

Jersey Homes Trust

Annual report and financial statements

For the year ended 31 December 2018

JERSEY HOMES TRUST

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JERSEY HOMES TRUST DIRECTORY

Trustees

Michael Van Neste (Chairman)

Adv Philip Le Cornu (Secretary)

Martyn Scriven (Treasurer/Deputy
Chairman)

Ian Moore (Chartered Accountant)

Christopher Clarke
(Developments Director)

Paul Labesse (Estates Director)

Frank Dearie (Risk, Regulation and
Compliance)

Managing Agent and Registered Address

Brunel Management Limited
Brunel Chambers
Devonshire Place
St Helier
Jersey, JE2 3RD

Secretary

Intertrust Fiduciary Services (Jersey)
Limited
44 Esplanade
St Helier
Jersey, JE4 9WG

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

IQ EQ Fund Services (Jersey) Limited
(formerly known as Moore
Management Limited)
2nd Floor Gaspé House
66-72 Esplanade
St Helier
JE1 1GH

Independent Valuer

Jones Lang LaSalle IP Incorporated
Latimer House
5-7 Cumberland Place
Southampton, SO15 2BH

JERSEY HOMES TRUST

CHAIRMAN'S REPORT

For the year ended 31 December 2018

The following topics are covered in this report:

We lost a dear colleague and friend in 2018.

I am very sad to report the passing of Jim Bailey, Trustee and also surveyor to the Trust for many years.

A New Minister for Housing.

Following the general election, a new Housing Minister, Senator Mezec has been appointed. Our initial contacts have been positive and reassuring.

The Regulation of Social Housing Providers.

The States members voted down the previous Housing Minister's proposition detailing the proposed Regulation of Social Housing providers.

Charitable Status.

The Trust has submitted its application to the Commissioner for charitable registration under the new law. Reporting and regulation under this Law replicates much of what was proposed under the proposed law to regulate housing providers.

The Affordable Housing Gateway.

Problems continue in obtaining the necessary access to this States-run facility.

Developments.

Two further housing developments by the Trust were completed and let to new tenants. The costs of construction have increased markedly in the last 12 months.

The Jeanne Jugan Residence.

The Trust has made a bid for the acquisition of the care-home put up for sale by its present operator, the Little Sisters of the Poor.

Rental Freeze

Trustees opted to place a temporary freeze on rental increases in the light of unexpectedly high inflation statistics.

Housing Management post Grenfell.

We continue to carefully reassess our management, inspection and procurement processes following the Grenfell disaster.

Benchmarking our performance.

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

JERSEY HOMES TRUST

CHAIRMAN'S REPORT

For the year ended 31 December 2018

Jim Bailey, R.I.P.

The passing of Jim Bailey, Trustee, colleague and friend, was a great sadness to my Trustees. Jim, formerly a States of Jersey quantity surveyor, transferred to the private sector and in the early days of the Trust was appointed as the Trust's representative to monitor our development contracts. At that time, the Trust was the sole developer in Jersey of further social housing and was conducting major new housing projects. Jim was of enormous assistance to me, and to the Trust, and over several years he and I were in almost daily contact. In development projects costing well over £100 million, the Trust has never been over budget and all have all been completed on, or about on, time.

On his retirement, my Trustees invited Jim to join us as a Trustee, which would ensure his continued presence at our meetings, and I was delighted when he accepted the appointment. He never missed a meeting and derived great enjoyment from the role. He was an active member of our Development Sub-Committee with a unique skill-set, arising from his years working for the States, in the area of construction contracts, insurance and collateral warranties.

In recent years Jim experienced seriously disabling health issues and setbacks. He endured this bravely and incredibly cheerfully (at least in public). It was a privilege and a great pleasure to have known and worked with a very fine gentleman.

A New Minister for Housing.

As part of a very new Council of Ministers, Senator Sam Mezec was appointed Minister for Housing. The Minister very kindly devoted time for an introductory meeting in which we covered many topics and I am very encouraged that the Senator has a welcome "hands-on" style and a determination to expand the role of the housing providers and also to impact on the affordability of housing in Jersey.

The Trust works in partnership with the States and success can be achieved only when the partnership is healthy and respected. My Trustees remain ambitious to expand the size and the role of the Trust, and I very much look forward to working with the Minister and his officers in the coming months.

The Regulation of Social Housing Providers

Over many years there have been a number of initiatives to set up a formal structure for the regulation of social housing providers. These have mainly taken the form of proposed legislation to establish a regulator with statutory powers, registration, reporting, controls and sanctions.

