

**Jersey Homes Trust**

**Annual report and financial statements**

**For the year ended 31 December 2016**

# **JERSEY HOMES TRUST**

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# **JERSEY HOMES TRUST DIRECTORY**

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## ***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)

Jim Bailey (Chartered Surveyor)

## ***Managing Agent***

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

## ***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***

Moore Management Limited  
Liberation House  
Castle Street  
St Helier  
Jersey, JE2 3AT

## ***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 2016**

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The following topics are covered in this report:

**Governance and future strategy:**

Working closely with the Strategic Housing Unit, the Jersey Homes Trust ("JHT" or "Trust") has completed its review of governance and sustainability. It has re-defined its vision and set new objectives.

**New developments:**

Two further housing developments for JHT were commenced in 2016.

**The proposed regulation of housing trusts:**

An excellent level of consultation is being conducted by the Strategic Housing Unit. JHT is strongly supportive of the principle of regulation if needless bureaucracy and expense can be avoided.

**The other social housing providers:**

We continue to exchange views and experiences with the other providers in a helpful and positive discourse.

**Tenant engagement:**

The results of the satisfaction survey of all our tenants exceeded our expectations.

**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 2016**

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#### **Governance and future strategy:**

The Trustees enter a new year re-energised and re-focussed. In my report last year I described the nature of ongoing reviews and discussions arising from our twentieth anniversary and the challenges faced by Trustees in succession planning, sustainability and risk, and managing an expanding multi-million pound business.

The following positive results flowed from these reviews which included close engagement with the Strategic Housing Unit ("SHU"):

The Trustees approved a new vision and strategy statement, which is included at the end of this report.

The duties and responsibilities of Trustees, both collectively and individually, were listed and described in a detailed document submitted to the SHU.

The constitution of the JHT was amended and Registered in the Royal Court after receiving the approval of the Minister for Housing and the Law Officers. The amendments bring the constitution up to date to take advantage of technology and current practice. A restriction on the remuneration of Trustees was removed.

A strategic objective for the next twenty years, to replicate the number of housing units developed during our first twenty years, was evaluated and adopted by Trustees. The JHT is now financially self-sufficient to undertake this development programme without new government subsidy. Nevertheless, we shall continue to work closely with the SHU in identifying and responding to continuing housing needs and we shall continue to take our new tenants from the Affordable Housing Gateway. We would be well placed to accelerate this ambitious housing programme with States' subsidy and support and there needs to be a conversation regarding the transfer of States' brown-field sites to housing trusts willing to invest in them for the benefit of the community.

#### **New developments:**

We have had an exciting year. The long-awaited development by the States of Jersey Development Company Limited at College Gardens got under way and the JHT acquired the site upon which the Garrett Anderson House comprising 40 units will be constructed. We look forward to the completion of the JHT homes in 2018 and we are delighted to be part of this very attractive housing development in a superb town location.

JHT also acquired the site in Grouville of the former De La Mare Nurseries and signed a construction contract with Hacquoil & Cook for 35 3-bedroomed houses, six of which will be sold as affordable housing units to first-time buyers nominated by the Gateway. The development, to be known as Jardin de la Mare, is close to our existing estate at Le Jardin Fleuri, also in Grouville. The demolition of the redundant glasshouses has revealed a truly beautiful site and we eagerly await completion in 2018.

Finally, we recently took possession of a small new development of four flats and a bungalow in Rue de Haut, St Lawrence. Although this is, for JHT, a small development it is of very high quality and conveniently close to our estate at La Folie.

#### **The proposed regulation of housing trusts:**

I have been reporting on this topic for many years. I fully recognise the difficulty faced by any States minister or legislator in framing a regulatory system tailored for Jersey social housing providers. This is a very small jurisdiction and there are only a very few providers. To replicate a system designed to hold to account hundreds of providers, some of them enormous by Jersey standards, covering all the counties of England, would appear to be a bridge too far. If the object of regulation is to monitor the financial soundness of the regulated bodies, to ensure accountability and to achieve transparency, there are simpler and better solutions.

