Jersey Homes Trust

Annual report and financial statements

For the year ended 31 December 2015

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JERSEY HOMES TRUST
DIRECTORY

Managing Agent

Brunel Management Limited
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St Helier
Jersey, JE2 3TE

Independent Auditors

PricewaterhouseCoopers CI LLP
Chartered Accountants
37 Esplanade
St Helier
Jersey, JE1 4XA

Legal Advisers

Ogier
44 Esplanade
St Helier
Jersey, JE4 9WG

Accountants

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Castle Street
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Jersey, JE2 3AT

Independent Valuer

Jones Lang LaSalle IP Incorporated
Latimer House
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JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2015

The following topics are covered in this report:

20th Anniversary
We celebrated our 20th anniversary in 2015. The Housing Minister and the Constable of St Clement graced the occasion. Five of the original six Trustees remain in office.

New projects
Jersey Homes Trust ("JHT" or the "Trust") is developing again. Projects for 100 new homes have been agreed.

The Regulation of Housing Trusts
The Strategic Housing Unit is bringing forward a draft law for the regulation of social housing providers. There has been excellent consultation. The JHT is strongly supportive of this initiative.

Governance and the future
The JHT has been reviewing its governance, sustainabilty and continuity and will be making some changes to provide for the future.

The other social housing providers
There are legal constraints on cooperation with the other providers, with whom we enjoy excellent relations. We would risk offending against the Competitions Law were we to discuss possible projects with other providers.

Tenant engagement
We maintain good engagement with tenants with our twice-yearly newsletter and our website which has been re-vamped. A new satisfaction survey of all our tenants is being conducted.

Accounting standards
We are changing the way in which property valuations are reported in our annual accounts. This is to maintain compliance with the new UK reporting standards (Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014).

Benchmarking our performance
Each year we compare our own standard performance indicators with those of UK housing associations. Our results continue to be reassuring.

20th Anniversary

The Jersey Homes Trust was established in the Royal Court on 9 June 1995. During the previous year I had drafted the constitution of the trust (in consultation with lawyers and politicians) and recruited the first Trustees, five young professionals at the top of their respective professions. Over the following years those Trustees created the largest independent social housing provider in Jersey. After fifteen years Advocate Steven Meiklejohn retired as Secretary, and Advocate Philip Le Cornu accepted the appointment as Secretary in his place. Frank Dearie and Jim Bailey have also been appointed as Trustees.

Complimentary to their collective responsibilities each Trustee has a specific role, effectively acting as a non-executive director, reflecting his professional qualifications and experience. Philip Le Cornu is our Secretary. Martyn Scriven is our Treasurer. Chris Clarke is our Developments Director. Ian Moore is our Accountant. Paul Labesse is our Estates Director. Frank Dearie has primary responsibly for risk, regulation, compliance and governance matters generally. Jim Bailey offers skills and experience in procurement, contracts and maintenance. I have been fortunate over the years to be able to work with Trustees of the highest calibre and reputation in their respective fields.

In July 2015, to mark our 20th anniversary, the Housing Minister, Deputy Anne Pryke and St Clement Connetable, Len Norman, both graced the occasion by accompanying my Trustees and me on our annual tour of JHT estates. I was particularly pleased that the Minister also brought officers from her Department to join us on the tour. It was Len, as the then Housing President, who first asked me to set up the Trust and I am aware that he has followed our progress with interest and support. It was therefore fitting to have the company of both Len and Deputy Pryke at this event. Both made congratulatory and complimentary remarks that were very well received by those present.

The JHT is a not-for-profit body, essentially in partnership with the States of Jersey and, through the States, the people of Jersey.

New projects:

After the frustrations of the last few years the JHT is developing again. Our objectives are two-fold: to develop social housing and then to operate as a caring and efficient landlord to our tenants. Our earlier years saw great emphasis and success in the first of these essential objectives. I like to believe that our reputation is confirmation enough of our success in the latter.

In recent years in Jersey there has been a serious lack of development of social rented housing. In the private sector the drying up of funding, due to the global financial crisis, curtailed or prevented viable development activity. In the public sector there was a moratorium on financial support for further development by social housing providers pending the re-structuring of the Housing Department, a process that took a number of years. The regrettable result was an inevitably large increase in the waiting list for social rented housing.

The pendulum has finally started to swing back. Developers are bringing schemes to our attention. Banks are now much more prepared to offer funding on viable terms. The transformation of the Housing Department into Andium Homes should enable that body to make a very significant contribution to social housing development in the years ahead.

Developments completed during the year:

Hameau de la Mer:

We were delighted to participate in the over-55s housing development at Hameau de la Mer, in St Clement. The scheme was brought to us by developer G R Langlois, with whom we have worked successfully before. This was at the suggestion of the Constable, Len Norman, who took the view that the JHT was well placed to manage the tenancies in what was viewed essentially as a Parish scheme. It was a delight to work again with Len and to enjoy his confidence. I believe that the Hameau de la Mer development is of the highest quality, in design, in specification and in finish. The JHT block comprises 21 units. It is a prime example of what can be achieved when private (the JHT) and public (in this case the Parish) work together with shared objectives.

Future developments:

The former Jersey College for Girls site:

The JHT was invited to participate in this development by the States of Jersey Development Company ("JDC") and we have agreed to acquire the 40 units in the first block to be constructed on this fine St Helier site. Construction is scheduled to begin in 2016 and we very much look forward to taking possession in late 2017 or soon afterwards. Lee Henry, Managing Director of JDC and Mike Waddington, the architect, made a presentation of the scheme to Trustees and we have every expectation that this will be another attractive residential estate for JHT tenants.

Other housing developments:

I am very pleased to report that agreement in principal has been reached for the JHT to participate in two further housing schemes. These will offer 34 rental units, mainly houses suitable for family occupation.

The above projects will add almost 100 units to the JHT portfolio. We are ready and willing to develop more housing and we have the resources and financial capacity to obtain the necessary funding. The States, through the Strategic Housing Unit, Property Services and also the Planning Ministry, has a role in promoting this activity by working with us and the other social housing providers to provide the necessary statutory and planning environment and also to prioritise, as government policy, the development of social housing.

