Jardin Fleuri

This loan is repayable over a period of 24 years and is secured by a registered promissory note of £2,850,000 over the Le Jardin Fleuri site. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

10. Bank Loans Continued

Loan for Le Jardin Fleuri (continued)

The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for Victoria Place

This loan is repayable over a period of 24 years and is secured by a registered promissory note of £12,500,000 over numbers 1-78 Victoria Place. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for Berkshire Court

This loan is repayable over a period of 24 years and is secured by a registered promissory note of £13,380,000 (of which £9,494,000 is over Berkshire Court and £3,886,000 over Albert Pier). The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for La Roseraie

This loan is repayable over a period of 24 years and is secured by a registered promissory note of £8,287,000 over La Roserie. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for John Wesley Apartments

This loan is repayable over a period of 24 years and is secured by a registered promissory note of £6,000,000 over John Wesley Apartments. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

10. Bank loans - continued

Loan for Parkside

This loan is repayable over a period of 24 years and is secured by a registered promissory note of £3,200,000 over Parkside.

The rate of interest incurred on the loan amounts to 4% per annum; a sum equal to the difference between interest charged at the rate of LIBOR + 0.75%. In the event the interest payable exceeds 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank.

Loan for Le Coie

This loan is repayable over a period of 21 years and is secured by a registered bond for £12,250,000 attached to Le Coie. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Lloyds TSB Bank.

Loan for Clement Court

One loan exists for the ongoing development on the site. (See also note 6 re capital grant received).

The short term loan is repayable by a single repayment in full upon completion of a new Barclays funding agreement which will be finalised during 2011 by refinancing onto a term loan. From the 1 January 2004 to 22 June 2004 the Association bore 100% of the interest charges for this loan, which is at the rate of LIBOR + 0.75%. From 22 June 2004 the rate of interest on the loan amounts to 4 LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum, a sum equal to the difference between interest charged at a rate of 4% on the amount outstanding and the actual interest rate payable in accordance with the terms of borrowing (LIBOR +0.75%), is reimbursed to the Association by the States of Jersey. The level of this interest subsidy paid will be reviewed every fifth year in respect of the borrowing. The reviews are carried out as determined by Barclays Bank. This loan is secured by registered promissory note in the sum of £4,300,000 registered over the Ann Street site. (See note 14 also).

Loan for La Folie redevelopment scheme

The short term loan is repayable by a single repayment in full upon completion of a new Barclays funding agreement which is due to be finalised during 2011 by refinancing onto a term loan.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

10. Bank loans - continued

Loan for La Folie redevelopment scheme (continued)

The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 4% per annum; a sum equal to the difference between interest charged at the rate of 4% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The loan is secured by registered promissory notes totalling £3,120,000, registered over the La Folie Estate and Albert Pier.

Loan for Le Grand Clos

This loan is repayable over a period of 25 years. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 6% per annum; a sum equal to the difference between interest charged at the rate of 6% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The loan is secured by registered bond of £8,600,000, registered over the Le Grand Clos site.

Loan for Clos Le Gallais

The short term loan is repayable by a single repayment in full upon completion of a new Barclays funding agreement which is due to be finalised during 2011 by refinancing onto a term loan. The rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 6% per annum; a sum equal to the difference between interest charged at the rate of 6% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The loan is secured by a registered promissory note in the sum of £2,275,000, registered over the Clos Le Gallais site.

Loan for Clos Du Ruisseau

The short term loan is repayable by a single repayment in full upon completion of a new Barclays funding agreement which is due to be finalised during 2011 by refinancing onto a term loan.. From 1 October 2008 the rate of interest incurred on the loan amounts to LIBOR + 0.75%. In the event the interest payable exceeds 6% per annum; a sum equal to the difference between interest charged at the rate of 6% on the amount outstanding, and the actual interest rate payable in accordance with the terms of the borrowing (LIBOR + 0.75%), is reimbursed to the Association by the States of Jersey. The loan is secured by a registered promissory note in the sum of £3,365,000, registered over the field 690A site.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

11. Income account

| | 2010 £ | 2009 £ |
|---------------------------------|--------------------------|-------------------------|
| At 1 January 2010 | 8,276,814 | 6,584,880 |
| Surplus on ordinary activities | 4,492,201 | 3,738,655 |
| Transfer to designated reserve | (961,641) | (546,721) |
| Transfer to development reserve | <u>(1,800,000)</u> | <u>(1,500,000)</u> |
| At 31 December 2010 | <u>10,007,374</u> | <u>8,276,814</u> |

Capital repayments on the Association's loans for the purchase of properties and land are made from net income. These Capital repayments are not reflected in the income account as they are applied to the reduction of liabilities in the balance sheet of the Association.