# **JERSEY HOMES TRUST**

## **CHAIRMAN'S REPORT**

### **For the year ended 31 December 2016**

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I would submit that all the Jersey providers measure up to all the required standards and, in fact, are already quite highly regulated. In our case, we are required to submit our audited accounts to both the Minister for Housing and the Treasury Minister. Our rents are capped in line with the Housing Minister's requirements. Our lease agreements are in a format approved by the former Housing Committee. We take our tenants from nominations handed down by the Gateway. We are making a contribution from our rental receipts to the States Treasury to balance increased income support payments arising from the gradual introduction of 90% of market rentals. We benchmark our performance indicators against those of UK housing associations, in response to a request from a former Treasury Minister, and submit these annually to relevant Ministers. We are bound by our own very detailed constitution. Appointments to our Board have to be approved by the Minister. In the event of our accumulating uncommitted and unneeded net cash surpluses, these must be paid to the Housing Ministry. We are also transparent, putting abundant information (including our audited accounts) in the public domain through our website. We also share with the SHU and discuss openly our strategies, objectives, tenant engagement and development plans.

If regulation pulls together all this reporting and practice, in a proportionate and reasonable approach, to achieve reassurance amongst all stakeholders, it is surely to be welcomed. The Minister is placed to resolve finally this difficult policy by entering into bi-lateral agreements or Memoranda of Understandings with each separate provider, in bespoke arrangements tailored appropriately to the realities and issues requiring attention, with a degree of self-assessment based upon published standards. It is to be hoped that the very detailed consultations taking place will lead the Minister to this solution, which will avoid the delay of legislating and the cost of implementing the statutory-based alternative, with all its undesirable and unnecessary bureaucracy and cost.

#### **The other social housing providers:**

We greatly value our cordial and very helpful relationships with the other social housing providers. From time to time meetings are convened and attended by Ian Gallichan, Managing Director of Andium Homes Limited ("Andium"), Diarmuid Lynes, Chairman of Christians Together Housing Trust and Francis Le Gresley, Chairman of the Les Vaux Housing Trust. Views and experiences are shared and I am always particularly struck by the dedication of my colleagues in their respective roles. Jersey is very well served by these agencies for good and I am proud to be part of this.

Andium has now, as expected, taken on the mantle of the major developer of new social housing schemes. For many years this was the role of JHT and the main reason for its formation. We wish Andium well in this challenging objective. JHT will continue to look for smaller development opportunities, broadening the scope for choice amongst social housing tenants and contributing to an essential social provision.

#### **Tenant engagement:**

We have conducted another satisfaction survey of all JHT tenants, with the very able assistance of Marion Falle, our public relations consultant. Marion helps us design the questionnaire and advises us generally on how to conduct the survey and on what to expect. She also independently assesses the results and reports them back to Trustees. These results have always been really encouraging, with a high response rate and excellent scores. What we did not expect was to receive even better scores on such parameters as estate vandalism and anti-social behaviour.

742 questionnaires were posted to tenants. Responses were received from 247 (33.3%) which is regarded as a good response rate. The following scores were obtained:

- 72% agreed that they enjoyed living in their home and a further 22.6% "tended to agree".
- 70% agreed that their home satisfied their family needs and 17% tended to agree.
- Whilst only 38.8% agreed that communal areas are well maintained, only 5.6% disagreed.
- Tenants were generally happy with the cleanliness of communal areas, lifts and bin stores.
- 81% agreed that the property managers' representatives are "polite and courteous".

# **JERSEY HOMES TRUST**

## **CHAIRMAN'S REPORT**

### **For the year ended 31 December 2016**

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- 73% agreed that maintenance issues are dealt with efficiently whilst 18% tended to agree.
- 79% agreed that maintenance staff were courteous.
- 65.5% reported that vandalism "is not a problem" (compared with 49% in 2011) and only 2.8% disagreed with the statement.
- 65% reported that anti-social behaviour is not a problem (compared with 53.8% in 2011).
- 75.7% would recommend a friend/relative to live in a JHT home and 16% tended to agree.
- 61.5% found our news bulletin "Home Front" informative and useful and 30% tended to agree.

All the above scores are similar or an improvement on previous results, which were considered more than satisfactory at the time. We are very encouraged by this clear confirmation that we are getting it right. This is not to indicate complacency and JHT and our managers will continue to search for improvement. The landlord activity of the Trust is by far its most active and its most important role.

The questionnaires also contained a comments section in which tenants were invited to make their own specific comments. 93 comments were made. In every case in which the tenant's name was notified our managers responded directly and individually. Other issues will be dealt with through our newsletter. Happily, there were a good number of excellent comments praising our performance or expressing a high satisfaction experience as JHT tenants.

