

CTJ HOUSING TRUST
FINANCIAL STATEMENTS
AT 30 JUNE 2020

CTJ HOUSING TRUST

TRUSTEES

Charles Thacker	(Chairman)
Hugh Lawton	(Treasurer)
Andrew Jelley	
Angela Le Sueur	
Zoe Blomfield	(Secretary)
John Scally	
Mike Larbalestier	
James Reed	
Stephen Ogborn	

AUDIT COMMITTEE

Hugh Lawton
Mike Larbalestier
Charles Thacker

MANAGING AGENT

Volsin Hunter Limited
31-33 New Street
St Helier
Jersey JE2 3RA

ACCOUNTANTS

Alex Picot Limited
Chartered Accountants
95/97 Halkett Place
St Helier
Jersey JE1 1BX

AUDITORS

Alex Picot
Chartered Accountants
95/97 Halkett Place
St Helier
Jersey JE1 1BX

BANKERS

HSBC
PO Box 14
St Helier
Jersey JE4 8NU

RBS International
PO Box 64
St Helier
Jersey JE4 8PJ

CTJ HOUSING TRUST
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FOR THE YEAR ENDED 30 JUNE 2020

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CTJ HOUSING TRUST

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Trustees submit their annual report and the audited financial statements of CTJ Housing Trust (the "Trust") for the year ended 30 June 2020.

Incorporation and Objectives

The Trust was incorporated under the Laws of Jersey, Channel Islands on 19 January 1996. The objects of the Trust are:

- to provide residential accommodation for rent to persons in Jersey in need of such accommodation;
- to promote and encourage the acquisition, development and construction of residential and social accommodation;
- to seek to increase the availability of residential accommodation to persons in need of such accommodation and seek to improve the standard, design and specification of such accommodation.

The registered office of the Trust is:

c/o Voisin Hunter Limited
31-33 New Street
St Helier
Jersey JE2 3RA

The Trust also maintains a website whose address is:

<http://www.ctjhousingtrust.org.je>

Results

The results for the year are shown in the Statement of Comprehensive Income on page 11.

Trustees

The Trustees are responsible for the running of the Trust. Trustees are appointed for a period of three years and are eligible for re-election. The Trustees have resolved that the Chairman, Treasurer and Secretary are appointed for one year only although eligible for re-election.

In the event that a new Trustee is to be appointed, not for the re-election of a retiring Trustee, the position will be advertised in the Jersey Gazette. Whilst initial interviews are conducted by the Chairman appointments are a matter for all the Trustees.

Trustees who have served during the year were:

Charles Thacker (Chairman) succeeded Diarmuid Lynes as Chairman in March 2017. He has been a Trustee since 1995, providing legal advice to the Trust.

Diarmuid Lynes (resigned 16 June 2020)

Hugh Lawton is a Certified Accountant, Finance and Office Director of Atrium European Real Estate and former MD of American Express' treasury operations in Jersey. He has been a Trustee since 2014.

Andrew Jelley is a retired architect and advises us on building matters and has been a Trustee since 1995. In his professional capacity his firm has acted in the building of our houses.

Angela Le Sueur is a retired teacher. Angela was very active in the initial allocation process for housing new tenants and has been a Trustee since 2001.

CTJ HOUSING TRUST

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Trustees (continued)

John Scally is a retired Chartered Surveyor with over forty years of experience of the property world and joined the Trust in April 2009.

Mike Larbalestier is a Chartered Fellow of the Chartered Institute for Securities and Investment. He has been an investment manager/director locally since 1984, working for Rossborough Financial, Abacus, Morgan Grenfell, and Quilter Goodison. He was appointed in February 2012.

James Reed was appointed as a Trustee in November 2015. He is owner and Managing Director of Beau Pre Farm Limited, a company which currently owns and manages both residential and commercial property. After spending 12 years in the States, James has gained a wide range of experience in all aspects of government.

Advocate Zoe Blomfield is the Managing Partner of Viberts. Viberts deal with all property related matters on behalf of the Trust. Zoe is an Advocate and became a Trustee in December 2017 and brings a wealth of experience in dealing with personal law and social issues.

Stephen Ogborn is the Head of Commercial Banking at Lloyds Bank International in Jersey. He became a Trustee in December 2017.

Trustee Remuneration

No fees or expenses were paid to the Trustees for the years ended 30 June 2020 or 30 June 2019 other than to refund travel expenses and incidentals.

