Jersey Development Company Annual Report & Accounts 2016

JERSEY
DEVELOPMENT
COMPANY

R.48/2017

Contents

About us

JDC was established in 1996 and is owned by the States of Jersey. In 2011, it's Memorandum and Articles of Association were amended and it is now responsible for completing the development of the St Helier Waterfront and regenerating States owned property no longer required for the delivery of public services.

Every initiative JDC undertakes is Government-led, the building and property investments are raised on land that has been entrusted to JDC by the States of Jersey.

Our mission is to create 'dynamic innovative and sustainable new environments for people to live, work and invest, ensuring all developments are in the local interest and contributing to Jersey's bright economic future.'

JDC creates new homes for local residents and new Grade A office space for the island's premier financial services industry. By investing in direct development, rather than selling land to developers, we ensure that returns to taxpayers are improved as well as retaining control over design and quality.

Our projects are also community focussed and include high quality open green spaces and landscaped areas for the public to enjoy.

JDC is dedicated to generating quality new environments for people to live, work and enjoy

KEY
ACHIEVEMENTS
2016

59,000 SQ FT

COMMERCIAL SPACE PRE-LET

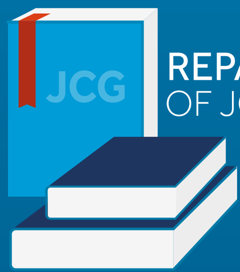
IFC Jersey will provide a world-class business hub providing environmentally sustainable Grade A office space

The delivery of much needed residential accommodation within the existing urban area

174 RESIDENTIAL UNITS PRE-SOLD (as of 31 Dec 2016)

CONSTRUCTION ADVANCED ON **THREE** MAJOR PROJECTS WITH CUMULATIVE COST OF

£95,000,000



REPATRIATION OF JCG LIBRARY **2016**

Supporting and growing the local economy

Chairman's Introduction

2016 has been a landmark year for the Company, where the focus has shifted from planning and preparation to delivery on the Company's key projects, the International Finance Centre ("IFC") and College Gardens.

At the year-end our first office block in the IFC (IFC 1) was nearing completion, ground was being broken on the second IFC building (IFC 5), and plans were being progressed for the third. There has been, as we always predicted, strong demand from tenants for what is the best and probably the most environmentally friendly office space available in the Island. IFC 1 is 60% pre-let and IFC 5 50% pre-let, with a strong pipeline of further potential tenants for both buildings. These comprise businesses already operating in Jersey, but who wish to move to modern premises better suited to their needs, and businesses who are new to the Island.

We have also had material interest from investors in acquiring both IFC 1 and IFC 5 which indicates strong confidence in the future strength of the Island's finance industry. While a final decision has yet to be reached, indicative offers received demonstrate that any sale would deliver a healthy development profit, which is ultimately for the benefit of the Island.

During the year, we also commenced construction at the former Jersey College for Girls, having secured an exceptional number of pre-sales in what will be a sympathetic development of one of the Island's landmark buildings. This will provide 187 much-needed residential units, including 80 affordable units for first time buyers and the over-55s.

Both of these projects are delivering a high quality of building, together with excellent amenity spaces within the developments. The States of Jersey will benefit not only from the developer's profit on the projects, but also from the socio-economic benefits provided through the provision of affordable homes, enhanced public infrastructure and amenity spaces, all designed to be in the best long term interests of the public.

Stakeholder engagement

In the past some observers have understandably had concerns about both the demand for the buildings being developed by the Company and the Company's ability to deliver them in a risk free and profitable manner. These first two projects have shown that the demand exists and that we can deliver high quality buildings efficiently, in conjunction with our local partners. The work we have delivered has provided a stimulus to the local economy in terms of employment and our many local contracting partners, as well enabling our finance industry to show the world that it can provide first class infrastructure and space, comparable to any of the world's leading financial centres.

We believe that we are moving into a different and more positive phase of stakeholder engagement to that of previous years. Our focus will be on celebrating the successful delivery of some landmark buildings and continuing that dialogue with planners, politicians and the public about how the profits generated from the Company's work can be used to further enhance the infrastructure of the Island, and therefore the lives of its residents. We particularly look forward to assisting in the public debate regarding the review of the Esplanade Quarter Masterplan and ensuring that the result is a vibrant and cost effective space of which the public can be proud.