Our managers conducted a separate study during 2015, relating to the 3,580 maintenance call-outs activated in the year. 2,520 tenants were provided with short questionnaires, giving them the opportunity to inform the managers about the service provided. 243 responded (9.6%), indicating presumably a high rate of satisfaction by those not responding. Of those who did respond, 96.7% stated that the problem had been dealt with satisfactorily. 85% reported "excellent" attention and 15% reported "good".

Tenant engagement does not just happen. It is an important function of a social landlord and we recognise the need to maintain a courteous, responsive and efficient interface with tenants and their family members on a day to day basis, to work sympathetically with tenants who may be challenged to manage their finances to achieve compliance with rental obligations, and also to engage generally with tenants with newsletters and surveys. The JHT website is regularly updated and contains abundant information for the benefit of tenants and also the wider community.

#### **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 UK results are based on the global accounts of associations of over 1,000 units (90% of the sector). The JHT had 751 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.

We operate under an out-sourced management model and we have no employees or 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 statements are forwarded to the Treasury and Housing Ministers and published on the JHT website.

# **JERSEY HOMES TRUST**

## **CHAIRMAN'S REPORT**

### **For the year ended 31 December 2016**

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#### **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 Intertrust (secretarial services);  
and to my amazing Trustees (see below).

Thank you all for your services and kindnesses in 2016.

#### **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.  
Jim Bailey; (Chartered Surveyor).

#### **Mission, values and vision:**

On 18 October 2016 the Trustees met to reconsider and restate the aims and the strategy of the Trust.

We, the Trustees of The Jersey Homes Trust, have agreed:

#### **MISSION:**

Our mission is to provide decent affordable social rented housing for the people of Jersey.

#### **VALUES:**

Our values are encapsulated in the word "Trust":

- Transforming - setting new standards for social housing provision;
- Respect for our community and environment;
- Understanding the needs of our tenants and their families;
- Strength of purpose and determination;
- Teamwork - working together to make a difference.

#### **VISION:**

Our vision is to be a major force in procuring, developing and acquiring affordable homes of quality. We are, and intend to remain, the largest independent provider of social rented housing in Jersey. We aim to be a model landlord and efficient manager of our properties.



# **JERSEY HOMES TRUST**

## **CHAIRMAN'S REPORT**

### **For the year ended 31 December 2016**

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#### **STRATEGY:**

We shall regularly update the policies and the means by which we achieve our vision, working with the Minister of Housing to define and share objectives.

#### Our current objectives:

- To procure and develop schemes of merit to help meet the housing need in Jersey, in accordance with the policies of the Strategic Housing Unit and the objectives of its Housing Strategy, in such endeavour.
- Having successfully constructed a portfolio of over 750 homes since our inception, to aspire to repeat this level of development over the next 15 to 20 years. (Developments must meet prudent financial requirements of viability and the financial commitments arising from funding solutions.)
- To protect the value of our properties and the integrity of our financial reporting through excellent management and maintenance procedures whilst obtaining best value.
- To manage our tenancies with high regard to the interests and welfare of our tenants and to achieve the highest possible adherence to regulatory standards.
- To engage with other social housing providers and the Strategic Housing Unit in developing policies, standards, transparency and regulatory procedures for the continued growth, reputation and success of the social housing sector.

#### **Annual Benchmarking of Performance (2013 - 2015)** **against Performance of UK Housing Associations**

	<b>UK Associations 2015</b>	<b>Jersey Homes Trust</b>		
		<b>2015</b>	<b>2014</b>	<b>2013</b>
Average stock	<b>7,974</b>	<b>751</b>	<b>744</b>	<b>744</b>
Void stock	<b>1.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Stock failing DSH*	<b>1.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Average re-let time (days)**	<b>33.2</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>
Rental arrears at year end	<b>4.60%</b>	<b>0.06%</b>	<b>0.18%</b>	<b>0.21%</b>
Bad debts	<b>0.80%</b>	<b>0.13%</b>	<b>0.20%</b>	<b>0.21%</b>
Operating cost per unit:				
excluding major repairs - Weekly	<b>£52.81</b>	<b>£46.06</b>	<b>£40.40</b>	<b>£36.71</b>
excluding major repairs - Annual	<b>£2,746</b>	<b>£2,395</b>	<b>£2,101</b>	<b>£1,909</b>
Management cost per unit - Weekly	<b>£19.88</b>	<b>£16.00</b>	<b>£14.74</b>	<b>£14.70</b>
Management cost per unit - Annual	<b>£1,034</b>	<b>£832</b>	<b>£766</b>	<b>£764</b>