Property and Tenant Administration

The Trustees have entered into an agreement with Voisin-Hunter Limited for the administration of properties, their maintenance and dealing with tenants including the collection of rental income.

Accountancy Services

The Trustees have entered into an agreement with Alex Picot Limited for the provision of accounting services to the Trust including the preparation of quarterly management accounts. These services are provided by a different team and partner from the one responsible for the annual audit.

Audit Committee

The audit committee meets at least once each year and is responsible for the overseeing the preparation of the Financial Statements of the Trust, reviewing internal controls, and approving the Financial Statement for adoption at an annual general meeting of the Trustees.

The audit committee comprises the Chairman, Treasurer and one further Trustee with a partner from the Trust's auditors in attendance. Members of the audit committee are:

Hugh Lawton
Mike Larbalestier
Charles Thacker

CTJ HOUSING TRUST
STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Approach to Risk Management

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

- Risk of insufficient funding – 30 year modelling identifies funding needs and alerts trustees
- Risk of tenant default – quarterly review with management agents of action on arrears
- Risk of interest rate change – interest rates on debt are hedged to at least 50% of principle
- Risk of third party liability – annual validation of insurance cover for adequacy
- Risk of insufficient funding is dealt with by secured loans from two banks
- Risk of tenant default - is managed by taking measures including Court action if necessary to collect arrears of rent.
- Risk of interest rate change - is managed by hedging as set out above
- Risk of third party liability - is managed by maintaining insurance cover

Property Portfolio – 179 units

Lempriere Street, St Helier

- 1 One bedroom flat
- 2 Four bedroom houses

Bas du Mont, St Helier

- 1 One bedroom flat
- 6 Two bedroom flats
- 9 Three bedroom flats

Le Benefice, St Clements

- 64 Three bedroom houses
- 9 Four bedroom houses

Clos des Charmes, St Peter

- 12 One bedroom flats
- 3 Two bedroom houses
- 16 Three bedroom houses

Les Freres, Grouville

- 20 Two bedroom bungalows

The Cottage, St Helier

- 2 One bedroom cottage

Ed Le Quesne House, St Helier

- 26 One bedroom flats
- 5 Two Bedroom flats
- 3 Commercial Units

CTJ HOUSING TRUST

TRUSTEES' REPORT

Trustees' Responsibilities

According to the constitution of the Trust, it is the responsibility of the Trustees to prepare financial statements. In preparing the financial statements the Trustees should:

- ensure that the financial statements are in accordance with generally accepted accounting principles and show a true and fair view of the surplus or deficit of the Trust for the year and of the state of affairs of the Trust at the end of the year;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Trust will continue in business.

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

The Trustees are responsible for keeping accounting records which are sufficient to show and explain the Trust's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the Trust. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 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.

Business Objectives and Strategies

The objective of the Trust is to provide social rented housing to the residents of Jersey, and other initiatives as allowed for in the Trust's Constitution.

Our objectives are to manage the assets of the Trust on a prudent and controlled basis. We are continuing to look at providing accommodation for the more marginalized, most likely in partnership with a charity or charities providing support for a particular disadvantaged group. We would like also to provide Shared Equity Housing particularly for young people and look forward to working with the Government to achieve these aims.

These objectives have been made clear in the application submitted in February, 2018 to the Planning Department of the States of Jersey regarding Ed Le Quesne House.

The Trust's tenants are allocated through Gateway, a joint waiting list for all the Housing Trusts. Whilst we are supportive for the criteria for inclusion on this list, we are still an independent charity. Therefore, the Trustees have reserved the right, in exceptional circumstances, to determine if a potential tenant should be housed by the Trust, notwithstanding that they do not meet the strict criteria of Gateway.

We meet with the Trustees of other Housing Trusts on a regular basis to discuss items of mutual interest. We now meet on a quarterly basis with the Management of the Strategic Housing Unit of the Chief Minister's Department to keep abreast of proposed changes in social housing and to discuss with them our Plans and Goals as we progress.

We value the excellent relationship we have with SHU.

CTJ HOUSING TRUST
TRUSTEES' REPORT (CONTINUED)

Business Objectives and Strategies (continued)

At the year-end the Trust owned 176 housing units and 3 commercial units, which were required as part of the planning consent for Ed Le Quesne House; all of which were tenanted. The Trust has been generating significant cash flow surpluses; these will be needed to meet future loan repayment commitments and to invest in new housing units. The long-term projection for the Trust shows that it is financially viable. The management agents frequently attend our developments, making themselves available to our tenants. They have encouraged the creation of tenants associations. The Trustees visit our sites at least once a year to be approachable for tenants to let them know of any concerns they may have in person.