The Trust has always supported the concept of regulation, being the recipient of financial support from the States and occupying a not inconsiderable role in social housing provision in the Island.

There have been forums, reports, draft legislation and considerable consultation with stakeholders and the public at large, but these initiatives have not been able to solve some basic issues:

JERSEY HOMES TRUST

CHAIRMAN'S REPORT

For the year ended 31 December 2018

- the sector is already well regulated by other means and performs extremely competently;
- there are very few providers in this small jurisdiction, and
- the weight of proposed law and attendant bureaucracy is difficult to justify;
- the private sector first needs to be regulated;
- the declared aims of proportionality and “light touch” are difficult to enshrine, in fact, in formal legislation.

In my report, last year, I supported the Minister's proposals, which were a sincere attempt to introduce legislation that met the difficulties mentioned. I remained concerned that the regulation proposed would result in bureaucracy and cost, but if there had to be this kind of formal regulation, then so be it. I also made my view clear that a simpler and, indeed, more appropriate form of regulation could be based on legally enforceable, bi-lateral agreements between the Housing Ministry and each provider.

I am therefore now proposing that the Trust should work with the SHU to draft a memorandum of understanding and a formal legal agreement to define and describe the working relationships between the Trust and the States and to effectively ‘regulate’ the Trust going forward. This, in fact, will be little more than bringing together and also updating many existing agreements and protocols, which together constitute effective regulation, entered into over the years. Present controls and/or oversights include:

- the vetting the appointment of new Trustees,
- approving new borrowings and balance sheet gearing,
- consent for and pre-emption rights on any proposed sale of property,
- on setting rental policy and controls,
- on working with the Affordable Housing Gateway,
- on rental contributions to the States Treasury,
- on the transfer of uncommitted revenue surpluses to the States, and
- on the submission of annual accounts.

The Trust has submitted its application to the Commissioner for registration under the new Charities Law (see below). Registration will, in fact, impose on the Trust many of the regulations and observances that the proposed law for regulation of housing providers envisaged. The case for the appointment of a Regulator of social housing providers has surely, now, fallen away.

Charitable Status

The Trust has always enjoyed charitable status, having submitted its Constitution to the Comptroller of Taxes at inception. Recognition of this status renders the Trust free from taxation and is vital for the viability of our business plan. Under the new Charities Law, the responsibility of recognition of Charitable status now rests with the Charities Commissioner. As above mentioned, we have accordingly submitted our application for registration to the Commissioner. The process can take up to the end of 2019, during which time the Comptroller will continue to respect the pre-existing charitable status agreed under the previous arrangements.

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For the year ended 31 December 2018

The Trust does not seek or depend upon charitable donations from the public in order to finance its activities. There are many institutions that are charitable (and therefore charities) but do not seek donations. Whilst the Trust is engaged in activities which constitute or are akin to a business, the objects of the Trust are entirely charitable and fall within the scope of the activities listed as charitable in the new law. Furthermore, the Trust is a not-for-profit body registered as an incorporated association. The 1862 law provides for duly registered incorporated associations and trusts to hold land and property for charitable purposes. In the UK, housing associations are regarded as charities for the purposes of the UK Charities Law and remain, therefore, exempt from taxation.

The Affordable Housing Gateway

In my report last year I described in some detail our relationship with the Gateway and the problems of access we were encountering, so I will not repeat the detail.

Suffice it to say that we have always strongly supported the concept of the Gateway and being part of it, but that support is severely constrained now when our access to it, which is fundamental, is slow and inconvenient. Software solutions, which would be cheap, quick and simple in the private sector, appear to be beyond the ability or capacity of the States.

As a so called 'temporary measure' or 'workaround' almost two years ago we were loaned, by the Social Security Department who operate the Gateway, a laptop computer with which, and with some difficulty, we can access the Gateway for the necessary information concerning applications for accommodation. This is at the heart of what we do as a functioning landlord processing changes in tenancies. I will say no more.

Developments

It is with very great pleasure that I can report on the successful completion of two further housing development projects.

In August, the Trust took possession of Garrett Anderson House, part of the College Gardens development at the former Jersey College for Girls site in St Helier, and developed by the States of Jersey Development Company.

We are impressed with the very high quality of this development and it has been a pleasure to work with Lee Henry and his team at JDC. Garrett Anderson House comprises 40 apartments with basement car-parking and the acquisition price was £8 million. I would like to think that we may be able to work again with JDC at some future time.

In October, the Trust took possession of Jardin de la Mare, a new estate of 35 three-bedroomed houses at Grouville. This has been a most agreeable development in which to have been involved and I record my grateful thanks to Nigel Sweeny, our surveyor, and also to Hacquoil & Cook, the building contractors, with whom it has been a delight to work.