# **JERSEY HOMES TRUST**

## **CHAIRMAN'S REPORT**

### **For the year ended 31 December 2016**

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#### **NOTES:**

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

(Note: The costs for 2014 and 2013 are re-stated to comply with current accounting)

**“Operating cost”** includes all the above, all repairs and maintenance and bad debts.

To achieve like-for-like and meaningful comparisons:

All costs are net of depreciation and impairment costs.

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

#### **Sources:**

The “2015 Global Accounts of Housing 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 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 in Jersey.

**JERSEY HOMES TRUST**  
**CHAIRMAN'S REPORT**  
**For the year ended 31 December 2016**

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**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	14,851	178,217
Berkshire Court	113	-	-	-	-	113	84,020	1,008,244
Berkshire Court Shop	N/A	N/A	N/A	N/A	N/A	1	3,156*	12,622
Belle Vue	24	53	11	2	-	90	88,711	1,064,530
Clement Court	27	5	-	-	-	32	24,571	294,848
Clos Du Ruisseau	-	-	19	-	-	19	24,544	294,531
Cherry Grove	-	12	-	-	-	12	11,420	137,038
Le Grand Clos	14	6	27	7	-	54	60,114	721,372
Hameau de la Mer	18	3	-	-	-	21	18,849	226,182
John Wesley Apts	17	23	1	-	-	41	35,018	420,221
Kent Lodge	-	7	-	-	-	7	6,469	77,632
Le Coie	49	46	-	-	1	96	81,144	973,728
Le Coie Commercial Units	N/A	N/A	N/A	N/A	N/A	2	8,189*	32,755
La Folie	3	27	-	-	-	30	29,089	349,073
Le Jardin Fleuri	-	4	12	-	-	16	19,332	231,987
La Roseaie	4	14	27	-	-	45	50,039	600,468
Milbrook Gardens	-	1	-	-	-	1	1,100	13,200
Maison St Nicolas	-	6	-	-	-	6	5,604	67,248
Parkside	1	6	8	2	2	19	20,261	243,126
Clos Le Gallais	-	2	11	-	-	13	15,895	190,739
5 St Clements Road	9	1	-	-	-	10	7,683	92,192
St Paul's Gate	-	17	-	-	-	17	15,409	184,908
St Saviour's Court	-	24	4	-	-	28	26,347	316,167
Victoria Place Group Home	5	-	-	-	-	1	13,724*	54,895
Victoria Place	22	51	4	-	-	77	68,505	822,058
<b>TOTALS</b>	<b>307</b>	<b>319</b>	<b>127</b>	<b>11</b>	<b>3</b>	<b>766</b>	<b>734,044</b>	<b>8,607,981</b>

All properties are held through freehold or flying freehold title.

The above table is correct at 31st December 2016.

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

All properties are fully let except Milbrook Gardens, which was handed over to JHT by the developers in recent days. This property consists of four 1-bed flats and one 2-bed house.

# **JERSEY HOMES TRUST**

## **TRUSTEES' REPORT**

### **For the year ended 31 December 2016**

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The Trustees submit their annual report and the audited financial statements of the Jersey Homes Trust (the "Trust") for the year ended 31 December 2016.

#### **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.

# **JERSEY HOMES TRUST**

## **TRUSTEES' REPORT**

### **For the year ended 31 December 2016**

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#### **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.

- ***Trustee remuneration***

For the year ended 31 December 2016, compensation paid or payable to the Trustees was £127,500 (2015: nil).