Chairman's Introduction (continued)

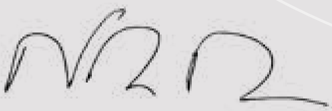
Financial performance

The nature of the Company's business is such that there can be substantial year-to-year variations in income and expenditure, and hence profits, depending on the timing of the completion of development projects and the valuation of investments.

Nevertheless it is pleasing that in 2016 revenues and profits were both up, with revenues of £3,008,650 (2015: £2,377,531) and a profit for the year of £2,033,320 (2015: £897,104). However, these figures do not reflect any profits from the Company's development activities, which are only realised once leases are in place and/or sales completed. The value of that activity is, however, recognised in the Group's balance sheet, which has seen total assets rise from £58,256,003 to £85,434,639 in the year.

Board and staff

The Company has a small number of staff who have worked exceptionally hard to deliver excellent results this year. I would like to thank them, and the non-executive Board members, for their contribution to this success. I would like to offer particular thanks to Roger Lewis, who has retired from the Board after 5 years in which his wise counsel and experience has been invaluable. I also have pleasure in welcoming new board members Tom Quiqley and Richard Barnes to the Board.



Nicola Palios
Chairman
28 March 2017

The Managing Director's Review

The Company's remit is to create value for the public of Jersey. This value will be realised in a number of different but complimentary ways - financially, economically, socially and environmentally.

Financially, JDC seeks to maximise returns from its development activities and its property investments and provide opportunities for the Island. 100% of profits generated by JDC from the direct development of property will be repatriated to the States Treasury via a dividend, invested in public infrastructure or used as working capital for further developments. Ultimately, the receipts from the Company's development activities are for the benefit of the public.

Economically, the Company's development activities stimulate the local economy and supports employment – in recent years the Company has placed construction contracts totalling more than £80 million with two local main contactors. Furthermore, the office buildings that are being created at the International Finance Centre ("IFC") provide modern and efficient space for existing businesses to expand or new businesses to locate to the Island.

Profit maximisation is not JDC's sole objective and many of the Company's projects include social and/or environmental benefits, whether it be discounted homes for eligible first time buyers as at College Gardens or extensive new civic open space in the heart of St. Helier as at the IFC.

The Island's economy is in a good position and continues to improve with positive GVA figures, growing 2% in 2015 following a 5% increase in 2014. It is expected that 2016 will continue this trend, following record employment figures and the level of activity in the construction industry.

Similarly, the residential property market is also buoyant, with activity at an all-time high and values across most unit types having recovered from the global recession.

International Financial Centre

Financial Services is the Island's primary industry employing more than 13,000 people and directly contributing 44% of the Island's GVA. It is vitally important that the Island has the right infrastructure to support and grow the industry. This extends to the provision of modern and efficient office space.

JDC is committed to delivering a flagship office district that will provide the highest quality office buildings in Jersey with column free floorplates offering occupiers complete flexibility on their fit-outs and having excellent levels of natural light that has been scientifically proven to improve staff well-being and productivity.

The IFC Jersey will create six standalone modern 'Grade A' office buildings totalling 470,000 sq. ft together with private car and bicycle parking under each. More than 50% of the site will be dedicated to new civic open space and a new 520 space public car park will be created beneath a public park.

During the year, construction continued on the first IFC building (IFC 1) and construction commenced on the second building (IFC 5). Legally binding pre-lets were secured on 58,000 sq. ft with options on a further 10,000 sq. ft These lettings were to blue-chip companies each with an excellent covenant strength.

BNP Paribas SA took 24,400 sq. ft in the first building that is under construction (IFC 1). The BNP Paribas letting took the level of pre-let in this building to 60%. Local construction company Camerons is the main contractor and this building will be practically complete during March 2017.

SANNE Group plc leased 34,900 sq. ft in the second building (IFC 5) which is 50%

The Managing Director's Review (continued)

of the building's lettable area. Camerons was successfully appointed as the main contractor in November. The practical completion of the building is due at the end of July 2018.

During the year, JDC also extended the temporary car park at Les Jardins to enable the entire Esplanade car park to be decanted as and when required. There are now 520 public parking spaces at Les Jardins. JDC agreed for the Department for Infrastructure to continue to use part of the Esplanade surface car park to temporarily deliver an additional 194 shopper spaces.

JDC is confident, based on the number of enquiries that it has received and discussions that it continues to have with prospective tenants, that there is sufficient demand to fill the first four office buildings in the IFC.