The Trustees believe they are meeting the objective of the Trust and are responsible landlords.

Internal financial control

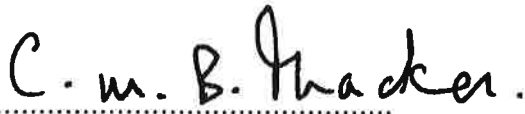
The Trustees have overall responsibility for ensuring that the Trust maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent 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 11. 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 report 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.

Independent auditors

A resolution to reappoint Alex Picot Chartered Accountants as auditors to the Trust will be proposed at a future Trustees' meeting.


.....
Trustee


.....

CHAIRMAN'S REPORT TO THE TRUSTEES OF

CTJ HOUSING TRUST

FOR THE YEAR ENDED 30 JUNE 2020

General overview

The Trust's existing estates continue to be let to tenants and managed by Voisin Hunter Limited. There are no significant problems to report. The construction of Ed Le Quesne House was completed in July 2019 and it is fully let.

Financial performance and position

The surplus from regular operations before depreciation was £1,400,227 (2019 £1,353,211). Payments of £50,766 were due under the 90% Market Rent Policy implementation. The payments are calculated assuming the rents received by the trust are increased each year by the annual CPI rate. Income from Ed Le Quesne House was as forecast and contributed approximately £150,000 to the net income. Other significant changes versus 2018/9 were from major planned repainting and repairs at Le Benifice.

At 30 June 2020, the value of our housing and commercial assets, excluding depreciation, stands at £49.0 million (2019 £42.2 million), with loans of £22.5 million (2019 £22.5 million) giving an LTV of 46% (2019 53%). Commercial units are valued at £0.3 million (2019 nil).

By February 2021, the final drawing of £1.4 million will be made on the development loan of £7.3 million funding Ed Le Quesne House, Les Freres estate and Lempriere Street. Under the terms of the loan, principal payments commence on 5 February, 2021, 24 months after the loan was first drawn down.

Cash reserves will be used to fund future developments and principal payments. The required cash is calculated to ensure the trust remains solvent at all times.

Principal Risks and uncertainties being faced

One uncertainty is the direction of States policy on Housing. There is general recognition that there is a grave shortage of affordable housing, and the Assembly members elected in May 2019 did in most cases make it a feature of their election addresses that they would give priority to tackling this. At the time of writing it remains unknown exactly what form the policy will take, but some of the potential measures could well bring significant change to the affordable housing sector. There are more specific risks in the substantial loan repayments that the Trust has to make, but the repayments are budgeted for as far as possible. The management of the Trust's estates is outsourced to its managing agents, who are well reputed and experienced, but there is an inherent risk in any reliance on third parties.

Future Strategy and Prospects

Ed Le Quesne House completed in July 2019. The Trust would like to take on further projects. The scope of any project will need to be related to its debt capacity, and as 2020 progresses, a clearer picture of that capacity will emerge. The Trust has so far experienced no significant problems arising from the COVID-19 pandemic, but is prepared for some deterioration in the position if there is economic disruption in a second wave.



Chairman

25 November 2020

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF CTJ HOUSING 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 CTJ Housing Trust (the "Trust") as at 30 June 2020, 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 properly prepared in accordance with the requirements of the Constitution of the Trust.

What we have audited

The Trust's financial statements comprise:

- the statement of financial position as at 30 June 2020;
- 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 the Chairman's Report and 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.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF CTJ HOUSING TRUST (continued)

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.

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 that economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 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.



Alex Picot
chartered accountants

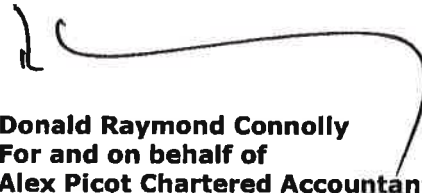
95-97 Halkett Place
St. Helier, Jersey
Channel Islands JE1 1BX

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
CTJ HOUSING TRUST (continued)**

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 reasonability 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.