**JERSEY HOMES TRUST**  
**TRUSTEES' REPORT**  
**For the year ended 31 December 2016**

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**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**

	<b>2016</b>	<b>2015</b>
<i>Under management</i>	<b>Units</b>	<b>Units</b>
One bedroom flats	<b>301</b>	301
Two bedroom flats	<b>260</b>	260
Three bedroom flats	<b>19</b>	19
Five bedroom flats	<b>1</b>	1
One bedroom houses	<b>1</b>	1
Two bedroom houses	<b>55</b>	54
Two bedroom maisonettes	<b>4</b>	4
Four bedroom maisonettes	<b>2</b>	2
Five bedroom maisonettes	<b>2</b>	2
Three bedroom houses	<b>108</b>	108
Four bedroom houses	<b>9</b>	9
Other facilities	<b>4</b>	4
	<b>766</b>	<b>765</b>

**Independent auditors**

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



*Trustee*

27/06/2017

# INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF JERSEY HOMES TRUST

## Report on the audit of the financial statements

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### 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 2016, 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 the Republic of Ireland" ("FRS 102") and have been properly prepared in accordance with the requirements of the Constitution of the Trust.

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### What we have audited

The Trust's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- 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.

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### 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.

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### 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.

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### Other information

The Trustees are responsible for the other information. The other information comprises the Chairman's Report and the Trustees' Report (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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### 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 Constitution of the Trust and for such internal control as the 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 are 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 AUDITOR'S REPORT TO THE TRUSTEES OF 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 Trust 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.

### Report on other legal and regulatory requirement

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  
Chartered Accountants  
Jersey, Channel Islands  
29 June 2017

The maintenance and integrity of the Jersey Homes Trust website is the responsibility of the directors; 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.



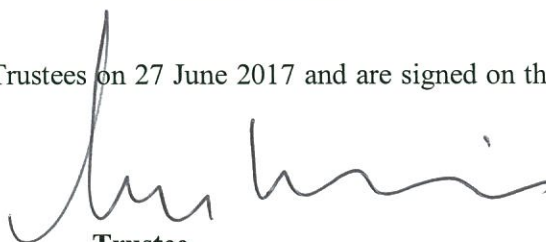
**JERSEY HOMES TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2016**

	Notes	31 December 2016		31 December 2015	
		£	£	£	£
<b>Fixed assets</b>					
Housing properties	6		<u>152,875,828</u>		<u>147,940,700</u>
<b>Current assets</b>					
Debtors and prepayments	7	199,688		489,076	
Balance at managing agents	14	581,640		540,362	
Cash at bank and in hand	8	<u>8,002,480</u>		<u>13,311,893</u>	
		<u>8,783,808</u>		<u>14,341,331</u>	
<b>Creditors – amounts falling due within one year</b>					
Bank loans	11	4,181,418		3,779,897	
Creditors	9	282,022		122,253	
Tenants' deposits	10	<u>188,853</u>		<u>199,853</u>	
		<u>4,652,293</u>		<u>4,102,003</u>	
<b>Net current assets</b>			<u>4,131,515</u>		<u>10,239,328</u>
<b>Creditors – amounts falling due after more than one year</b>					
Bank loans	11	74,427,589		78,609,007	
			<u>(74,427,589)</u>		<u>(78,609,007)</u>
<b>Net assets</b>			<u>82,579,754</u>		<u>79,571,021</u>
<b>Trust fund</b>					
Housing property revaluation reserve	12	32,027,548		32,027,548	
Retained reserves	13	<u>50,552,206</u>		<u>47,543,473</u>	
			<u>82,579,754</u>		<u>79,571,021</u>

The financial statements were approved by the Trustees on 27 June 2017 and are signed on their behalf by:



**Trustee**



**Trustee**

The notes on pages 21 to 33 form an integral part of these audited financial statements.

**JERSEY HOMES TRUST**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2016**

		<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
	<i>Notes</i>		
Income from property rentals	1	<b>8,293,793</b>	8,106,745
Property expenses		<b>(1,232,923)</b>	(1,481,410)
Aborted development costs	4	-	(16,219)
Provision for bad debts	7	<b>(16,097)</b>	(10,929)
<b>Net property income</b>		<b>7,044,773</b>	6,598,187
Sundry income		<b>129,127</b>	-
Operating expenses	3	<b>(818,486)</b>	(625,006)
<b>Operating surplus before depreciation</b>		<b>6,355,414</b>	5,973,181
Depreciation	6	<b>(2,399,462)</b>	(2,293,202)
<b>Operating surplus</b>		<b>3,955,952</b>	3,679,979
Interest income		<b>72,039</b>	106,187
Interest expense	5	<b>(1,019,258)</b>	(1,109,464)
<b>Surplus on ordinary activities</b>		<b>3,008,733</b>	2,676,702
<b><i>Other comprehensive income</i></b>			
Unrealised gain on revaluation of housing properties	6	-	7,691,541
<b>Total comprehensive income for the year</b>		<b>3,008,733</b>	10,368,243

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

The notes on page 21 to 33 form an integral part of these audited financial statements.