The Regulation of Housing Trusts

The proposed statutory regulation of housing trusts has been an issue that has occupied attention and discussion for many years. The Housing Minister is shortly to lodge in the States a draft enabling law which is intended to resolve this long-outstanding question. This will be the third such draft law to be proposed and, unlike the previous two attempts, I am very pleased to state that it receives my wholehearted support.

It is right that bodies in receipt, or having previously been in receipt, of substantial public financial support should be fully accountable to government and to the public and, what is more, should be seen to be so. Whilst fully accepting this, social housing providers have been concerned that any draft legislation should be proportionate, should avoid unnecessary bureaucracy and cost and should not create a hostile or threatening environment in which those volunteering their services would be expected to function.

Law draftsmen will inevitably seek to deliver a belt and braces solution, which resulted in the unsuitable previous proposals, since abandoned. Deputy Anne Pryke, our present Housing Minister, set out the main criteria she was seeking, such as proportionality, self-assessment against set standards, and the appointment of a regulator to be seen as a critical friend. She then entered into a process of genuine consultation (still ongoing) with the housing providers and organised a workshop with contributors from all sections of the community. She is to be congratulated on her approach which, I am sure, will result in a law respected by all stakeholders and the general public.

The new law will include safeguards and sanctions and their need is understood. There should be no doubt that the provision and management of social housing will be fully regulated and safeguarded. Nevertheless, the housing providers need not feel that their immense contribution to the Island's social fabric has been misunderstood or found wanting.

Governance and the future

Over the last twelve months the Trust has conducted a thorough and wide ranging review of its strategies and business model. Included in the review were risk, structure, governance, operations, regulation, compliance, future development strategy, outsourcing arrangements, business plan and succession planning. The Trustees were mindful that the professional environment in which we now operate is very different from that which prevailed when the Trust was formed, over 20 years' ago. The professional landscape in which we now operate is a much more regulated, litigious and competitive place. Furthermore, we have created, run and are collectively responsible for what is now a very substantial and complex "business", which has an annual turnover exceeding £8 million, estates and properties valued in excess of £125 million, borrowings in excess of £80 million and the management of 765 tenancies. In short, the demands and responsibilities which fall on each Trustee are heavy and onerous and increasingly so.

We have spent considerable time and effort examining all aspects of our structure, methods and our business model to ensure that we are minimising risk, controlling costs and remaining "fit for purpose" in the delivery of our contribution to the social housing needs of the Island. This exercise has also suggested outcomes to address pressing succession planning issues so that we are placed to compete in attracting and retaining Trustees of high calibre.

We have also refined our preferred development strategy, which is now to favour a number of smaller development projects in parallel rather than to take on a very large single development.

Over the next few months we will be implementing a number of changes to the way in which Trustees operate. My current joint roles and responsibilities as both Chairman and CEO will be separated. With the unanimous support of my Trustees, I will remain as Chairman. We will make alternative arrangements to cover an increasing number of my current CEO responsibilities. We have also agreed in principle that all Trustees should receive some level of remuneration without appreciably impacting on the nature of their appointments. There is now a competitive landscape with the creation of Andium Homes and we need to be able to retain and/or replace existing Trustees if the JHT is to continue to develop successfully.

I have had positive discussion with the Housing Ministry on the question of the future governance of the Trust with the intention of shortly putting in place the new structures and policies indicated by this exercise.

The other social housing providers

The transformation of the Housing Department into Andium Homes has changed the whole landscape of social housing provision, particularly development and procurement. The JHT was formed with the intention of taking forward the development of social rented housing when the States was not motivated to commit to funding arrangements that would enable the Housing Department to do so. By any measure, this was a very successful policy that served Jersey well. The same could not be said for the political environment in which the Housing Department was obliged to operate. Over the years the Department was denied sufficient access to its own rental income to properly maintain its properties. Furthermore, its inability to fund further development constrained severely any opportunity to rationalise its stock. Meanwhile the housing trusts (and particularly JHT) continued to be the beneficiaries of substantial revenue and capital subsidies from the States that were required to support the viability of the JHT's developments, whilst the States housing continued to suffer degradation.

The formation of Andium Homes has finally resolved a situation that was becoming increasingly anomalous. Andium is established as an independent company, wholly owned by the States. It has embarked on a programme to bring all its stock up to the decent homes standard. It can enter into borrowing commitments and it can develop badly needed housing. It is enthusiastically taking on this challenge and in so doing it is taking over the role of principal developer of further social housing.

The other social housing providers should now be viewed as offering choice and utilising niche opportunities, all contributing usefully to a general provision of which the Island can be proud. In recent years my contacts with the other housing trusts, and especially their Chairmen, has grown and matured. I enjoy and welcome our regular meetings. The Island is very well served by the Trusts, whose Boards are composed of dedicated and highly qualified professionals.

I continue to meet regularly with Ian Gallichan, previously CEO of the Housing Department and now Chief Executive of Andium Homes. There are subtle differences, as may be imagined, in the perspective and content of our discussions. The meetings are no less enjoyable or useful because of that.

There is a difficulty that hampers forthright discussions with and between all the providers. The main thrust of all our ambitions for the sector is the procurement and development of new housing projects. Ideally there would be in place an overall strategy enabling all activity to be planned and coordinated, making best use of land and finance and providing for an orderly engagement of the construction industry. Projects would be fine-tuned to best meet current shortages of accommodation types.

Unfortunately any such cooperation would run the risk of offending against the competition law, since the housing providers are technically in competition to buy land and all the services relating to land development. We have taken legal advice on this issue. It would require a political intervention and a change in the law to overcome this obstacle.

My discussions with colleagues from the other providers cannot be as frank or inclusive as we would like. Since we are all engaged in a similar ambition, to offer affordable housing to those in need, it makes little sense that the law should prevent us from simple cooperation entirely for the benefit of the community.

Tenant engagement

We attach importance to maintaining a high and consistent engagement with our tenants. Our twice-yearly newsletter is professionally produced in an approachable and readable style, designed to inform and include.