College Gardens

Through the efforts of JDC, the former Jersey College for Girls building, which was a decaying asset, is being transformed into a modern and highly desirable residential community. The newly named College Gardens development is creating 187 new apartments, including open market and affordable properties. The development will not only return a healthy financial profit to the island but also makes a significant contribution to affordable housing, while redeveloping an iconic, landmark building that will help regenerate that part of St Helier.

The development comprises 107 Category B units for sale in the open market and 80 Category A (Affordable) units - 40 x Shared Equity Units for eligible First Time Buyers and 40 x Social Rented units for the over 55s.

The 40 Social Rented Units will be delivered by JDC on behalf of the Jersey Homes Trust via a sale and development agreement that was entered into during the year. This is a new partnership model which we believe could be replicated with other partners on the Island.

JDC also marketed and pre-sold all 40 Shared Equity units over a six-week period. The Company worked with the Housing Minister and the Strategic Housing Unit to agree the eligibility criteria. These units were sold to first time buyers that had pre-qualified through the Housing Gateway. These units were sold at a discount to the open market with prices ranging from £155,000 to £199,000 and enabled 40 local individuals/couples, who were otherwise priced out of the housing market, the opportunity to buy their own home. The retained equity element of 10% (that has a value of £700,000) will be ultimately held by the States Treasury.

By the year end, JDC had secured pre-sales on over 90% of the units in the College Gardens residential development with a cumulative value of over £48m.

A construction contract was entered with local contractor ROK Regal in September and the first units will be ready for occupation in April 2018. Phased completions will take place thereafter until final completion in April 2019. 100% of the profit generated from the development will be paid to the States Treasury as a dividend in 2019.

The Managing Director's Review (continued)

Investment Properties

The Company owns investment properties which it actively manages to ensure revenues are maximised. Overall, investment income and other income was £2,380,358 for the year (2015: £2,310,417), a 3% increase year on year.

During the year and in agreement with its Shareholder, the Company has commenced the disposal of its non-strategic investment properties. During 2016 the Company disposed of its former office at Harbour Reach for £1.65m (this property had a value in the 2015 financial statements of £1.2m) and concluded the sale of a JE sub-station at Liberty Wharf after the year end. The Company has also agreed the sale of its interest in the Waterfront Radisson Hotel and this will complete during Q2 2017. The Company will be marketing for sale its remaining non-strategic investment properties in 2017 so that by the end of 2017 it will only hold its strategic investment properties namely – the Waterfront Car Park, the Transportation Centre and Weighbridge Square.

Community Projects

The Company continues to take responsibility for and directly funds the maintenance and upkeep of extensive areas of community space on the St. Helier Waterfront. These areas include Les Jardins de la Mer, Marina Gardens (on top of the Waterfront car park), Weighbridge Square and the Waterfront promenades, as well as the landscaping and street lighting on Route de Port Elizabeth, Rue de L'Etau and Rue de Carteret. The Company ensures that these areas are well maintained, as cost effectively as possible, for the benefit of the public.

On an annual basis, the Company organises and assists in funding the Christmas lights on Weighbridge Square and Route du Port Elizabeth at a cost of £12,000.

As part of the College Gardens development, during the year the Company successfully repatriated an oak panelled library from the former Jersey College for Girls to the JCG's current property at Mont Millais. JDC also financed and procured an additional 50 car parking spaces for Janvrin School in line with its planning consent for College Gardens.

Financial Performance

In accordance with international accounting standards, profits are only realised on the completion of a property provided the asset is either sold or held as an investment. During the year the first building in the IFC and College Gardens were still under construction and as such are held in the accounts at the lower of cost or net realisable value at the year end and no profit has been booked during the year.

In spite of this, the Company generated an operating profit before exceptional items of £2,234,645 (2015: £1,064,543) for the financial year ended 31 December 2016, that included an upward revaluation of its investment properties of £1,568,559 (2015: £651,359).

Cash and cash equivalents increased to £2,900,209 (2015: £546,860). The Company has raised private finance totalling £76,500,000 (2015: £25,000,000) to provide construction finance for IFC 1, IFC 5 and College Gardens. The drawn-down position on these loans at the year end was £25.83m (2015: £6.95m). These loans will be repaid in full on the disposal of these completed assets with the profits being either paid out as a dividend or retained by the Company for the delivery of public infrastructure or used as working capital for future development projects.