**JERSEY HOMES TRUST**  
**STATEMENT OF CHANGES IN RESERVES**  
**For the year ended 31 December 2016**

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	<b>Housing property revaluation reserve (note 12) £</b>	<b>Retained reserves (note 13) £</b>	<b>Total trust fund £</b>
<b>At 31 December 2014</b>	24,336,007	44,866,771	69,202,778
Surplus on ordinary activities	-	2,676,702	2,676,702
Other comprehensive income	<u>7,691,541</u>	<u>-</u>	<u>7,691,541</u>
<b>At 31 December 2015</b>	32,027,548	47,543,473	79,571,021
Surplus on ordinary activities	<u>-</u>	<u>3,008,733</u>	<u>3,008,733</u>
<b>At 31 December 2016</b>	<u><b>32,027,548</b></u>	<u><b>50,552,206</b></u>	<u><b>82,579,754</b></u>

The notes on page 21 to 33 form an integral part of these audited financial statements.

**JERSEY HOMES TRUST**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2016**

	<b>31 December 2016</b>		<b>31 December 2015</b>	
	£	£	£	£
<b>Net cash inflow from operating activities (note 1)</b>		<b>6,750,582</b>		<b>5,790,428</b>
<b>Cash flow from investing activities</b>				
Interest received	<b>118,059</b>		77,944	
Acquisition and construction of properties	<b>(7,334,590)</b>		<b>(1,772,568)</b>	
<b>Net cash outflow from investing activities</b>		<b>(7,216,531)</b>		<b>(1,694,624)</b>
<b>Financing</b>				
Interest paid	<b>(1,022,289)</b>		<b>(1,109,905)</b>	
Loan principal repayments	<b>(3,779,897)</b>		<b>(3,402,495)</b>	
<b>Net cash outflow from financing</b>		<b>(4,802,186)</b>		<b>(4,512,400)</b>
<b>Decrease in cash in the year</b>		<b>(5,268,135)</b>		<b>(416,596)</b>
Cash and cash equivalents at beginning of the year		<b>13,852,255</b>		<b>14,268,851</b>
<b>Cash and cash equivalents at end of the year</b>		<b>8,584,120</b>		<b>13,852,255</b>
<b>Cash and cash equivalents consists of:</b>				
Balance at managing agents		<b>581,640</b>		<b>540,362</b>
Cash at bank and in hand		<b>8,002,480</b>		<b>13,311,893</b>
<b>Cash and cash equivalents</b>		<b>8,584,120</b>		<b>13,852,255</b>

The notes on page 21 to 33 form an integral part of these audited financial statements.

**JERSEY HOMES TRUST**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2016**

<b>Note 1 to Statement of Cash Flows</b>	<b>31 December</b>	<b>31 December</b>
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Operating surplus	<b>3,955,952</b>	3,679,979
Depreciation	<b>2,399,462</b>	2,293,202
Decrease/(increase) in debtors and prepayments	<b>243,362</b>	(219,023)
Increase/(decrease) in creditors and tenants deposits	<b>151,806</b>	36,270
	<b><u>6,750,582</u></b>	<b><u>5,790,428</u></b>

<b>Note 2 to Statement of Cash Flows</b>	<b>31 December</b>	<b>31 December</b>
<b>Reconciliation of net cash flow to movement in net debt</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Decrease in cash at bank & held at agents	<b>(5,268,135)</b>	(416,596)
Loan principal repayments	<b>3,779,897</b>	3,402,495
Movement in net debt in the year	<b>(1,488,238)</b>	2,985,899
Opening net debt	<b>(68,536,649)</b>	(71,522,548)
Closing net debt	<b><u>(70,024,887)</u></b>	<b><u>(68,536,649)</u></b>

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

	<b>1 Jan 2016</b>	<b>Cashflows</b>	<b>31 Dec 2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank & held at agents	<b><u>13,852,255</u></b>	<b><u>(5,268,135)</u></b>	<b><u>8,584,120</u></b>
Debt due after one year	<b>(78,609,007)</b>	<b>4,181,418</b>	<b>(74,427,589)</b>
Debt due within one year	<b><u>(3,779,897)</u></b>	<b><u>(401,521)</u></b>	<b><u>(4,181,418)</u></b>
	<b>(82,388,904)</b>	<b>3,779,897</b>	<b>(78,609,007)</b>
	<b><u>(68,536,649)</u></b>	<b><u>(1,488,238)</u></b>	<b><u>(70,024,887)</u></b>

The notes on page 21 to 33 form an integral part of these audited financial statements.