Our website, which is simple to use yet full of information, has been recently revamped and updated. The website is also available to the general public and contains my annual reports and the audited accounts of the Trust.

A satisfaction survey of all our tenants is in progress and we are hoping for a large response, as we have had in the past.

Accounting standards

The recommended reporting standard for UK housing associations has been revised for financial reporting from or after 1 January 2015. The JHT has always opted to comply with the standard in the past and is in process of amending its accounting and reporting procedures to maintain full compliance with the new standard. Therefore our financial statements for 2015, presently being compiled, will be compliant with the standard.

Up until and including 2014, the Trust opted to use the historical cost convention in reporting its property valuations. The Trust was able, under the rules, to opt not to annually depreciate these valuations provided it carried out an annual impairment review of all its properties and also its financial performance. Financial Reporting Standard 102 does not enable this option.

Our 2015 and subsequent financial statements will report its property valuations on the basis of independent valuations conducted from time to time by professional surveyors. These valuations will be depreciated annually in accordance with the rules for property depreciation under the standard, in the periods between the professional valuations.

It is anticipated that, for the Trust, this revised accounting procedure will result in markedly increased valuations and an apparently strengthened Statement of Financial Position.

Benchmarking our performance
As usual, I append the results of an annual benchmarking of the Trust's performance indicators against the summarised results of UK housing associations.

In making such comparisons, the Trust has benefitted in the past from having started off with new housing and new tenants. After 20 years that advantage should be viewed as slender. I would mention that we have always allocated housing to applicants on the basis of need. In the UK it is acknowledged now that there is little difference between the results from stock-transfer associations and associations with a history like JHT.

The UK results are based on the global accounts of associations of over 1,000 units (90% of the sector). The JHT had 744 units in the period of review. It is generally accepted that larger associations enjoy the benefit of economies of scale. I would also mention that Jersey is a high-cost environment compared with most areas in the UK.

I am justifiably proud of the results. We have maintained an out-sourced management model and we have no employees or 'owned' place of business. This continues to be our preferred business model. The Trust has also benefitted from a Constitution that provides in its regulations for remunerated services to be purchased from firms connected to Trustees, under well understood protocols. The financial details of all such contracts are published in the financial statements of the Trust. The financial statements are forwarded to the Treasury and Housing Ministers and published on the JHT website.

Acknowledgements
To:
Nigel Sweeny (our monitoring surveyor);
Marion Falle (our public relations consultant);
Stephen Van Neste and his team at Brunel Management (our property managers);
Michelle Tinari-Lee and her team at Moore Management (accountancy services);
Sylvia Lennon at Elian (secretarial services);
and to my amazing Trustees (see overleaf).

Thank you all for your services and kindnesses in 2015.

MICHAEL VAN NESTE
CHAIRMAN

The Jersey Homes Trust is a Jersey Housing Association, registered in the Royal Court on 9 June 1995 as an association for the purposes of the law entitled "Lois (1862) sur les teneures en fideicommis 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 JERSEY HOMES TRUST

Annual Benchmarking of Performance (2012 - 2014)
against Performance of UK Housing Associations (2014)

	UK Associations 2014	Jersey Homes Trust 2014	2013	2012
Average stock	**7,851**	**744**	**744**	**744**
Void stock	**1.8%**	**0.0%**	**0.0%**	**0.0%**
Stock failing DSH*	**1.9%**	**0.0%**	**0.0%**	**0.0%**
Average re-let time (days)**	**33.2**	**0.4**	**0.0**	**0.0**
Rental arrears at year end	**4.7%**	**0.18%**	**0.21%**	**0.08%**
Operating cost per unit - Weekly	**£56.32**	**£43.59**	**£40.07**	**£35.40**
Operating cost per unit - Annual	**£2,929**	**£2,267**	**£2,084**	**£1,841**
excluding major repairs - Weekly	**£52.12**	**£40.40**	**£36.71**	**£34.21**
excluding major repairs - Annual	**£2,710**	**£2,101**	**£1,909**	**£1,779**
Management cost per unit - Weekly	**£19.04**	**£11.66**	**£11.66**	**£11.40**
Management cost per unit - Annual	**£990**	**£606**	**£606**	**£593**

NOTES:

"Management cost" includes all administration costs**,** management fees, accountancy and audit fees, property insurances, P.I. Insurance and legal & professional fees.

"Operating cost" includes all the above, all repairs and maintenance and bad debts.

<u>UK data selected for benchmarking:</u>
The global accounts of housing associations over 1000 units
(over 95% of homes in the sector).

<u>To achieve like-for-like comparisons:</u>
UK costs are net of depreciation and impairment costs (the Trust does not depreciate for the purposes of the benchmarking exercise).
JHT costs are net of Foncier Rates (for which there is no UK equivalent).

Sources:
The Homes & Communities Agency website
The independently audited Financial Statements of The JHT
and reports to Trustees by Managing Agents

*Stock failing Decent Homes Standard per 2012 reporting (this PI no longer reported)

**Re-let times for UK associations taken from 2010 reporting (this PI is no longer reported)
Average re-let time calculated by number of void days divided by number of re-lets in year.

JHT benchmarking is not suitable for comparison with UK local authority housing departments or with Andium Homes in Jersey.

Property management report

A total of 765 units are presently under management at year end.

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 Street, St Helier. 17 flats.
Cherry Grove:	Roussel Street, St Helier. 12 flats
Kent Lodge:	Clarendon Road, St Helier. 7 flats.
St Saviour's Court:	St Saviour's Road, St Helier. 28 flats.
Belle Vue:	Route des Quennevais, St Brelade. An estate of 90 houses and flats.
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:	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.

Hameau de la Mer: St Clement. 21 units for the over-55s.

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

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

Rental: The current annual rental of the Trust's property based on the effective leases at 31 December 2015 is £8,365,353.

Voids & Arrears: Rental arrears are 0.07% of annual rental.

The Trustees submit their annual report and the audited financial statements of the Jersey Homes Trust (the "Trust") for the year ended 31 December 2015.