As at 31 December 2010 the Trust reported accumulated retained income amounting to £10,007,374 (2009: £8,276,814) out of which the Trust has made accumulated capital repayments totalling £9,510,757 (2009: £7,757,908). In accordance with the constitution of the Trust the net surplus after loan repayments amounted to £496,617 (2009: £518,906) as at 31 December 2010, as reported below

| | |
|---|--------------------|
| Income account as at 31 December 2010 | 10,007,374 |
| Capital repayments made to 31 December 2010 | <u>(9,510,757)</u> |
| Net surplus as at 31 December 2010 | £496,617 |

In the opinion of the Trustees the net surplus is required for working capital purposes as provided for in the constitution of the Trust therefore no amounts are available for distribution.

12. Designated reserve

| | 2010 £ | 2009 £ |
|---|-------------------------|-------------------------|
| At 1 January 2010 | 2,560,367 | 2,013,646 |
| Transfer from income and expenditure account* | 461,641 | 546,721 |
| Transfer from Income and expenditure impairment reserve | <u>500,000</u> | <u>-</u> |
| At 31 December 2010 | <u>3,522,008</u> | <u>2,560,367</u> |

*The transfer from the income and expenditure account represents the difference between the actual property and maintenance expense incurred during the year and the aggregate estimated maintenance expenses for the year per the financial models plus a contingency of 5% of annual rents.

Development reserve

For the year ended 31 December 2011 the Trustees transferred £1,800,000 (2010 £1,500,000) to the development reserve to provide seed capital for future housing projects.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

13. (i) Related parties

The following are related parties as defined by Financial Reporting Standard No 8 "Related Party Disclosures":

(a) The Trustees

No fees or expenses were paid to the Trustees for the year ended 31 December 2010.

(b) Brunel Management Limited ('Brunel') through its relationship with Mr M C Van Neste.

Brunel manages all of the Association's properties and receives a fee of 4.75% of rental income received plus reimbursement for certain sundry expenses incurred.

The total amount payable for all services during the year was £345,104 (2009 £339,165) of which £54,503 (2009 £53,497) remained outstanding and is included in creditors. Brunel Management Limited maintains a segregated bank account on behalf of the Association for the collection of rent and payment of property expenses. At 31 December 2010 this balance was £504,576 (2009 £492,967).

(c) Ogier through its relationship with Advocate S Meiklejohn and Advocate Phillip Le Cornu

Ogier Group act as the Association's legal advisers and provide secretarial services. The total amount payable during the year was £18,591 (2009 £14,010) none of which remained outstanding at the year end.

(d) Moore Management Limited through its relationship with Mr I Moore

Moore Management Limited act as the Association's accountants. The amount payable during the year was £34,249 (2009 £42,517) of which £4,073 remained outstanding and is included in creditors at 31 December 2010 (2009 £5,025).

(e) Ross-Gower Associates through its relationship with Mr C Clarke

Ross-Gower Associates act as consulting engineer to the Association during the year ended 31 December 2010 there were no fees payable (2009 £540) was payable to Ross-Gower Associates none of which was outstanding at the year end.

(f) Labesse & Co. through its relationship with Mr P Labesse

Labesse & Co. act as the Association's surveyors. During the year ended 31 December 2010 £7,500 (2009 £7,500) was payable to Labesse & Co none of which was outstanding at the year end.

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13. Related parties-Continued

- 13 (ii) In accordance with the Constitution, in respect of any contract or arrangement for professional services rendered to the Trust by a Trustee (defined as a "Member" in the Constitution) acting as an employee, director, partner or member of a firm or company appointed by the Trustees to render such services, the following provisions apply and were adhered to during the year:

Trustees shall take no part in any discussion of the Trustees relating to any aspect of such contract or arrangement before entering into it and shall take no part in any voting in connection with it.

Such professional services rendered to the Trust may be remunerated.

No Trustee shall be remunerated for performing any service or duty to the Trust in the capacity only of Trustee.

The controlling parties of the Trust as defined by Financial Reporting Standard No 8 are the Trustees of the Association, whose only benefits are as outlined in paragraphs 13 (i) (a to f) and 13 (ii) above.

14. Capital commitments

Capital commitments at 31 December 2010, for which no provision has been made in these financial statements. The amounts relate to undrawn facilities and they are expected to be drawn in future periods to meet any payments that may arise for the developments. The commitments were as follows:

| Contracted | 2010 | 2009 |
|-----------------------------------|-------------|---------------|
| Loans from Barclays Bank Plc for: | £ | £ |
| Development of Clement Court | - | - |
| Development of Clos Le Gallais | - | - |
| Development of Le Grand Clos | <u>-</u> | <u>80,936</u> |
| | <u>-</u> | <u>80,936</u> |

15. Ultimate controlling party

In the opinion of the Trustees there is no ultimate controlling party.

16. Subsequent events

There were no significant events after the year end.