27 November 2020



Donald Raymond Connolly
For and on behalf of
Alex Picot Chartered Accountants

CTJ HOUSING TRUST
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

	Note	2020		2019	
		£	£	£	£
FIXED ASSETS					
Housing properties	7	48,673,500		38,857,041	
Investment Property	6	297,900		-	
			48,971,400		38,857,041
CURRENT ASSETS					
Debtors and prepayments	8	180,543		161,664	
Cash held at managing agents		66,869		30,223	
Cash at bank and in hand		1,810,633		1,212,218	
		2,058,045		1,404,105	
CREDITORS – Amounts falling due within one year					
Bank loans	11	973,710		774,486	
Creditors	9	220,168		834,890	
Tenants' deposits	10	50,100		50,500	
		1,243,978		1,659,876	
NET CURRENT ASSETS/(LIABILITIES)			814,067		(255,771)
			49,785,467		38,601,270
CREDITORS – Amounts falling due after more than one year					
Bank loans	11		21,491,398		21,737,891
NET ASSETS			£28,294,069		£16,863,379
TRUST FUND					
Capital reserve			1,125		1,125
Housing property revaluation reserve			14,371,363		7,717,204
Retained reserves			13,921,581		9,145,050
TOTAL			£28,294,069		£16,863,379

The financial statements were approved by the Trustees on 25 November 2020 and signed on their behalf by:

.....
C. M. B. Thacker
 Chairman

.....
[Signature]
 Trustee

CTJ HOUSING TRUST
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £	2019 £
Income from property rentals		2,481,170	2,130,599
Property expenses		(439,181)	(185,288)
Annual payment to States of Jersey	3	(50,766)	(40,444)
Movement in provision for bad debts		15,413	4,720
NET PROPERTY INCOME		<u>2,006,636</u>	<u>1,909,587</u>
Operating expenses	4	(157,171)	(158,518)
OPERATING SURPLUS BEFORE DEPRECIATION		1,849,465	1,751,069
Depreciation		(1,027,820)	(844,681)
OPERATING SURPLUS		<u>821,645</u>	<u>906,388</u>
Interest income		1,075	3,748
Interest expenses		(162)	(840)
Loan interest payable	5	(450,151)	(400,766)
SURPLUS FOR THE YEAR		<u>372,407</u>	<u>508,530</u>
OTHER COMPREHENSIVE INCOME			
Gain on revaluation of land and buildings		11,058,283	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>£11,430,690</u></u>	<u><u>£508,530</u></u>

All operations of the Trust are classified as continuing.

CTJ HOUSING TRUST
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 30 JUNE 2020

	Capital reserve £	Housing property revaluation reserve £	Retained reserves £	Total trust fund £
At 30 June 2018	1,125	7,717,204	8,636,520	16,354,849
Surplus for the year	-	-	508,530	508,530
At 30 June 2019	1,125	7,717,204	9,145,050	16,863,379
Surplus for the year	-	-	372,407	372,407
<u>Other Comprehensive income</u>				
Gain on revaluation of land & buildings	-	6,654,159	4,404,124	11,058,283
Total Comprehensive income	-	6,654,159	4,776,531	11,430,690
At 30 June 2020	<u>£1,125</u>	<u>£14,371,363</u>	<u>£13,921,581</u>	<u>£28,294,069</u>

CTJ HOUSING TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	£	£
NET CASH FLOW FROM OPERATING ACTIVITIES (Note 1)	1,914,637	1,736,838
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	1,075	3,748
Construction of properties	(783,069)	(4,742,063)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(781,994)	(4,738,315)
FINANCING		
Interest paid	(424,096)	(378,848)
Loan arrangement fee paid	-	(70,000)
Loan drawdown	701,000	5,209,312
Loan principal repayments	(774,486)	(3,569,556)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	(497,582)	1,190,908
INCREASE/(DECREASE) IN CASH IN THE YEAR	635,061	(1,810,569)
Cash and cash equivalents at beginning of the year	1,242,441	3,053,010
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>£1,877,502</u>	<u>£1,242,441</u>
 CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash held at managing agents	66,869	30,223
Cash at bank and in hand	1,810,633	1,212,218
CASH AND CASH EQUIVALENTS	<u>£1,877,502</u>	<u>£1,242,441</u>

CTJ HOUSING TRUST
NOTES TO THE STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2020

1. Reconciliation of operating income to net cash inflow from operating activities

	2020	2019
	£	£
Operating income	821,645	906,388
Depreciation	1,027,820	844,681
Increase in debtors and prepayments	(18,879)	(27,359)
Increase in sundry creditors, accruals and tenants deposits	84,051	13,128
	<u>£1,914,637</u>	<u>£1,736,838</u>