Activities

The Trust is a Jersey Housing Association, registered in the Royal Court on 9 June 1995 as an association for the purposes of the law entitled "Lois (1862) sur les teneures en fideicommis 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 Statement of Comprehensive Income on page 17.

Trustees

The Trustees of the Trust 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 Trust and of the income and expenditure for that year in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and in accordance with the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014. 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 United Kingdom Accounting Standards including Financial Reporting Standard 102 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 Trust will continue its activities).

The Trustees confirm they have complied with all the above requirements in preparing the financial statements.

The Trustees are required to act in accordance with the Constitution of the Trust. They are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Trust. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities. The Trustees confirm they have complied with the Constitution dated 9th June 1995.

So far as the Trustees are aware, there is no relevant audit information of which the Trust's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a Trustee in order to make himself or herself aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

The accounts are published on www.jerseyhomestrust.org.je which is a website maintained by the 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.

Key financial policies and strategies

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

  The objective of the Trust is to provide social housing primarily in the rental market for the inhabitants of the Island of Jersey. The creation of the Trust 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 Trust 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.

  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.

- ***Rental policy***

  In accordance with the rental policy approved by the States, from July 2014 rentals for new tenancies will be set at 90% of equivalent market rentals. The rentals for pre-existing tenancies will be increased in line with increases in the Jersey R.P.I. plus 0.75% annually.

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

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

- ***Reserves strategy***

  The Trust 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 Trust may set aside, reserve or commit sums from cash surpluses to:

  - pay the debts and commitments (future or current) of the Trust,
  - pay for current or set aside for future property repairs and maintenance (taken to designated reserves – see note 13),
  - pay for current or set aside for future property acquisitions, improvements, refurbishment or development, and
  - provide working capital for the Trust.

  All current cash surpluses are so set aside, reserved or committed.

Internal financial control

The Trustees have overall responsibility for ensuring that the Trust 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 Trust has no employees. The day to day operations of the Trust are all carried out by third parties, in which some of the Trustees have an interest, as disclosed in note 14. The Trust 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 manager in respect of all of the Trust's properties.

Homes and bedspaces

	2015	2014
Under management	**Units**	Units
One bedroom flats	**301**	283
Two bedroom flats	**260**	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
Three bedroom houses	**108**	108
Four bedroom houses	**9**	9
Other facilities	**4**	4
	765	744

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 Statement of Financial Position as of 31 December 2015 and the Statement of Comprehensive Income, the Statement of Changes in Reserves and the Statement of Cash Flows 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, including Financial Reporting Standard 102, "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and with the requirements of Constitution of the Trust. 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 2015, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, including FRS 102 and have been properly prepared in accordance with the requirements of the Constitution of the Trust.

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 Directory, the Chairman's Report and the Trustees' Report.

In our opinion the information given in the Trustees' report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Trustees as a body in accordance with the Constitution of the Trust 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

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
19 July 2016

JERSEY HOMES TRUST
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	31 December 2015 £	£	Restated (note 18) 31 December 2014 £	£
Fixed assets					
Housing properties	6		**147,940,700**		140,769,793
Current assets					
Debtors and prepayments	7	**489,076**		241,810	
Balance at managing agents		**540,362**		610,730	
Cash at bank and in hand	8	**13,311,893**		13,658,121	
		14,341,331		14,510,661	
Creditors – amounts falling due within one year					
Bank loans	11	**3,779,897**		3,402,525	
Creditors	9	**122,253**		95,463	
Tenants' deposits	10	**199,853**		190,814	
		4,102,003		3,688,802	
Net current assets			**10,239,328**		10,821,859
Creditors – amounts falling due after more than one year					
Bank loans	11	**78,609,007**		82,388,874	
			(78,609,007)		(82,388,874)
Net assets			**79,571,021**		69,202,778
Trust fund					
Housing property revaluation reserve	12		**32,027,548**		24,336,007
Retained reserves	13		**47,543,473**		44,866,771
			79,571,021		69,202,778

The financial statements were approved by the Trustees on 21 June 2016 and are signed 19 July 2016 on their behalf by:

Trustee **Trustee**

The notes on pages 21 to 34 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	**31 December 2015 £**	Restated (note 18) 31 December 2014 £
Income from property rentals	1	**8,106,745**	7,871,502
Property expenses		**(1,481,410)**	(1,204,815)
Development costs	4	**(16,219)**	(90,887)
Provision for bad debts		**(10,929)**	(15,330)
Net property income		**6,598,187**	6,560,470
Operating expenses	3	**(625,006)**	(570,258)
Operating surplus before depreciation		**5,973,181**	5,990,212
Depreciation	6	**(2,293,202)**	(2,293,202)
Operating surplus		**3,679,979**	3,697,010
Interest income		**106,187**	90,168
Interest expense	5	**(1,109,464)**	(1,131,418)
Surplus on ordinary activities		**2,676,702**	2,655,760
Other comprehensive income			
Unrealised gain on revaluation of housing properties	6	**7,691,541**	-
Total comprehensive income for the year		**10,368,243**	2,655,760

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

The notes on page 21 to 34 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF CHANGES IN RESERVES
For the year ended 31 December 2015

	Housing property revaluation reserve (note 12) £	Retained reserves (note 13) £	Total trust fund £
At 31 December 2013 as previously stated	-	30,912,011	30,912,011
Changes on transition to FRS 102 (note 18)	24,336,007	11,299,000	35,635,007
At 1 January 2014 as restated	24,336,007	42,211,011	66,547,018
Surplus on ordinary activities	-	2,655,760	2,655,760
At 31 December 2014	24,336,007	44,866,771	69,202,778
Surplus on ordinary activities	-	2,676,702	2,676,702
Other comprehensive income	7,691,541	-	7,691,541
At 31 December 2015	32,027,548	47,543,473	79,571,021