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CHAIRMAN'S REPORT

For the year ended 31 December 2018

Six of the units had been reserved by the Planning Department as “affordable” homes, to be sold to applicants in the Gateway on what constitutes a shared-equity arrangement. I am delighted to record that Andium Homes offered to acquire the 6 units, at cost, and to sell them on to suitable applicants under the “affordable” arrangements. Andium are well versed in the administration of these schemes and we were most happy to take this course.

The Trust now owns and manages, as landlord, a total of 835 homes (see the listing at the end of this report).

We are in course of completing a small development of 3 houses, each two-bedroomed, in Parkinson Drive, St Lawrence, part of our La Folie estate. We were able to put to use some available land at the site.

Development Cost

Notwithstanding the availability of this “free” land at La Folie, these 3 homes have, together, cost well over £1 million to construct. This followed careful scrutiny of plans, to avoid unnecessary specification, and a conventional competitive tendering process. Building costs reportedly increased by 20% over the previous 12 months in Jersey, due to the weakness of sterling and also lack of capacity in the building industry, which is over-extended at present. This is a sobering fact of life for housing providers. If Brexit results in a reduced pool of available labour, this situation will certainly not be assisted.

The Jeanne Jugan Residence.

As reported in the media, the Trust has made a bid for the acquisition of the care-home put up for sale by its present operator, the Little Sisters of the Poor. If the bid is successful, it is proposed that the operation of the care-home and the tenancy of the property will be taken on by Family Nursing and Health Care. At this time, I am unable to report on anything more than what is already in the public domain, due to the necessity of discretion in a situation involving competing bids.

I can mention the high regard in which the care-home is held by Islanders and our desire to become involved in this important facility. I have made a most happy acquaintanceship with Phil Romeril and also members of his team at Family Nursing. We await the decision of the Little Sisters!

Rental Freeze

From September, Trustees opted to place a temporary freeze on rental increases, in the light of unexpectedly high inflation statistics. By agreement with the Housing Minister, the Trust bases rental increases largely on increases in the Jersey Retail Price Index. In September the rate of increase for the year jumped to 4.5%, which would have given rise to rental increases becoming due, of 5.25%.

Both Andium Homes (who use the same formula for increases) and Jersey Homes Trust sought agreement with the SHU to temporarily freeze increases then due, pending further consultation. The Minister was more than happy to agree.

JERSEY HOMES TRUST

CHAIRMAN'S REPORT

For the year ended 31 December 2018

It has now been agreed that future increases will be capped at 4.5%, subject to minimum increases of not less than 2.5%, and Trustees were happy to offer support to this proposal. The new arrangement includes an understanding that the matter can be re-visited in light of unexpected circumstances.

Jersey Homes Trust rentals that were due to be increased in the period of the freeze will be increased in January, but in line with the new arrangements.

The Grenfell legacy

I reported last year on our initial response to the devastating fire at Grenfell Tower. Like many housing professionals everywhere, we put in place additional measures to assess risk, to interrogate procedures and to commence further improvement to health and safety factors in our properties. Whatever comes out of the official enquiry, which will be detailed and very lengthy, it is becoming clear that mere observance of regulation should not be the minimal provision of landlords. On the other hand, compliance with every aspect of best practice would be expensive, time consuming and probably unnecessary. Whilst awaiting delivery of the report of the enquiry, we have commenced some sensible upgrading or improvements to fire alarm systems and electrical inspection protocols. We are working with the respective consultants. This is not to suggest that previous installations or procedures were at fault. However, there can be no concession to safety.

Benchmarking our performance:

The results of the annual benchmarking of the Trust's performance indicators are appended. These are compared with the summarised results of UK housing associations. The JHT benchmarking results are authenticated by the Trust's independent auditors.

The UK results are based on the global accounts of associations of over 1,000 units (90% of the sector). The JHT had an average of 766 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 the JHT operates in a cost environment considerably higher than many parts of the UK.

In order to monitor the rate and direction of cost movements we include the results for the Trust over the preceding three years. Management costs inexorably approach the level of costs reported by UK housing associations. This is to be expected, since these costs include all professional fees, accountancy and administration costs, insurance and legal expenses, all of which are much higher in Jersey. For example, the replacement value of buildings, and therefore the cost of insurance premiums, is very much higher in Jersey. Nevertheless, the end result of incurring these administrative expenses is the relatively low level of overall operating costs, which remain well below UK levels.