2. Reconciliation of net cash flow to movement in net debt

	2020	2019
	£	£
Increase/(Decrease) in cash in the year & held at agents	635,061	(1,810,569)
Loan advanced	(701,000)	(5,209,312)
Loan principal payments	774,486	3,569,556
Loan arrangement fee	-	70,000
Loan fee amortisation	(26,217)	(22,758)
	<u>682,330</u>	<u>(3,403,083)</u>
Movement in net debt in the year	682,330	(3,403,083)
Opening net debt	(21,269,936)	(17,866,853)
Closing net debt	<u>£(20,587,606)</u>	<u>£(21,269,936)</u>

3. Analysis of changes in net debt

	1 July	Cash	30 June
	2019	flows	2020
	£	£	£
Cash and cash equivalents & held at agents	1,242,441	635,061	1,877,502
	<u>1,242,441</u>	<u>635,061</u>	<u>1,877,502</u>
Debt due within one year	(774,486)	(199,224)	(973,710)
Debt due after one year	(21,737,891)	246,493	(21,491,398)
	<u>(22,512,377)</u>	<u>47,269</u>	<u>(22,465,108)</u>
	<u>£(21,269,936)</u>	<u>£682,330</u>	<u>£(20,587,606)</u>

CTJ HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES

Principal accounting policies and Statement of Compliance

The financial statements have been prepared in compliance 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 for Registered Social Housing Providers 2018 (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 in note 1.

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 comprise of deemed deposits and short term deposits with maturities of 12 months or less. As at 30 June 2020, all cash and cash equivalents were held in bank accounts at HSBC Bank plc and Royal Bank of Scotland International Ltd.

Rental income

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

Other income and expenditure

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

Loan interest

Loan interest is accounted 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 financial property developments is capitalised up to the date that the development is completed.

Deposit interest

Deposit interest is credited to the Income account on the date it is received.

CTJ HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES (continued)

Principal accounting policies (continued)

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 exists.

Financial liabilities

a) 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 and borrowing are initially recognised at the transaction price (including transactions costs), and are subsequently measured at amortised cost using the effective interest method.

Housing properties

Housing properties are valued at Existing Use Value for Social Housing ("EUV-SH") on a regular basis to ensure the carrying value does not materially differ from the fair value. The aggregate surplus 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).

CTJ HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES (continued)

Housing properties (continued)

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 the 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 following:

	Expected life (years)
Structure (including roof)	50
Kitchens and Bathrooms	20
Services	30
External works	25

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

Impairment of Housing properties and assets

Annual reviews are undertaken by the Trustees to establish whether a charge needs to be made for any financial impairment that has arisen to reduce the value of any class of property to an amount less than historical cost and accumulated depreciation.

Where 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.

Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

CTJ HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020

1. 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 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. Revaluation losses or gains are recognised in Other Comprehensive Income and accumulated in reserves (Housing property revaluation reserve).

The Trust's housing properties were valued as at 30 June 2015 and 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 30 June 2020 as there has been no significant change in the condition of the housing properties or the social housing market in Jersey.

2. TAXATION

The Trust has been granted charitable status within the terms of Article 115(a) of the Income Tax (Jersey) Law 1961, with the result that its income, to the extent that it is applied for charitable purposes is exempt from income tax.

3. ANNUAL PAYMENT TO STATES OF JERSEY

The payment of £50,766 in the year ended 30 June 2020 (2019: £40,444) relates to the 90% Market Rents Policy agreement with the States of Jersey. The policy is designed to rebate to the States of Jersey imputed gains arising from the increased rent. The calculation is not dependent on current activity and so is recorded on a cash basis in the year it is paid.

CTJ HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2020

4. OPERATING EXPENSES		2020	2019
		£	£
Property management fees		108,078	98,543
Audit fee		8,250	6,500
Trustees insurance		6,550	9,472
Legal and professional		20,351	34,917
Administration and secretarial fee		12,944	9,708
Travel and other expenses		998	(622)
		<u>£157,171</u>	<u>£158,518</u>
5. INTEREST PAYABLE AND SIMILAR CHARGES		2020	2019
Gross interest on loans due to lenders		<u>£450,151</u>	<u>£400,766</u>
6. INVESTMENT PROPERTY			
Ed Le Quesne House - Commercial			
At valuation		2020	2019
Transfer from Housing Properties		<u>£297,900</u>	<u>£ -</u>

Ed Le Quesne House became operational in July 2019, and as per the SORP, the portion of the property utilised for commercial purposes has been transferred to Investment Property. The property was revalued by the trustees at 30 June 2020, based on a return of 7% due from commercial lettings.