# **JERSEY HOMES TRUST**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 December 2016**

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#### **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 25.

#### **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. 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. A rental income reduction amount of £172,515 has been recorded in these financial statements, of which £19,434 and £57,475 relates to the years ended 31 December 2014 and 31 December 2015 respectively. No prior year restatement has been made in respect of these amounts as they are immaterial.

#### **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.

# **JERSEY HOMES TRUST**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 December 2016**

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#### **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 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 2016**

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#### **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:

	<b>Expected life (years)</b>
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 2016**

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#### **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 an impairment review on behalf of the Trustees of all of the Trust's properties as at 31 December 2016. 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.

##### **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 nil during the year as a development reserve to provide seed capital for future housing developments (2015: £2,000,000).

# **JERSEY HOMES TRUST**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 December 2016**

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#### **1. Principal accounting policies – continued**

##### **Retained reserves – continued**

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 have not been presented 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.

##### **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. The Trustees have concluded that there is no need to obtain an updated valuation as at 31 December 2016 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 2016**

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**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**

	2016 £	2015 £
Property management fees (note 14)	457,252	384,060
Trustee remuneration*	127,500	-
Audit fees	22,155	25,000
Administration and accountancy fees	77,444	81,127
Insurance	100,112	90,048
Legal and professional fees	32,987	42,546
Bank charges	1,036	2,225
	<u>818,486</u>	<u>625,006</u>

\*Following a comprehensive and formally structured process (including necessary approvals from the States Housing Unit), a decision has been made to remunerate Trustees' with effect from 1 January 2016.

**4. Aborted development costs**

	2016 £	2015 £
Great Union Road	-	462
Milbrook Gardens	-	1,524
La Folie extension	-	14,233
	<u>-</u>	<u>16,219</u>

**5. Interest expense**

	2016 £	2015 £
Interest expense on loans attributable to housing properties	<u>1,019,258</u>	<u>1,109,464</u>

**6. Housing properties**

	Held for letting £	Under construction £	Total housing properties £
<b>31 December 2016</b>			
At 1 January 2016	147,940,700	-	147,940,700
Additions	32,873	7,301,717	7,334,590
Transfer from under construction to held for letting	1,233,403	(1,233,403)	-
Depreciation	<u>(2,399,462)</u>	<u>-</u>	<u>(2,399,462)</u>
At 31 December 2016	<u>146,807,514</u>	<u>6,068,314</u>	<u>152,875,828</u>

**JERSEY HOMES TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2016**

**6. Housing properties – continued**

	<b>Held for letting £</b>	<b>Under construction £</b>	<b>Total housing properties £</b>
<b>31 December 2015</b>			
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	<u>7,691,541</u>	<u>-</u>	<u>7,691,541</u>
At 31 December 2015	<u>147,940,700</u>	<u>-</u>	<u>147,940,700</u>

Valuations were carried out as at 1 January 2015 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 2016.

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 £120,848,280 as at 31 December 2016 (2014: £115,913,152).

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

**7. Debtors and prepayments**

	<b>2016 £</b>	<b>2015 £</b>
Amounts due from The Albert Pier Housing Association	<b>33,609</b>	53,774
Current rentals due	<b>109,574</b>	111,725
Bank interest receivable	<b>374</b>	46,394
Insurance prepaid	<b>47,922</b>	45,808
Balance with Ogier	-	210,881
Other debtors and prepayments	<b>8,209</b>	20,494
	<u><b>199,688</b></u>	<u>489,076</u>

The balance with Ogier relates to the Trust’s acquisition of field 873 (Milbrook Gardens) which passed through the Royal Court on 8 April 2016.

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**7. Debtors and prepayments – continued**

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 £16,097 (2015: £10,929).