We have no employees or place of business. We operate under an out-sourced management model and this continues to be our preferred business model in light of the results of the benchmarking exercise. Of benefit, both in cost and expediency, is our ability to purchase services on 'arm's length' terms from firms connected to Trustees, under well understood protocols. All related-party contracts are reported and fully detailed in the audited financial statements of the Trust. The financial statements are submitted to the Treasury and Housing Ministers and published on the Trust's website.

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CHAIRMAN'S REPORT

For the year ended 31 December 2018

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 Daniel Pallot at IQ EQ (formerly Moore Management) (accountancy services);

Sylvia Lennon and Lee Murphy at Intertrust (secretarial services);

and, of course, my amazing Trustees (see below).

I remain flattered to receive your outstanding service and support. Thank you all.

MICHAEL VAN NESTE CIHM.
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;

Martyn Scriven, Deputy Chairman;

Advocate Philip Le Cornu, Secretary;

Ian Moore, (Chartered Accountant), Accountant;

Chris Clarke, (Chartered Structural Engineer) Developments Director;

Paul Labesse, (Chartered Building Surveyor) Estates Director.

Frank Dearie; Risk, Regulation and Compliance.

Michael Van Neste CIHM.
CHAIRMAN

1st January 2019

Note: Post Chairman's Report.

The Jeanne Jugan Residence.

It is now confirmed that the offer made by the Trust for the purchase of the Jeanne Jugan Residence was not accepted by the vendors and there are no plans to further pursue this potential acquisition.

JERSEY HOMES TRUST

CHAIRMAN'S REPORT

For the year ended 31 December 2018

Annual Benchmarking of Performance Indicators (2015 - 2017)
against Performance Indicators of UK Housing Associations (2016 -2017)

	UK Associations		Jersey Homes Trust		
	2017	2016	2017	2016	2015
Average stock per provider	8,476	not reported	770	766	751
Void stock	1.5%	1.7%	0.0%	0.0%	0.0%
Stock failing Decent Homes Standard	not reported	not reported	0.0%	0.0%	0.0%
Average re-let time (days)*	not reported	not reported	0.0	0.0	0.0
Rental arrears at year end	4.40%	4.60%	0.22%	0.12%	0.06%
Bad debts	0.70%	0.70%	0.14%	0.19%	0.13%
Headline operating unit cost per unit	£3,698	£3,970	£2,752	£2,560	£2,704
Operating cost (excluding major repairs) per unit:					
Weekly	£56.75	£59.23	£45.31	£43.80	£46.06
Annual	£2,951	£3,080	£2,356	£2,278	£2,395
Management cost per unit -					
Weekly	£18.49	£20.92	£21.05	£20.55	£16.00
Annual	£962	£1,088	£1,094	£1,069	£832
As percentage of Turnover	17.00%	19.00%	9.74%	9.87%	7.71%

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.

To achieve like-for-like and meaningful comparisons:

All costs are nett of depreciation and impairment costs.

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

Sources:

The “2017 Global Accounts of private registered providers” published by the Homes & Communities Agency (over 95% of homes in the sector, being Housing Associations with over 1,000 units). The independently audited Financial Statements of the Jersey Homes Trust and reports to Trustees by Managing Agents.

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

Unreported performance indicators in the UK:

Re-let times: last reported in 2010 as 33.2 days

Stock failing Decent Homes Standard: last reported in 2012 as 1.9%

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

JERSEY HOMES TRUST
CHAIRMAN'S REPORT
For the year ended 31 December 2018

PROPERTY DETAILS and RENTALS CHARGEABLE

PROPERTY	Number of bedrooms					Total	Attainable Rents	
	1	2	3	4	5		£ Mthly (Qtrly*)	£ Annualised
Brooklands	1	11	3	-	-	15	15,727	188,723
Berkshire Court	113	-	-	-	-	113	88,304	1,059,649
Berkshire Court Shop	N/A	N/A	N/A	N/A	N/A	1	5,084*	20,335
Belle Vue	24	53	11	2	-	90	94,141	1,129,695
Clement Court	27	5	-	-	-	32	26,277	315,318
Clos Du Ruisseau	-	-	19	-	-	19	26,379	316,546
Cherry Grove	-	12	-	-	-	12	12,371	148,446
Le Grand Clos	14	6	27	7	-	54	64,455	773,462
Garrett Anderson House	37	3	-	-	-	40	36,565	438,780
Hameau de la Mer	18	3	-	-	-	21	19,812	237,745
Jardin de la Mare	-	-	29	-	-	29	47,850	574,200
John Wesley Apts	17	23	1	-	-	41	37,312	447,741
Kent Lodge	-	7	-	-	-	7	6,802	81,621
Le Coie	49	46	-	-	1	96	85,821	1,029,852
Le Coie Commercial Units	N/A	N/A	N/A	N/A	N/A	2	8,582*	34,328
La Folie	3	27	-	-	-	30	30,923	371,073
Le Jardin Fleuri	-	4	12	-	-	16	20,863	250,352
La Roseaie	4	14	27	-	-	45	53,509	642,108
Milbrook Gardens	-	5	-	-	-	5	5,886	70,631
Maison St Nicolas	-	6	-	-	-	6	6,060	72,722
Parkside	1	6	8	2	2	19	21,254	255,050
Clos Le Gallais	-	2	11	-	-	13	17,028	204,338
5 St Clements Road	9	1	-	-	-	10	8,120	97,443
St Paul's Gate	-	17	-	-	-	17	16,185	194,219
St Saviour's Court	-	24	4	-	-	28	27,933	335,195
Victoria Place Group Home	5	-	-	-	-	1	14,701*	58,805
Victoria Place	22	51	4	-	-	77	73,804	885,646
TOTALS	344	326	156	11	3	839	852,835	10,234,023

The above information is correct at 31 December 2018.

All properties are held through freehold or flying freehold title. All units listed are fully occupied.

A further 3 two-bedroomed houses at La Folie are close to completion.

The Victoria Place Group Home is treated as one unit for the purposes of the above table.

JERSEY HOMES TRUST

TRUSTEES' REPORT

For the year ended 31 December 2018

The Trustees submit their annual report and the audited financial statements of the Jersey Homes Trust (the "Trust") for the year ended 31 December 2018.

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 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 Statement of Comprehensive Income on page 18.

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 comprising 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 9 June 1995 as amended, the most recent such amendment dated 4 August 2016.

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.

JERSEY HOMES TRUST

TRUSTEES' REPORT

For the year ended 31 December 2018

Key financial policies and strategies

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

The primary objective of the Trust is to provide social rented housing for Jersey residents in need. The creation of the Trust was fostered by the Housing Committee of the States of Jersey in accordance with their policy to support the development of social housing projects for the foreseeable future by housing trusts (Policy Guidelines No 4 issued December 1993).

The Trust has achieved its objective primarily through the development of new units of accommodation. Each development must be tailored for the needs of social housing tenants as well as meeting the design criteria of the Trustees as regards architectural appeal, sustainability and environmental considerations.

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 are set at 90% of equivalent market rentals. The rentals for pre-existing tenancies are increased in line with increases in the Jersey R.P.I. plus 0.75% annually, subject to an overall cap not to exceed the 90% of market measure.

- ***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,
- 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 set aside, reserved or committed to cover current and projected expenditure, interest payments and for future loan repayments, as scheduled with funders.

- ***Trustee remuneration***

For the year ended 31 December 2018, compensation paid or payable to the Trustees was £120,000 (2017: £127,500).

JERSEY HOMES TRUST

TRUSTEES' REPORT

For the year ended 31 December 2018

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 13. The Trust is therefore dependent upon the financial controls of these third parties.

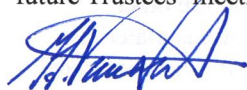
The Trustees appoint a project team to each development project, including a project architect and a client representative who reports to the Trustees on a regular basis. The Trustees also receive regular reports from the property manager in respect of all of the Trust's properties.

Homes and bedspaces

	2018	2017
<i>Under management</i>	Units	Units
One bedroom flats	338	301
Two bedroom flats	267	264
Three bedroom flats	19	19
Five bedroom flats	1	1
One bedroom houses	1	1
Two bedroom houses	55	55
Two bedroom maisonettes	4	4
Four bedroom maisonettes	2	2
Five bedroom maisonettes	2	2
Three bedroom houses	137	108
Four bedroom houses	9	9
Other facilities	4	4
	839	770

Independent auditors

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



Trustee
25 June 2019

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE JERSEY HOMES TRUST

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Jersey Homes Trust (the "Trust") as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the provisions of the Constitution of the Trust.