CTJ HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2020

7. TANGIBLE FIXED ASSETS

	Lempriere Street	Bas du Mont	Le Benefice	Clos Des Charmes	Les Freres
	£	£	£	£	£
At Valuation:					
At 1 July 2019	581,000	2,800,000	19,000,000	6,500,000	4,400,000
Purchases	-	-	-	-	-
Transfer to Investment Property	-	-	-	-	-
Revaluation	69,000	895,300	4,879,700	2,064,000	850,000
At 30 June 2020	<u>650,000</u>	<u>3,695,300</u>	<u>23,879,700</u>	<u>8,564,000</u>	<u>5,250,000</u>
Depreciation:					
At 1 July 2019	25,728	281,232	1,928,880	663,388	463,320
Depreciation charge	6,432	70,308	482,220	165,847	115,830
Revaluation	(32,160)	(351,540)	(2,411,100)	(829,235)	(579,150)
At 30 June 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value:					
At 30 June 2020	<u>£650,000</u>	<u>£3,695,300</u>	<u>£23,879,700</u>	<u>£8,564,000</u>	<u>£5,250,000</u>
At 30 June 2019	<u>£555,272</u>	<u>£2,518,768</u>	<u>£17,071,120</u>	<u>5,836,612</u>	<u>£3,936,680</u>

All properties have a legal charge secured against them with HSBC Bank or RBSI Plc.

The Ed Le Quesne property became operational in July 2019, and as per the SORP, the portion of the property has been classified as an Investment Property.

The properties known as Bas Du Mont, Le Benefice and Clos des Charmes were revalued in June 2020 and the properties known as Lempriere Street and Les Freres were revalued in August 2018 by D2 Real Estate. Ed Le Quesne was revalued by the trustees at 30 June 2020. All valuations have used the EUV-SH method.

CTJ HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020

8. DEBTORS

	2020	2019
	£	£
Rent receivable	35,878	43,309
Bad debt provision	(14,932)	(30,345)
	<u>20,946</u>	<u>12,964</u>
Other debtors	159,597	148,700
	<u><u>£180,543</u></u>	<u><u>£161,664</u></u>

9. SUNDRY CREDITORS AND ACCRUALS

	2020	2019
	£	£
Construction costs	92,700	791,873
Rent received in advance	32,110	11,450
Rates	14,453	12,569
Audit fees	8,250	6,500
Accountancy fees	2,000	2,000
Interest due on deposits held	137	1
Other	3,238	10,497
Maintenance	16,514	-
Annual Payment to States of Jersey	50,766	-
	<u><u>£220,168</u></u>	<u><u>£834,890</u></u>

10. TENANTS' DEPOSITS

£50,100 (2019: £50,500) represents deposits received from tenants. All deposits shall be repaid to the tenants at the expiry or earlier determination of the tenancy subject only to the deduction therefrom of any arrears of rent and a reasonable amount in respect of any damage to the premises by the tenant.

11. CREDITORS: Amounts falling due after more than one year

	2020	2019
	£	£
HSBC Bank (a)	1,883,105	2,010,495
HSBC Bank (b)	10,168,841	10,741,222
HSBC Bank (c)	3,993,042	4,114,574
The Royal Bank of Scotland International (d)	5,817,906	5,209,312
Arrangement fee (over 5 years)	(60,083)	(67,083)
3% Base rate cap (over 20 years)	(251,413)	(270,629)
	<u><u>£21,491,398</u></u>	<u><u>£21,737,891</u></u>

Loan payment analysis

	£	£
Due within one year	973,710	774,486
Due in more than one year but not more than two years	1,184,655	1,020,329
Due in more than two years but not more than five years	4,365,257	3,894,966
Due in more than five years	15,941,486	16,822,596
	<u><u>£22,465,108</u></u>	<u><u>£22,512,377</u></u>

CTJ HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 JUNE 2020

11. CREDITORS: Amounts falling due after more than one year (continued)

Loan payment analysis (continued)

- (a) The loan from HSBC Bank is at the Bank's Base Rate plus 0.95% per annum, repayable over 25 years and is secured by a registered promissory note in the sum of £2,920,000 attaching to Land and Property at Bas du Mont, Pier Road, St Helier. Repayment of the loan is in accordance with a schedule of repayments:

The rate of interest paid on this loan is limited to 4% per annum; a sum equal to the difference between interest at the rate of 4% on the amount outstanding, and, if greater than 4%, the actual interest rate payable in accordance with the terms of the borrowing, will be paid by the States of Jersey Housing Committee. The level of interest subsidy paid will be reviewed every fifth year.