The notes on page 21 to 34 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	31 December 2015		Restated (note 18) 31 December 2014	
	£	**£**	£	£
Net cash inflow from operating activities (note 1)		**5,790,428**		6,008,508
Cash flow from investing activities				
Interest received	**77,944**		85,141	
Acquisition and construction of properties	**(1,772,568)**		(1,886,795)	
Net cash outflow from investing activities		**(1,694,624)**		(1,801,654)
Financing				
Interest paid	**(1,109,905)**		(1,121,266)	
Loan principal repayments	**(3,402,495)**		(3,048,040)	
Net cash outflow from financing		**(4,512,400)**		(4,169,306)
(Decrease)/increase in cash in the year		**(416,596)**		37,548
Cash and cash equivalents at beginning of the year		**14,268,851**		14,306,399
Cash and cash equivalents at end of the year		**13,852,255**		14,268,851
Cash and cash equivalents consists of:				
Balance at managing agents		**540,362**		610,730
Cash at bank and in hand		**13,311,893**		13,658,121
Cash and cash equivalents		**13,852,255**		14,268,851

The notes on page 21 to 34 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

Note 1 to Statement of Cash Flows **Reconciliation of operating surplus to net cash inflow from operating activities**	**31 December 2015** **£**	Restated (note 18) 31 December 2014 £
Operating surplus	**3,679,979**	3,697,010
Depreciation	**2,293,202**	2,293,202
(Increase)/decrease in debtors and prepayments	**(219,023)**	50,324
Increase/(decrease) in creditors and tenants deposits	**36,270**	(32,028)
	5,790,428	6,008,508

Note 2 to Statement of Cash Flows **Reconciliation of net cash flow to movement in net debt**	**31 December 2015** **£**	31 December 2014 £
(Decrease)/increase in cash at bank & held at agents	**(416,596)**	37,548
Loan principal repayments	**3,402,495**	3,048,040
Movement in net debt in the year	**2,985,899**	3,085,588
Opening net debt	**(71,522,548)**	(74,608,136)
Closing net debt	**(68,536,649)**	(71,522,548)

Note 3 to Statement of Cash Flows
Analysis of changes in net debt

	1 Jan 2015 **£**	**Cashflows** **£**	**31 Dec 2015** **£**
Cash at bank & held at agents	**14,268,851**	**(416,596)**	**13,852,255**
Debt due after one year	**(82,388,874)**	**3,779,867**	**(78,609,007)**
Debt due within one year	**(3,402,525)**	**(377,372)**	**(3,779,897)**
	(85,791,399)	**3,402,495**	**(82,388,904)**
	(71,522,548)	**2,985,899**	**(68,536,649)**

The notes on page 21 to 34 form an integral part of these audited financial statements.

1. Principal accounting policies

The financial statements have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, the Financial Reporting Standard as applicable in the UK and Republic of Ireland ("FRS 102"), 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 2014 (the "SORP"). The Trust is a public benefit entity.

The following accounting policies set out below have been applied consistently in dealing with items which are considered material in relation to the Trust's financial statements. The Trust has adopted FRS 102 in these financial statements. The transition to FRS 102 has impacted the carrying values of the Trust's assets and liabilities, for which the prior year has been restated, refer to note 18 for further information.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of fixed assets. The level of rounding applied in these financial statements is to the nearest pound sterling ("GBP").

The preparation of financial statements in conformity with FRS 102 and the SORP requires the use of accounting estimates and exercise of judgement by the Trustees while applying the Trust's accounting policies. These estimates are based on the Trustees' best knowledge of the events which existed at the date of the Statement of Financial Position; however, the actual results may differ from these estimates.

Presentational and functional currency

The Trust's functional and presentation currency is the GBP being the currency of the primary economic environment in which the Trust operates. The Trust does not enter into transactions in currencies other than the GBP.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position are comprised of demand deposits and short term deposits.

Rental income

Rental income is accounted for on an accruals basis and represents income from social lettings.

Other income and expenditure

Other 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

Loan interest is accounted for on an accruals basis.

Loan interest expense on loans for properties held for letting are included in the Statement of Comprehensive Income. Loan interest expense on loans to finance property developments is capitalised up to the date that the development is completed.

1. Principal accounting policies – continued

Financial instruments

The Trust 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 Trust becomes a party to the contractual provisions of the instrument.

Financial assets

a. Debtors and impairments
Debtors are non-derivative assets with fixed or determinable payments, the majority of which is made up of rental income receivable. The Trust includes in this category short term receivables and prepayments. Trade debtors are subsequently measured at amortised cost less provision for impairment.

The Trust provides for bad debts on rental income when there are circumstances or events which indicate that the counterparty will be unable to settle the amount due to the Trust. This assessment is undertaken on an annual basis.

Impairment losses are recognised in the Statement of Comprehensive Income. Subsequent reversals of an impairment loss are recognised when the original impairment indicator no longer exist.

Financial liabilities

a. Creditors
Creditors are non-derivative liabilities with fixed or determinable payments. The Trust includes in this category short term payables which are expected to be realised within 12 months of the Statement of Financial Position date.

b. Bank loans
Bank loans and borrowings are initially recognised at the transaction price (including transaction costs), and are subsequently measured at amortised cost using the effective interest method.

Housing properties

Housing properties are valued at Existing Use Value for Social Housing (“EUV-SH”) on a regular basis to ensure the carrying value does not materially differ from the fair value. The aggregate surpluses or deficit on revaluation is the difference between the cost of the property less accumulated depreciation and the amount of the valuation. Revaluation surpluses are recognised in Other Comprehensive Income and accumulated in reserves (Housing property revaluation reserve). Works to existing properties will generally be capitalised under the following circumstances:

a) 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; and/or
b) 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.

1. Principal accounting policies – continued

Housing properties – continued

Works to existing 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 below.

Housing properties under construction are recorded at cost (Under construction) until such time whereby the housing property is no longer under construction and is available for letting, at which stage it will be valued on the EUV-SH basis (Held for letting).

Commercial units are valued at fair value (not on the EUV-SH basis) less subsequent depreciation and impairment. The Trust has classified the commercial units as property plant and equipment (housing properties) as they are not held by the Trust for capital appreciation or rental income based on market rates. Furthermore, these units are integral to the social housing scheme of which they are a part of and were not acquired separately from the housing itself.