What we have audited

The Trust's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The trustees are responsible for the other information. The other information comprises all the information included in the Annual Report and financial statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustees 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, comprising FRS 102, the provisions of the Constitution of the Trust, and for such internal control as trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE JERSEY HOMES TRUST (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trusts to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of this Report

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

25 June 2019

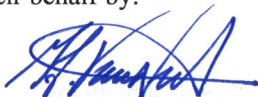
The maintenance and integrity of the Jersey Homes Trust website is the responsibility of the Trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

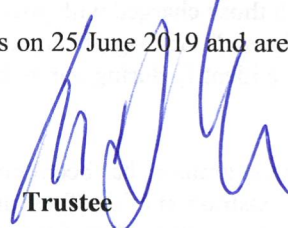
JERSEY HOMES TRUST
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	31 December 2018		31 December 2017	
		£	£	£	£
Fixed assets					
Housing properties	6		<u>160,460,719</u>		<u>160,295,497</u>
Current assets					
Debtors and prepayments	7	345,053		220,882	
Balance at managing agents	13	635,853		580,833	
Cash at bank and in hand	8	<u>7,492,367</u>		<u>4,427,121</u>	
		<u>8,473,273</u>		<u>5,228,836</u>	
Creditors – amounts falling due within one year					
Bank loans	11	4,772,875		4,845,556	
Creditors	9	129,393		144,469	
Tenants' deposits	10	<u>167,408</u>		<u>177,928</u>	
		<u>5,069,676</u>		<u>5,167,953</u>	
Net current assets			<u>3,403,597</u>		<u>60,883</u>
Creditors – amounts falling due after more than one year					
Bank loans	11	74,809,157		74,612,032	
			<u>(74,809,157)</u>		<u>(74,612,032)</u>
Net assets			<u>89,055,159</u>		<u>85,744,348</u>
Trust fund					
Housing property revaluation reserve	12	32,027,548		32,027,548	
Retained reserves		<u>57,027,611</u>		<u>53,716,800</u>	
		<u>89,055,159</u>		<u>85,744,348</u>	

The financial statements were approved by the Trustees on 25 June 2019 and are signed 25 June 2019 on their behalf by:



Trustee



Trustee

The notes on pages 22 to 31 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

		31 December 2018	31 December 2017
	<i>Notes</i>	£	£
Income from property rentals	1	9,367,047	8,655,669
Property expenses		(1,454,623)	(1,377,009)
Aborted development costs	4	-	(11,289)
Provision for bad debts	7	(27,312)	(12,965)
Net property income		7,885,112	7,254,406
Operating expenses	3	(862,151)	(842,737)
Operating surplus before depreciation		7,022,961	6,411,669
Depreciation	6	(2,572,673)	(2,424,131)
Operating surplus		4,450,288	3,987,538
Interest income		21,098	8,596
Interest expense	5	(1,160,575)	(831,540)
Surplus on ordinary activities		3,310,811	3,164,594
<i>Other comprehensive income</i>		-	-
Total comprehensive income for the year		3,310,811	3,164,594

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

The notes on page 22 to 31 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF CHANGES IN RESERVES
For the year ended 31 December 2018

	Housing property revaluation reserve (note 12) £	Retained reserves £	Total trust fund £
At 31 December 2016	32,027,548	50,552,206	82,579,754
Surplus on ordinary activities	-	3,164,594	3,164,594
At 31 December 2017	32,027,548	53,716,800	85,744,348
Surplus on ordinary activities	-	3,310,811	3,310,811
At 31 December 2018	32,027,548	57,027,611	89,055,159

The notes on page 22 to 31 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	31 December 2018		31 December 2017	
	£	£	£	£
Net cash inflow from operating activities (note 1)		6,871,008		6,240,125
Cash flow from investing activities				
Interest received	21,097		8,970	
Acquisition and construction of properties	(4,668,345)		(9,843,800)	
Sale of properties	1,930,450		-	
Net cash outflow from investing activities		(2,716,798)		(9,834,830)
Cash flow from financing activities				
Interest paid	(1,158,388)		(830,042)	
Loan principal drawdowns	5,000,000		5,000,000	
Loan principal repayments	(4,875,556)		(4,151,419)	
Net cash (outflow)/inflow from financing activities		(1,033,944)		18,539
Increase/(decrease) in cash in the year		3,120,266		(3,576,166)
Cash and cash equivalents at beginning of the year		5,007,954		8,584,120
Cash and cash equivalents at end of the year		8,128,220		5,007,954
Cash and cash equivalents consists of:				
Balance at managing agents		635,853		580,833
Cash at bank and in hand		7,492,367		4,427,121
Cash and cash equivalents		8,128,220		5,007,954

The notes on page 22 to 31 form an integral part of these audited financial statements.