- (b) The loan from HSBC Bank is at the Bank's Base Rate plus 0.95% repayable over 25 years and is secured by a Registered Promissory Note in the sum of £13,400,000 attaching to Land and Property at Hodge Nursery, Grande Route de St Clement, Le Marais, St Clement (now Le Bénédicte). Repayment of the loan is in accordance with a schedule of repayments.

The rate of interest paid on the loan is limited to 6% per annum; a sum equal to the difference between interest at the rate of 6% on the amount outstanding and, if greater than 6%, the actual interest rate payable in accordance with the terms of borrowing, will be paid by the States Housing Committee. The level of subsidy will be reviewed every fifth year.

- (c) The loan from HSBC Bank is at the Bank's Base Rate plus 0.95% repayable over 25 years and is secured by a Registered Promissory Note in the sum of £4,920,000 attaching to Land and Property at fields 181, 182 and 183, La Rue de la Pointe, St Peter (now Clos des Charmes). Repayment of the loan is in accordance with a schedule of repayments.

The rate of interest paid on the loan is limited to 6% per annum; a sum equal to the difference between interest at the rate of 6% on the amount outstanding and, if greater than 6%, the actual interest rate payable in accordance with the terms of borrowing, will be paid by the States Housing Committee. The level of subsidy will be reviewed every fifth year.

In August 2013 the Trust entered into a Base Rate Cap agreement with HSBC Bank Plc, whereby the Bank's Base is limited to 3% per annum until August 2033. The fee for the agreement of £381,122 was capitalised against the outstanding balances of the HSBC loans and is being amortised over 20 years.

- (d) The loan from The Royal Bank of Scotland International was at the LIBOR Rate plus 1.65% per annum and is secured by a first ranking Registered Promissory Note in the sum of £7,326,000 over the Trust's property at Lempriere Street, Les Frères and Ed Le Quesne House. The loan is repayable on the date which is 120 months after the first part of the loan is drawn.

An arrangement fee of £70,000 was paid on drawdown, and was capitalised against the outstanding balance of the loan. It is being amortised over the life of the loan.

12. INCOME ACCOUNT

	2020	2019
	£	£
At beginning of the year	9,145,050	8,636,520
Net income retained for the year	372,407	508,530
Gain on revaluation of land & buildings	4,776,531	-
At end of the year	<u>£13,921,581</u>	<u>£9,145,050</u>

These funds are being retained at year end to fulfil loan commitments in the future years.

CTJ HOUSING TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2020

13. RELATED PARTIES

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

The Trustees

- (a) No fees or expenses were paid to the Trustees for the year ended 30 June 2020 or 30 June 2019 other than to refund travel expenses and incidentals.
- (b) Two trustees of the Trust, C Thacker and Z Blomfield, are Partners of Viberts Law Firm, which provides legal advice and conveyancing services to the Trust. The total amount payable to Viberts Law Firm during the year was £5,500 (2019 : £5,153), of which nil was outstanding at the year end.

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

- (a) Individual Trustees shall not be party to any Trustee discussion nor vote in relation to any aspect of the contract or arrangement between the Trust and the individual Trustee;
- (b) Such professional services rendered to the Trust may be remunerated; and
- (c) No Trustee shall be remunerated for performing any service or duty to the Trust in the capacity only of the Trustee.

14. ULTIMATE CONTROLLING PARTY

In the opinion of the Trustees, there is no controlling party as all Trustees are bound by the Constitution dated 19 January 1996.

15. CAPITAL COMMITMENTS

The Trust had no capital commitments at the year end.

16. RISKS AND UNCERTAINTIES

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

- Risk of insufficient funding – 30 year modelling identifies funding needs and alerts trustees
- Risk of tenant default – quarterly review with management agents of action on arrears
- Risk of interest rate change – interest rates on debt are hedged to at least 50% of principle
- Risk of third party liability – annual validation of insurance cover for adequacy

17. SUBSEQUENT EVENTS

There have been no subsequent events to report.