The Group's inventory is carried at the lower of cost and net realisable value with cost being the land value at the date of the original

The Managing Director's Review (continued)

acquisition plus subsequent expenditure incurred. As at 31 December 2016 these totalled £66,353,841 (2015: £42,316,120).

The Group, being the Company and its subsidiaries, manages total assets of £85,434,639 (2015: £58,256,003).

Given the level of pre-development expenditure on large real estate projects, the funding requirements for the delivery of public infrastructure in the Esplanade Quarter and the long lead-in times to realising receipts from real estate development, JDC agreed with its Shareholder that there would be no dividend paid in the year (2015: £1million). The next anticipated dividend to be paid by JDC will be in respect of the College Gardens development in 2019. All net receipts from the IFC development will need to be retained by the Company to fund the public infrastructure costs associated with the Esplanade Quarter Masterplan.

Future

Over the next 5 years the Company is targeting the delivery of four office buildings in IFC Jersey, completing College Gardens and commencing and substantially completing Castle Quay phase 2.

The Company will also be preparing for the next phases of the St. Helier Waterfront following the conclusion of the review of the Esplanade Quarter Masterplan.

In addition JDC is in dialogue with the Shareholder over the future regeneration of surplus States owned assets such as South Hill and St. Saviour's Hospital.

L. Henry

Lee Henry
Managing Director
28 March 2017

2016 Activities

IFC Jersey

IFC Jersey will provide a world-class business hub providing environmentally sustainable Grade A office space in the heart of St Helier.

There is significant demand for modern Grade A office accommodation and it is vitally important that the island has the right infrastructure available for its leading industry which directly contributes 44% of the island's economy and employs over 13,000 people.

The IFC will be capable of delivering 470,000 sq. ft of office space across six standalone buildings with private car parking space beneath the buildings and 520 public parking spaces on three levels below a public park. Construction is split into phases and is being delivered on a building by building basis in response to demand.

The IFC forms a new extension to the existing central business district and will establish a clear identity for the island's premier industry and strengthen the connection between the historic town centre and the Waterfront.

50% of the development will become high quality civic space and will include a new public square and a new public park, as well as delivering a re-landscaped Esplanade.

IFC 1

Construction of this 68,000 sq. ft Grade A office building continued during the year and the building was practically completed during March 2017.

During the year **24,000 sq. ft** was pre-let to BNP Paribas SA, bringing the total pre-lets in the building to **60% (40,500 sq. ft).**

IFC 5

JDC successfully secured detailed planning approval for the second office building at IFC. IFC 5 is a six storey building with 69,000 sq. ft net internal space.

A pre-let signed with Sanne Group PLC in November 2016 for just over 50% of the building (35,000 sq. ft) and construction works commenced immediately on site.

JDC appointed Camerons as the main contractor for IFC 5 (Camerons having also successfully delivered IFC 1).

Bulk excavation commenced in early 2017 and IFC 5 is due to be practically complete at the end of July 2018.

College Gardens

College Gardens will be a residential development of one, two, three and four bedroom apartments, which is being built on the former Jersey College for Girls site at La Pouquelaye.

The delivery of much needed residential accommodation within the existing urban envelope is a key objective of the Island Plan and JDC is proud to be tasked with delivering the regeneration of this iconic building.

The development consists of a total of 187 residential units which include:

- 40 Shared Equity units sold through the Assisted Purchase scheme. To qualify for these units, the Housing Minister set the eligibility criteria that included:
  i) being a first-time buyer
  ii) locally qualified and
  iii) maximum earnings (individual or couple) of £41,000 per annum.
- 40 social rented units for the over 55's.
- 107 open market apartments available for occupation by individuals who are Entitled or Licenced.

All residents at College Gardens will have the opportunity to enjoy the extensive private landscaped gardens surrounding the new development. The historical main building, originally built in 1888 is being converted into 28 apartments with its magnificent façade and generous floor to ceiling heights.

College Gardens

During the year a sale and development agreement was entered in with the Jersey Homes Trust for the 40 social rented units.

96 Category B units were marketed and pre-sold during the year.

JDC also marketed and pre-sold all 40 Shared Equity units.

The total value of these pre-sales exceeded £40,000,000.

As a result of the significant level of pre-sales, JDC entered into a construction contract with local main contractor ROK Regal in September 2016 for the delivery of the scheme.