JERSEY HOMES TRUST
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

Note 1 to Statement of Cash Flows	31 December	31 December
Reconciliation of operating surplus to net cash inflow	2018	2017
from operating activities	£	£
Operating surplus	4,450,288	3,987,538
Depreciation	2,572,673	2,424,131
Increase in debtors and prepayments	(124,171)	(21,568)
Decrease in creditors and tenants deposits	(27,782)	(149,976)
	<u>6,871,008</u>	<u>6,240,125</u>

Note 2 to Statement of Cash Flows	31 December	31 December
Reconciliation of net cash flow to movement in	2018	2017
net debt	£	£
Increase/(decrease) in cash at bank & held at agents	3,120,266	(3,576,166)
Loan advances received	(5,000,000)	(5,000,000)
Loan principal repayments	4,875,556	4,151,419
Movement in net debt in the year	2,995,822	(4,424,747)
Opening net debt	(74,449,634)	(70,024,887)
Closing net debt	<u>(71,453,812)</u>	<u>(74,449,634)</u>

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

	1 Jan 2018	Cashflows	31 Dec 2018
	£	£	£
Cash at bank & held at agents	<u>5,007,954</u>	<u>3,120,266</u>	<u>8,128,220</u>
Debt due after one year	(74,612,032)	(197,125)	(74,809,157)
Debt due within one year	<u>(4,845,556)</u>	<u>72,681</u>	<u>(4,772,875)</u>
	(79,457,588)	(124,444)	(79,582,032)
	<u>(74,449,634)</u>	<u>2,995,822</u>	<u>(71,453,812)</u>

The notes on page 22 to 31 form an integral part of these audited financial statements.

JERSEY HOMES TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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.

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. The most significant areas impacted by estimates and assumptions are described on page 26.

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.

Rental income

Rental income is accounted for on an accruals basis and represents income from social lettings. Rental income is reduced for contributions paid to the States Treasury to balance increased income support payments arising from the gradual introduction of 90% of market rentals. The reduction in rental income as a result of this was £179,424 for 2018 and £135,762 for 2017.

Other income and expenditure

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

JERSEY HOMES TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Principal accounting policies – continued

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 (and any other related borrowing/transaction costs) on loans to finance property developments is capitalised up to the date that the development is completed.

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.

JERSEY HOMES TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Principal accounting policies – continued

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.

Works to existing properties which fail to meet this 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 carried 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

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. Principal accounting policies – continued

Depreciation of housing properties – continued

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 a structural review on behalf of the Trustees of all of the Trust's properties as at 31 December 2018. The Trustees have considered this structural review as part of their impairment assessment and have concluded that there is no impairment in the carrying value of any of the properties owned by the Trust.

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.

Retained reserves

The retained reserves are made up of accumulated surpluses generated on ordinary activities.

JERSEY HOMES TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Principal accounting policies – continued

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.

b) *Impairment of assets*

As previously disclosed, the Trustees undertook an impairment review on 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. The Trustees have concluded that there is no need to obtain an updated valuation as at 31 December 2018 as there have been no significant change in the condition of the housing properties or the social housing market in Jersey.

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

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

	2018 £	2017 £
Property management fees (note 13)	513,409	482,176
Trustee remuneration	120,000	127,500
Audit fees	24,035	22,890
Administration and accountancy fees	64,944	70,379
Insurance	114,340	105,753
Legal and professional fees	23,404	32,722
Bank charges	2,019	1,317
	<u>862,151</u>	<u>842,737</u>

4. Aborted development costs

	2018 £	2017 £
L'industrie site (Samares – Les Amis)	-	11,289
	<u>-</u>	<u>11,289</u>

5. Interest expense

	2018 £	2017 £
Interest expense on loans attributable to housing properties	<u>1,160,575</u>	<u>831,540</u>

6. Housing properties

	Held for letting £	Under construction £	Total housing properties £
31 December 2018			
At 1 January 2018	144,383,383	15,912,114	160,295,497
Additions	-	4,668,345	4,668,345
Transfer from under construction to held for letting	19,615,513	(19,615,513)	-
Sales	(1,930,450)	-	(1,930,450)
Depreciation	<u>(2,572,673)</u>	<u>-</u>	<u>(2,572,673)</u>
At 31 December 2018	<u>159,495,773</u>	<u>964,946</u>	<u>160,460,719</u>

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. Housing properties – continued

	Held for letting £	Under construction £	Total housing properties £
31 December 2017			
At 1 January 2017	146,807,514	6,068,314	152,875,828
Additions	-	9,843,800	9,843,800
Depreciation	<u>(2,424,131)</u>	<u>-</u>	<u>(2,424,131)</u>
At 31 December 2017	<u>144,383,383</u>	<u>15,912,114</u>	<u>160,295,497</u>

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 was £153,860,000.

In accordance with its policy, the Trust did not carry out a fair valuation exercise as at 31 December 2018.