Depreciation of 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. For housing properties transferred into held for letting, depreciation is charged when the property is available for use. The expected useful life of each component is as follows:

	Expected life (years)
Structure (including partitions, drainage, walls, floors, ceilings and stairs)	100
Windows and doors	30
Roof	70
Kitchens	20
Bathrooms	30
Wiring and electrical installations	40
Plumbing and installations	30
Boilers	10 - 15
Lifts	25

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

Annual 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. Labesse & Co, Chartered surveyors, undertook an impairment review on behalf of the Trustees of all of the Trust's properties as at 31 December 2015. 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 Trust.

1. Principal accounting policies – continued

Impairment of 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.

Capital grants

The Trust accounts for capital grants received in accordance with the performance model under section 24 of FRS 102. The performance model requires the Trust to record capital grants received which do not impose specified future performance related conditions as revenue when the grant proceeds are received. A grant that does impose specified future performance related conditions is recognised as revenue only when those conditions are met.

Retained reserves

The retained reserves are made up of accumulated surpluses generated on ordinary activities. The Trust has a process in place to assign these retained reserves to separate sub-reserves, being the designated reserve and development reserve.

The designated reserve has been set up as a reserve for future repairs and maintenance costs on completed developments. The amount transferred to the reserve is calculated based on financial models prepared for each individual property, plus an additional buffer equating to 5% of rental income. 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 Statement of Comprehensive Income for the amount involved.

The development reserve has been set up as a reserve for future property developments and major capital expenditure. In accordance with Clause 8a of the contract with the States of Jersey, the Trust has set aside an additional £2,000,000 during the year as a development reserve to provide seed capital for future housing developments (2014: £1,500,000).

In accordance with the SORP, the designation of reserves into separate sub-reserves as explained above is considered to be an internal matter and therefore they are not allowed to be disclosed as separate reserves in the Statement of Financial Position. Note 13 includes further detail on the reserves including the designation of the sub-reserves.

Critical accounting estimates and assumptions

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

a) Useful lives of tangible fixed assets
Tangible fixed assets are depreciated on a systematic basis based on the Trustees' 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.

1. Principal accounting policies – continued

Critical accounting estimates and assumptions – continued

b) Impairment of assets

As previously disclosed, Labesse & Co, Chartered surveyors, undertake annual impairment reviews in order to determine whether the Trust should record an impairment charge on any of its properties. This impairment review takes into account the economic and political environment in which the Trust operates, the financial model of each of the completed development projects compared with actual financial performance, and the physical conditions of all of the properties owned by the Trust.

c) Categorisation of housing properties as property, plant and equipment

Under the requirements of the SORP, housing properties that are held for the provision of social housing must be treated as property, plant and equipment. All housing properties owned by the Trust are rented out to third parties in accordance with the rental policy approved by the States of Jersey (not charged on commercial rates) and the developments support the wider social housing community within the Island of Jersey. Given this, and the fact that the Trust is a not-for-profit body, the Trustees have determined that the Trust's properties meet the definition of property, plant and equipment and have been accounted for as such.

d) Valuation of housing properties

The Trust carries its housing properties on an EUV-SH basis and commercial units are valued using a rent and yield approach less subsequent depreciation and impairment. Revaluation losses or gains are recognised in Other Comprehensive Income and accumulated in reserves (Housing property revaluation reserve). In determining the value, an estimated discount rate and future costs (management costs, total repair costs and the amount of bad debts and voids) is made.

The Trust's housing properties were valued as at 1 January 2014 and 31 December 2015 by independent professionally qualified valuers who hold a recognised professional qualification and have experience in the properties valued. The Trustees review the valuations performed by the independent valuers for financial reporting purposes.

2. Taxation

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

3. Operating expenses

	2015	2014
	£	£
Property management fees (note 14)	**384,060**	374,034
Audit fees	**25,000**	19,425
Administration and accountancy fees	**81,127**	81,332
Insurance	**90,048**	74,565
Legal and professional fees	**42,546**	19,916
Bank charges	**2,225**	986
	625,006	570,258

4. Development costs

	2015	2014
	£	£
Ann Court	**-**	90,677
Great Union Road	**462**	-
Rue De Haut	**1,524**	-
La Folie extension	**14,233**	-
Samuel Le Riche	**-**	210
	16,219	90,887

5. Interest expense

	2015	2014
	£	£
Interest expense on loans attributable to housing properties	**1,109,464**	1,131,418

6. Housing properties

31 December 2015	Held for letting £	Under construction £	Total housing properties £
At 1 January 2015	**138,882,998**	**1,886,795**	**140,769,793**
Additions	**-**	**1,772,568**	**1,772,568**
Transfer from under construction to held for letting	**3,659,363**	**(3,659,363)**	**-**
Depreciation	**(2,293,202)**	**-**	**(2,293,202)**
Revaluation	**7,691,541**	**-**	**7,691,541**
At 31 December 2015	**147,940,700**	**-**	**147,940,700**

31 December 2014			
At 31 December 2013 as previously stated	116,840,193	-	116,840,193
Changes on transition to FRS 102	24,336,007	-	24,336,007
At 1 January 2014 as restated	141,176,200	-	141,176,200
Additions	-	1,886,795	1,886,795
Depreciation	(2,293,202)	-	(2,293,202)
At 31 December 2014	138,882,998	1,886,795	140,769,793

6. Housing properties – continued

Valuations were carried out as at 1 January 2014 and 31 December 2015 by Jones Lang LaSalle IP Incorporated ("JLL") (an independent valuer) using the discounted cash flow method. The valuations have been prepared using the EUV-SH (apart from the commercial units), as required by the SORP. The commercial units have been valued using a rent and yield approach.

Land acquired by the Trust 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.

JLL have also carried out a valuation of the Trust's housing properties as at 31 December 2015 based on open market value basis. The total of this valuation is £153,860,000.

In accordance with its policy, the Trust did not carry out a fair valuation exercise as at 31 December 2014.

Had the Trust not carried out a revaluation of its housing properties as at 1 January 2014 and 31 December 2015, the depreciated cost of its housing properties would have been £115,913,152 as at 31 December 2015 (2014: £116,433,786).

Housing properties owned are used as security against the borrowings of the Trust. For further details see note 11.