College Gardens will be completed in phases, the first of which will be April 2018 through to April 2019.

Community Projects

JCG Library

With the assistance and support of Jersey College for Girls and the JCG Foundation, JDC completed the successful repatriation of the 1930's oak panelled library from the former college building to JCG's current property at Mont Millais.

This community/cultural project ensures that this library, which was gifted to the college to celebrate its 50th anniversary in 1930, will continue to be used and enjoyed by students for future generations.

Janvrin School Parking

In response to concerns raised by teachers and parents on the redevelopment of the former JCG site, an agreement was reached with the Education Department and Jersey Property Holdings for JDC to design and procure the delivery of fifty additional car parking spaces for Janvrin school.

JDC appointed A1 Landscape and Gardening Services as the contractor. These works took place in phases during school holidays in order to minimise any disruption at the school. The final phase was completed in October 2016.

Future Developments

Over the next 5 years the Company is targeting the delivery of four office buildings at the IFC, completing College Gardens and commencing and substantially completing Castle Quay phase 2.

The Company will be preparing the next phases of the St. Helier Waterfront following the conclusion of the review of the Esplanade Quarter Masterplan.

JDC is also ready and willing to undertake the regeneration of any surplus States owned assets such as South Hill and St. Saviour's Hospital.

Financial Statements

Report of the Directors

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

Principal Activities

The Company and its subsidiary undertakings engage in property investment, property development, car park operation and estate management.

Results and Dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 27. There was no dividend paid during the year (2015: £1,000,000).

Directors

The Directors who held office during the year were:

Executive Directors
Lee Henry (Managing Director)
Simon Neal (Finance Director)

Non-Executive Directors
Nicola Palios (Chairman) – Non-Executive Director until 1 February 2016. Appointed Chairman on 2 February 2016
Roger Lewis – retired 31 October 2016
Paul Masterton
Ann Santry CBE
Tom Quigley – appointed 1 November 2016
Richard Barnes – appointed 1 November 2016

Directors' and officers' insurance

During the year the Company maintained liability insurance for its directors and officers.

Company Secretary

The secretary of the Company at 31 December 2016 was Simon Neal, who continued in office for the whole of the year.

Corporate Governance

The report on corporate governance is set out on pages 20 to 22. The report of the remuneration committee is set out on page 23. Both are adopted as part of this report.

Auditors

A resolution to re-appoint PricewaterhouseCoopers CI LLP as auditor will be proposed at the next Annual General Meeting.

Report of the Directors (continued)

Directors' responsibilities with regard to the Financial Statements

The Directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss of the Group for that year. In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991.

They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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

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

By order of the Board

For and on behalf of
The States of Jersey Development Company Limited
28 March 2017

Registered Office:
Dialogue House
2-6 Anley Street
St. Helier
Jersey JE2 3QE

Report on Corporate Governance

The Directors are committed to maintaining a high standard of Corporate Governance and fulfilling their responsibilities in accordance with the Companies (Jersey) Law 1991, Memorandum and Articles of Association of the Company and its own Corporate Governance Statement. The Board is of the opinion that it has complied with the provisions as set out in the statutes and internal documents in all material respects throughout the year.

The Board

The Board's aim is to ensure that the size of the Board is sufficient to reflect a broad range of views and perspectives whilst allowing all Directors to participate effectively in meetings.

Mix of Independent Non-Executive and Executive Directors

In accordance with normal commercial practice the legislation governing the Company requires a mix to ensure a strong majority of independent directors. At the year end, the Board comprised of two Executive Directors (the Managing Director and Finance Director) and five Non-Executive Directors.

Independence

One Non-Executive Director is appointed by the Minister for Treasury and Resources with the remaining Non-Executive Directors being appointed by the States Assembly. All Non-Executive Directors are nominated via an open recruitment process overseen by the Jersey Appointments Commission. The primary function of the Jersey Appointments Commission in overseeing the recruitment of States employees, as well as appointees to States-supported or related bodies, is to ensure that the selection is fair, efficient and conducted in accordance with best practice and procedures. The recruitment code sets the principles and processes to be applied in recruitment and selection activities for all appointments which include conflicts of interest and the members of the commission.

In addition, the Board carries out an annual review for assessing the independence of Non-Executive Directors and was satisfied that throughout the year, all Non-Executive Directors were independent as to both character and judgement.