Had the Trust not carried out a revaluation of its housing properties as at 31 December 2015, the depreciated cost of its housing properties would have been £128,433,171 as at 31 December 2018 (2017: £128,267,949).

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

7. Debtors and prepayments

	2018 £	2017 £
Current rentals due	266,744	139,411
Insurance prepaid	57,604	49,846
Other debtors and prepayments	20,705	31,625
	<u>345,053</u>	<u>220,882</u>

During the year the Trust provided for net bad debts in respect of current rentals due of £27,312 (2017: £12,965).

JERSEY HOMES TRUST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

8. Cash at bank and in hand

	2018	2017
	£	£
Cash at bank	<u>7,492,367</u>	<u>4,427,121</u>

As at 31 December 2018, all cash and cash equivalents were held in bank accounts at Barclays Private Clients International Limited and Lloyds Bank Plc.

9. Creditors

	2018	2017
	£	£
Loan interest payable	14,029	11,842
Other – property related	1,410	376
Other – non-property related	<u>113,954</u>	<u>132,251</u>
Creditors due in less than one year	<u>129,393</u>	<u>144,469</u>

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

10. Tenants' deposits

This amount of £167,408 represents deposits received from tenants (2017: £177,928). 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

	2018	2017
	£	£
Repayable in less than 1 year	4,772,875	4,845,556
Repayable in 1 to 2 years	5,871,038	4,802,875
Repayable in 2 to 5 years	20,146,611	19,066,449
Repayable in 5 years or more	<u>48,791,508</u>	<u>50,742,708</u>
	<u>74,809,157</u>	<u>74,612,032</u>
	<u>79,582,032</u>	<u>79,457,588</u>

On 15 March 2014, the Trustees entered into a Bond, Billets and Variation agreement with Barclays Bank PLC which allows for the cross collateralisation of existing loans that Barclays Bank PLC have a charge over, subject to a cap of £90,000,000. On 29 September 2017, the cap on the Bond, Billets and Variation agreement was increased to £110,000,000.

On 13 February 2006 and 27 October 2015, the Trustees entered into a registered bond with Lloyds Bank Plc valued at £8,600,000 and £12,250,000 respectively in respect of the Le Coie and Le Clos Vaze developments.

On 26 September 2017, the Trustees entered into a new loan facility with Barclays Bank PLC for a total amount of £15,000,000 (the "2017 facility"). As at the year end, £10,000,000 of the 2017 facility had been drawn (2017: £5,000,000).

JERSEY HOMES TRUST

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11. Bank loans – continued

All of the loans are from Barclays Bank PLC or Lloyds Bank Plc. The rate of interest incurred on each loan amounts to LIBOR + 0.75% (apart from the 2017 facility with Barclays Bank PLC which suffers interest at LIBOR + 1.85%).

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

	2018	2017
	£	£
Opening balance	<u>32,027,548</u>	<u>32,027,548</u>
At 31 December 2018	<u>32,027,548</u>	<u>32,027,548</u>

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 unrealised and is therefore not available for distribution.

13. Related parties

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

(a) The Trustees

Remuneration paid to the Trustees during the year ended 31 December 2018 amounted to £120,000 (2017: £127,500) of which nil was outstanding at the current and prior year end.

(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. Brunel also receives an additional fee of £5,500 per calendar month for providing CEO consultancy services to the Trust. The total amount payable for all services during the year was £513,409 (2017: £482,176) of which £69,551 (2017: £62,009) 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 2018, this balance was £635,853 (2017: £580,833).

(c) Intertrust Fiduciary Services (Jersey) Limited (“Intertrust”) through its relationship with Advocate Philip Le Cornu

Intertrust provides secretarial services to the Trust. The total amount payable during the year was £28,119 (2017: £27,538) of which nil was outstanding at 31 December 2018 and 31 December 2017. With effect from 31 December 2017, Advocate Philip Le Cornu was no longer an employee of Intertrust.

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13. Related parties – continued

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

Labesse & Co. act as the Trust's surveyors. During the year ended 31 December 2018, £10,100 (2017: £10,100) was payable to Labesse & Co. none of which was outstanding at the year end (2017: nil).

14. Capital commitments

The Trust has committed to the following housing developments:

	2018	2017
	£	£
Garrett Anderson House*	192,622	1,203,800
Jardin de la Mare*	133,731	2,709,151
La Folie	241,661	-
	<u>568,014</u>	<u>3,912,951</u>

*Amounts reflected above at 31 December 2018 relate solely to retentions.

15. 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 the Constitution and in note 3 and 13 above.

16. 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.

17. Subsequent events

There are no subsequent events to report.