7. Debtors and prepayments

	2015	2014
	£	£
Amounts due from The Albert Pier Housing Association	**53,774**	80,661
Current rentals due	**111,725**	90,462
Bank interest receivable	**46,394**	18,151
Insurance prepaid	**45,808**	37,771
Balance with Ogier	**210,881**	-
Other debtors and prepayments	**20,494**	14,765
	489,076	241,810

The balance with Ogier relates to the Trust's acquisition of field 873 (Rue De Haut) which did not pass through the Royal Court until 8 April 2016.

The loan to The Albert Pier Housing Association in respect of replacement lighting costs, is unsecured, interest free and repayable on 31 December 2017.

During the year the Trust provided for bad debts in respect of current rentals due of £10,929 (2014: £15,330).

8. Cash at bank and in hand

	2015	2014
	£	£
Cash at bank	**13,311,893**	13,658,121

As at 31 December 2015, all cash and cash equivalents were held in bank accounts at Barclays Private Clients International Limited, Lloyds Bank Plc and Standard Chartered Bank Plc.

9. Creditors

	2015	2014
	£	£
Loan interest payable	**13,382**	13,823
Other – property related	**73,365**	60,389
Other – non-property related	**35,506**	21,251
Creditors due in less than one year	**122,253**	95,463

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

10. Tenants' deposits

This amount of £199,853 represents deposits received from tenants (2014: £190,814). 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 rental and a reasonable amount in respect of any damage to the premises by the tenant.

11. Bank loans

	2015		2014	
	£	**£**	£	£
Repayable in less than 1 year		**3,779,897**		3,402,525
Repayable in 1 to 2 years	**4,181,419**		3,779,897	
Repayable in 2 to 5 years	**14,551,969**		13,612,349	
Repayable in 5 years or more	**59,875,619**		64,996,628	
		78,609,007		82,388,874
		82,388,904		85,791,399

On 15 March 2014, the Trustees entered into a Bond, Billets and Variation agreement with Barclays Private Clients International Limited which allows for the cross collateralisation of existing loans that Barclays Private Clients International Limited have a charge over, subject to a cap of £90,000,000.

All of the loans are from Barclays Private Clients International Limited or Lloyds Bank Plc. The rate of interest incurred on each loan amounts to LIBOR + 0.75%.

For the majority of the loans, in the event that interest exceeds 4% per annum, the sum equal to the difference between 4% and the interest rate is reimbursed by the States of Jersey. There are three loans where the interest rate limit is 6% per annum.

12. Housing property revaluation reserve

	2015	2014
	£	£
Opening balance as previously stated	**24,336,007**	-
Changes on transition to FRS 102	**-**	24,336,007
Opening balance as restated	**24,336,007**	24,336,007
Unrealised gain on revaluation of housing properties	**7,691,541**	-
At 31 December 2015	**32,027,548**	24,336,007

Valuations have been carried out as at 1 January 2014 and 31 December 2015 by JLL (an independent valuer) using the discounted cash flow method. The valuations have been prepared using the EUV-SH (apart from the commercial units), as required by the SORP. The commercial units have been valued using a rent and yield approach.

The housing property revaluation reserve is made up of unrealised gains and losses and is therefore not available for distribution.

13. Retained reserves

As previously disclosed, the Trust has a process in place to assign the retained reserves to separate sub-reserves, being the designated reserve and development reserve. The assignment of the retained reserves and the movement in the reserves is shown below:

	Designated reserve £	Development reserve £	Income account £	Total retained reserves £
At 31 December 2013 as previously stated	4,862,605	8,300,000	17,749,406	30,912,011
Changes on transition to FRS 102	-	-	11,299,000	11,299,000
At 1 January 2014 as restated	4,862,605	8,300,000	29,048,406	42,211,011
Surplus on ordinary activities	-	-	2,655,760	2,655,760
Transfer to designated reserve	271,967	-	(271,967)	-
Transfer to development reserve	-	1,500,000	(1,500,000)	-
At 31 December 2014	5,134,572	9,800,000	29,932,199	44,866,771
Surplus on ordinary activities	-	-	2,676,702	2,676,702
Transfer to designated reserve	87,842	-	(87,842)	-
Transfer to development reserve	-	2,000,000	(2,000,000)	-
At 31 December 2015	5,222,414	11,800,000	30,521,059	47,543,473

13. Retained reserves (continued)

Capital repayments on the Trust'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 Statement of Financial Position of the Trust.

As at 31 December 2015, the Trust reported an accumulated income account amounting to £30,521,059 (2014: £29,932,199) out of which the Trust has made accumulated capital repayments totalling £23,509,952 (2014: £20,107,457). In accordance with the Constitution of the Trust, the residual retained income after loan repayments amounted to £7,011,107 (2014: £9,824,742) as at 31 December 2015, as reported below:

	£
Income account as at 31 December 2015	30,521,059
Net loan repayments made to 31 December 2015	(23,509,952)
Residual retained income as at 31 December 2015	**7,011,107**

In the opinion of the Trustees, the residual retained income is required for working capital purposes and future developments as provided for in the Constitution of the Trust therefore no amounts are available for distribution. The Trustees have reviewed the current cash balances held by the Trust which have been allocated to working capital purposes and future developments and have determined that there is a nil surplus of liquid assets as at 31 December 2015.

Designated reserve

The designated reserve has been set up as a reserve for future repairs and maintenance costs on completed developments. The transfer from the income 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 an additional buffer equating to 5% of rental income.

Development reserve

For the year ended 31 December 2015, the Trustees transferred £2,000,000 (2014: £1,500,000) to the development reserve to provide seed capital for future housing projects.

During the year, the Hameau de la Mer project was completed and the related development cost which has been capitalised to the cost of housing properties of £3,659,363 has been applied against the development reserve as follows:

	£
Development reserve as at 31 December 2015	11,800,000
Capital expenditure to 31 December 2015 (note 6)	(3,659,363)
Net reserve as at 31 December 2015	**8,140,637**

14. Related parties

The following are related parties as defined by Section 33 of FRS 102:

(a) The Trustees

No fees or expenses were paid to the Trustees for the year ended 31 December 2015 (2014: nil).