Meetings

The Board is responsible to the Company's shareholder for the proper management of the Company. It meets regularly, approximately 12 times per year, setting and monitoring strategy, reviewing trading performance and risk management, examining business plans and capital and revenue budgets, formulating policy on key issues and reporting to the shareholder. Board papers are circulated prior to each meeting in order to facilitate informed discussion of the matters at hand.

No of meetings	Board	Audit	Remuneration	AGM
Nicola Palios	10	3	3	-
Roger Lewis	11	3	2	1
Ann Santry	11	3	3	1
Paul Masterton	12	3	3	1
Richard Barnes	3	-	1	-
Tom Quigley	4	-	1	-
Lee Henry	12	3	3	1
Simon Neal	12	3	-	1

Report on Corporate Governance (continued)

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. Due to the scale and number of projects coming on line each year and the size of the Company, a self-assessment review is undertaken every year to assess performance of the Board and its committees. Included in the review was the consideration of any training and development that may be required.

Board Committees

- **Audit & Risk Committee**
  The Audit & Risk Committee members are Non-Executive Directors – Tom Quigley (Chairman), Nicola Palios, Ann Santry, Paul Masterton and Richard Barnes. The meetings provide a forum for discussions with the external auditor. Meetings are also attended, by invitation, by the Managing Director, the Finance Director and the external auditors.

  The Audit & Risk Committee is responsible for reviewing the annual financial statements and accompanying reports before their submission to the Board for approval. It generally meets 3 times a year and is also responsible for monitoring the controls which are in force, (including financial, operational and compliance controls and risk management procedures) to ensure the integrity of the financial information reported to shareholders. It also considers reports from the internal and external auditor and from management. It reports and makes recommendations to the Board. The Audit & Risk Committee also advises the Board on the appointment of the external auditor and on their remuneration, including monitoring any issues that could impact auditor independence. In addition, the Audit & Risk Committee regularly reviews the scope and results of the work undertaken by both internal and external auditors.

  The Audit and Risk Committee met three times during 2016.

- **Remuneration Committee**
  The Remuneration Committee members are currently Non-Executive Directors, Ann Santry (Chairman from 29 January 2016), Nicola Palios, Paul Masterton, Tom Quigley and Richard Barnes.

  The Remuneration Committee makes recommendations to the Board regarding the remuneration of both Executive, Non-Executive Directors and senior management and considers the ongoing appropriateness and relevance of the remuneration policy.

  The Remuneration Committee met three times during 2016.

Internal Control

The Board has overall responsibility for the Company's system of internal control and for reviewing its appropriateness following any change to business operation(s) while the role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The key procedures which the Board has established to provide effective controls are:

- **Board Reports**
  Key strategic decisions are taken at Board meetings following due debate and with the benefit of Board papers circulated beforehand. The risks associated with such decisions are a primary consideration in the information presented and discussed by the Board.

Report on Corporate Governance (continued)

- **Financial Reporting and Control – includes:**
  - the approval of the annual operating and capital expenditure budgets and the review of the quarterly management accounts compared against the budget and the business plan to and any material changes to them;
  - the preparation of annual and five yearly cash flows which are regularly reviewed, updated and are monitored;
  - approval of interim and final dividends.
- **Strategy & Management**
  Includes the approval of the Company's long-term objectives and commercial strategy. The Board concentrates mainly on strategic and directional matters and on financial performance. It aims to safeguard the Company's assets and ensure proper and reliable accounting records are maintained. There is a clearly defined organisational structure with established reporting responsibilities, authorities and reporting lines to the Board.
- **Audit & Risk Committee**
  The Audit & Risk Committee operates under a charter that was ratified on 17 October 2016. The Audit & Risk Committee reviews the appropriateness of the internal control process when there is a change in business operation(s) and discusses the reports of the external auditors with them.
- **Internal Controls**
  Monitoring the effectiveness of the Company's risk management and control processes. Its effectiveness is kept under review on a continual basis throughout the year through the work of the Audit & Risk Committee on the Board's behalf. The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatement or loss.
- **Risk Management**
  The Company has a Risk Register for each project and the Company as a whole which details and assesses all the significant risks facing the Company. Management is responsible for identifying the key risks to achieving their business objectives and ensuring that there are adequate controls in place to manage these in line with the risk appetite set by the Board. The Managing Director and Finance Director are invited to attend the Audit & Risk Committee meetings to provide presentations on the key risks and how these are managed.