**8. Cash at bank and in hand**

	2016 £	2015 £
Cash at bank	<u>8,002,480</u>	<u>13,311,893</u>

As at 31 December 2016, 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**

	2016 £	2015 £
Loan interest payable	10,344	13,382
Other – property related	535	73,365
Other – non-property related	271,143	35,506
Creditors due in less than one year	<u>282,022</u>	<u>122,253</u>

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

**10. Tenants' deposits**

This amount of £188,853 represents deposits received from tenants (2015: £199,853). 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**

	2016 £	2015 £
Repayable in less than 1 year	4,181,418	3,779,897
Repayable in 1 to 2 years	4,845,556	4,181,419
Repayable in 2 to 5 years	15,311,768	14,551,969
Repayable in 5 years or more	54,270,265	59,875,619
	<u>74,427,589</u>	<u>78,609,007</u>
	<u>78,609,007</u>	<u>82,388,904</u>

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%.

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**11. Bank loans – continued**

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**

	<b>2016</b>	2015
	<b>£</b>	£
Opening balance	<b>32,027,548</b>	24,336,007
Unrealised gain on revaluation of housing properties	<u>-</u>	<u>7,691,541</u>
<b>At 31 December 2016</b>	<b><u>32,027,548</u></b>	<b><u>32,027,548</u></b>

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.

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**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:

	<b>Designated reserve £</b>	<b>Development reserve £</b>	<b>Income account £</b>	<b>Total retained reserves £</b>
<b>At 31 December 2014</b>	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)	-
<b>At 31 December 2015</b>	5,222,414	11,800,000	30,521,059	47,543,473
Surplus on ordinary activities	-	-	3,008,733	3,008,733
Transfer to designated reserve	353,143	-	(353,143)	-
<b>At 31 December 2016</b>	<u>5,575,557</u>	<u>11,800,000</u>	<u>33,176,649</u>	<u>50,552,206</u>

# **JERSEY HOMES TRUST**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 December 2016**

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#### **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 2016, the Trust reported an accumulated income account amounting to £33,176,649 (2015: £30,521,059) out of which the Trust has made accumulated capital repayments totalling £27,289,849 (2015: £23,509,952). In accordance with the Constitution of the Trust, the residual retained income after loan repayments amounted to £5,666,697 (2015: £7,011,107) as at 31 December 2016, as reported below:

	£
Income account as at 31 December 2016	33,176,649
Net loan repayments made to 31 December 2016	<u>(27,509,952)</u>
<b>“Residual retained income” as at 31 December 2016</b>	<b>5,666,697</b>

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 2016.

#### **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 2016, the Trustees transferred nil (2015: £2,000,000) to the development reserve to provide seed capital for future housing projects.

During the year, the Milbrook Gardens project was completed and the related development cost which has been capitalised to the cost of housing properties of £1,235,406 has been applied against the development reserve as follows:

	£
Development reserve as at 31 December 2016	11,800,000
Capital expenditure previously applied	(3,659,363)
Capital expenditure to 31 December 2016 (note 6)	<u>(1,235,406)</u>
<b>Net reserve as at 31 December 2016</b>	<b>6,905,231</b>



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**14. 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 2016 amounted to £127,500 (2015: nil) of which nil (2015: nil) was outstanding at the 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 £457,252 (2015: £384,060) of which £60,267 (2015: £59,378) 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 2016, this balance was £581,640 (2015: £540,362).

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

Elian provides secretarial services to the Trust. The total amount payable during the year was £30,451 (2015: £27,880) of which £441 was outstanding at the year end (2015: 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 £46,992 (2015: £53,247) of which £8,741 remained outstanding and is included in creditors at 31 December 2016 (2015: £10,507). 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 £507 (2015: nil) was payable to Ross-Gower Associates none of which was outstanding at the year end (2015: 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 2016, £10,100 (2015: £9,800) was payable to Labesse & Co. none of which was outstanding at the year end (2015: nil).

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**15. Capital commitments**

The Trust has committed to the following housing developments:

	<b>2016</b>	2015
	<b>£</b>	£
Milbrook Gardens	-	1,025,000
Garrett Anderson House	<b>6,054,100</b>	-
Jardin de la Mare	<b>7,325,980</b>	-
	<b><u>13,380,080</u></b>	<b><u>1,025,000</u></b>

**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 the Constitution and in note 3 and 14 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. Subsequent events**

There are no subsequent events to report.