14. Related parties – continued

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

Brunel manages all of the Trust'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 £384,060 (2014: £374,034) of which £59,378 (2014: £59,592) remained outstanding and is included in creditors. Brunel maintains a segregated bank account on behalf of the Trust for the collection of rental and payment of property expenses. At 31 December 2015, this balance was £540,362 (2014: £610,730).

(c) Elian Corporate Services (Jersey) Limited ("Elian") through its relationship with Advocate Philip Le Cornu

Elian provides secretarial services to the Trust. The total amount payable during the year was £27,880 (2014: £27,941) of which nil was outstanding at the year end (2014: nil).

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

Moore Management Limited act as the Trust's accountants. The amount payable during the year was £53,247 (2014: £53,391) of which £10,507 remained outstanding and is included in creditors at 31 December 2015 (2014: £11,538). With effect from 29 April 2016, Mr I Moore was no longer an employee of Moore Management Limited.

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

Ross-Gower Associates act as consulting engineer to the Trust. During the year nil (2014: £11,523) was payable to Ross-Gower Associates none of which was outstanding at the year end (2014: nil). With effect from 31 March 2016, Mr C Clarke was no longer an employee of Ross-Gower Associates.

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

Labesse & Co. act as the Trust's surveyors. During the year ended 31 December 2015, £9,800 (2014: £9,700) was payable to Labesse & Co none of which was outstanding at the year end (2014: nil).

In accordance with the Constitution of the Trust, in respect of any contract or arrangement for professional services rendered to the Trust by a Trustee (defined as a "Member" in the Constitution of the Trust) 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:

Individual Trustees shall not be party to any Trustee discussion nor vote in relation to any aspect of a contract or arrangement between the Trust and said Individual Trustee.

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.

15. Capital commitments

The Trust has committed to housing development expenditure of £1,025,000 (Field 873 – Rue De Haut) as at 31 December 2015 (2014: £1,772,568 (Hameau de la Mer)).

16. Ultimate controlling party

The controlling parties of the Trust as defined by Section 33 of FRS 102 are the Trustees of the Trust, whose only benefits are as outlined in paragraphs 13 (i) (a to f) of the Constitution and above.

17. Risks and uncertainties

The Trustees consider that the key financial risks currently being managed by the Trust are as follows:

(a) Sufficient funding for development projects is not achieved;
(b) The funding terms available are less preferable than as projected/required;
(c) Fiscal policy enacted by the States of Jersey leads to rental income being lower than that per the financial models; and
(d) Improper management of the housing properties leads to maintenance costs being higher than that per the financial models.

The Trustees closely monitor the impact of the above risks including the financial modelling of sensitivity analysis on a number of scenarios. This assists to provide an "early warning mechanism" which enables informed decisions to be made by the Trustees.

18. FRS 102 transition

The Trust transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The impact from the transition to FRS 102 is as follows:

	£
Reconciliation of trust fund at 1 January 2014	
Trust fund at 1 January 2014 under previous UK GAAP	30,912,011
Revaluation of housing properties	24,336,007
Reclassification of capital grants	11,299,000
Trust fund at 1 January 2014 under FRS 102	66,547,018

	£
Reconciliation of trust fund at 31 December 2014	
Trust fund at 31 December 2014 under previous UK GAAP	35,860,973
Revaluation of housing properties	24,336,007
Reclassification of capital grants	11,299,000
Depreciation	(2,293,202)
Trust fund at 31 December 2014 under FRS 102	69,202,778

	£
Reconciliation of profit and loss for the year ended 31 December 2014	
Surplus for the year ended 31 December 2014 under previous UK GAAP	4,948,962
Depreciation	(2,293,202)
Surplus for the year ended 31 December 2014 under FRS 102	2,655,760

18. FRS 102 transition (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

Revaluation of housing properties
Under previous UK GAAP, the Trust's housing properties were shown at historical cost less impairment. This approach is no longer allowable under FRS 102 as the housing properties are required to be presented at either: Cost less accumulated depreciation and any accumulated impairment losses (the "Cost Model"); or Fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses (the "Fair Value Model"). The Trustees have agreed to adopt the Fair Value Model in preparing the financial statements under FRS 102. Further information on the fair value basis applied can be found in note 6.

Reclassification of capital grants
The Trust has received capital grants from the States of Jersey totalling £11,299,000, all of which is non-repayable. Under previous UK GAAP, the total amount provided was presented as an offset to the housing properties on the Statement of Financial Position, as they were considered to be a contribution towards the capital cost of the relevant housing property. In accordance with FRS 102, an entity which accounts for its housing properties under the Fair Value Model must recognise capital grants using the performance model under the SORP. This requires the Trust to recognise the grants as revenue as and when any specified future performance-related conditions are met. The Trustees have determined that the only specified future performance-related condition attached to the grants (whether legal or constructive) is that the Trust must complete construction of the relevant development and use it to provide social housing, primarily in the rental market, for the inhabitants of the Island of Jersey. As all developments to which a grant was attached to were fully completed and let as at 1 January 2014, the total amount of £11,299,000 has been recorded as revenue with a corresponding adjustment on the Statement of Financial Position.

Depreciation
Under previous UK GAAP, the Trust did not charge depreciation on its housing properties on the basis that depreciation was considered to be immaterial as the majority of the properties owned by the Trust are newly built developments and the Trust has a policy of continuous maintenance and refurbishment. This approach is no longer allowable under FRS 102 and the Trustees have therefore decided to charge depreciation on a straight line basis over the expected economic useful lives of each major component that makes up the housing property. Further information on the depreciation policy adopted by the Trust can be found in note 1.

Presentation of retained reserves
As a result of the Trust adopting FRS 102, the designated and development reserve are no longer separately presented on the face of the Statement of Financial Position. The Trust still has a process in place to assign these retained reserves to separate sub-reserve. Further information on the classification of reserves can be found in note 13.

19. Subsequent events

As disclosed in note 7, the Trust was granted ownership of field 873 (Rue De Haut) on 8 April 2016, for which the final total consideration was £214,786.

There are no other subsequent events to report.