Relations with Shareholder

The Company is wholly owned by the States of Jersey with the Minister for Treasury and Resources representing the Company's shareholder. The Company seeks to comply in full with its governing statutes as the basis for the conduct of its relationship with its shareholder.

By order of the Board

For and on behalf of The States of Jersey Development Company Limited
28 March 2017

Report of the Remuneration Committee

The Remuneration Committee ("the Committee") operates under a charter that was last ratified on 24 June 2011.

Remuneration structures are simple with no equity participation (share ownership) by the Directors. Salaries are established by reference to those prevailing in the open market generally for directors of comparable status, responsibility and skills in comparable industries. The Committee uses executive remuneration surveys prepared by independent consultants to assist in establishing market levels. The determination of the Executive Directors remuneration is a decision taken by the Non-Executive Directors and approved by the Shareholder.

Changes to salaries and remuneration payments are effective from 1 January each year.

Directors' Remuneration

	Salary & Fees £	Benefits £	Bonus £	2016 Total £	2015 Total £
Executive Directors					
Lee Henry	167,500	1,885	37,800	207,185	181,656
Simon Neal	117,500	-	19,800	137,300	126,000
Non-Executive Directors					
Mark Boleat	-	-	-	-	20,000
Nicola Palios	37,759	-	-	37,759	15,000
Roger Lewis	12,500	-	-	12,500	15,000
Ann Santry	15,000	-	-	15,000	15,000
Paul Masterton	15,000	-	-	15,000	15,000
Richard Barnes*	2,507	-	-	2,507	-
Tom Quigley*	2,507	-	-	2,507	-
Total	**370,273**	**1,885**	**57,600**	**429,758**	**387,656**

*Pro rata for period from appointment.

In addition to the above, the Executive Directors' received the following pension contributions:

Directors' pension contributions

	2016 £	2015 £
Lee Henry	25,125	24,000
Simon Neal	17,625	16,500
Total	**42,750**	**40,500**

By order of the Remuneration Committee

28 March 2017

Independent Auditor's Report to the members of the States of Jersey Development Company Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of The States of Jersey Development Company Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2016, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated 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 consolidated 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 Group 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 directors are responsible for the other information. The other information comprises About us, the Key Achievements 2016, the Chairman's Introduction, the Managing Director's Review, the 2016 Activities, the Future Developments, the Report of the Directors, the Report on Corporate Governance and the Report of the Remuneration Committee.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the members of the States of Jersey Development Company Limited (continued)

Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Jersey law, and for such internal control as the directors 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 consolidated financial statements, the directors are responsible for assessing the Group'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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Independent Auditor's Report to the members of the States of Jersey Development Company Limited (continued)

Report on other legal and regulatory requirements

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records. We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 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.

Karl Hairon
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
28 March 2017

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	Notes	2016 £	2015 £
Revenue	3.1	2,459,850	2,377,531
Development revenue on College Gardens, Block 4	3.2	548,800	-
Net gain from fair value adjustment on investment property	4	1,568,559	651,359
Net gain on sale of investment property	4	443,735	-
Development costs on College Gardens	3.2	(548,800)	-
Employee benefits expense	3.4	(1,042,725)	(931,807)
Premises and establishment	3.5	(109,797)	(134,550)
Estate management	3.6	(394,362)	(314,904)
Depreciation of property, plant and equipment	5	(5,336)	(3,239)
Other expenses (including exceptional items)	3.3	(685,279)	(729,847)
Operating profit		**2,234,645**	**914,543**
Analysed as:			
Operating profit before exceptional items		2,234,645	1,064,543
Exceptional items	3.9	-	(150,000)
Operating profit		**2,234,645**	**914,543**
Finance income	3.7	1,109	12,766
Finance costs	3.8	(202,434)	(30,205)
Finance income - net		**(201,325)**	**(17,439)**
Profit for the year		**2,033,320**	**897,104**

There is no other comprehensive income as defined by IAS 1 ("Presentation of Financial Statements").

The notes on pages 31 to 56 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2016

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Investment property	4	11,000,000	14,984,166
Property, plant and equipment	5	33,349	19,374
Retention money receivable		13,377	-
		11,046,726	**15,003,540**
Current Assets			
Inventories	6	66,353,841	42,316,120
Trade and other receivables	7	763,863	389,483
Cash and cash equivalents		2,900,209	546,860
		70,017,913	**43,252,463**
Non-current assets held for sale	8	4,370,000	-
Total assets		**85,434,639**	**58,256,003**
Equity			
Equity attributable to equity holders of the Company			
Share capital	9	20,000,000	20,000,000
Retained earnings	2.11	10,573,528	8,540,208
Capital contribution	2.11	20,196,465	20,196,465
Total Equity		**50,769,993**	**48,736,673**
Liabilities			
Non-current liabilities			
Borrowings	10	23,327,770	6,954,986
Deferred consideration	11	1,500,000	1,500,000
Contract liability	12	199,586	-
Sale deposits	2.15	2,924,738	47,000
Retention money payable	13	442,247	-
Total non-current liabilities		**28,394,341**	**8,501,986**
Current liabilities			
Borrowings	10	2,500,000	-
Contract liability	12	1,197,514	-
Retention money payable	13	345,558	-
Trade and other payables	14	2,227,233	867,344
Provision		-	150,000
Total liabilities		**34,664,646**	**9,519,330**
Total equity and liabilities		**85,434,639**	**58,256,003**

The consolidated financial statements on pages 27 to 56 were approved by the Board of Directors on 28 March 2017 and signed on their behalf

By ______________ Director

The notes on pages 31 to 56 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Share Capital £	Capital Contribution £	Retained Earnings £	Total Equity £
Balance at 1 January 2016	**20,000,000**	**20,196,465**	**8,540,208**	**48,736,673**
Comprehensive Income:				
Profit for the year	-	-	2,033,320	2,033,320
Dividend	-	-	-	-
Balance at 31 December 2016	**20,000,000**	**20,196,465**	**10,573,528**	**50,769,993**

	Share Capital £	Capital Contribution £	Retained Earnings £	Total Equity £
Balance at 1 January 2015	**20,000,000**	**20,196,465**	**8,643,104**	**48,839,569**
Comprehensive Income:				
Profit for the year	-	-	897,104	897,104
Dividend	-	-	(1,000,000)	(1,000,000)
Balance at 31 December 2015	**20,000,000**	**20,196,465**	**8,540,208**	**48,736,673**

The notes on pages 31 to 56 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit for the year		2,033,320	897,104
Adjustment for:			
- Depreciation of property, plant and equipment	5	5,336	3,239
- Net gain from fair value adjustment on investment property	4	(1,568,559)	(651,359)
- Net gain on sale of investment property	4	(443,735)	-
- Write off of inventory costs		40,769	100,119
- Provision for litigation costs		-	150,000
- Contract liability	12	1,397,100	-
- Finance expense (net)		201,325	17,439
Changes in working capital:			
- (Increase) in trade and other receivables	7	(374,380)	(144,849)
- Increase in trade and other payables	14	1,303,234	636,887
-(Increase) in inventories		(23,304,061)	(10,429,193)
Cash generated from operations		**(20,709,651)**	**(9,420,613)**
Finance income	3.7	1,109	12,766
Finance costs	3.8	(152,045)	(30,205)
Payment on legal claims		(150,000)	-
Sale deposit received		2,877,738	47,000
Net cash generated from operating activities		**(18,132,849)**	**(9,391,052)**
Cash flows from investing activities			
Subsequent expenditure on investment property	4	(17,275)	(94,752)
Proceeds from the sale of investment property	4	1,650,000	-
Property, plant & equipment	5	(19,311)	(17,237)
Net cash used from investing activities		**1,613,414**	**(111,989)**
Cash flows from financing activities			
Proceeds from borrowings	10	18,872,784	6,954,986
Dividend paid to the Company's shareholder		-	(1,000,000)
Net cash used in financing activities		**18,872,784**	**5,954,986**
Net (decrease) / increase in cash and cash equivalents		2,353,349	(3,548,055)
Cash and cash equivalents at the beginning of the year		546,860	4,094,915
Cash and Cash Equivalents at the end of the year		**2,900,209**	**546,860**

The notes on pages 31 to 56 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

The principal activities of the Company and its subsidiaries (together, 'the Group') are property holding, property development, car park operation and estate management in Jersey. The Company is a limited liability company incorporated and domiciled in Jersey, Channel Islands. The Company trades as Jersey Development Company which is the registered business name of The States of Jersey Development Company Limited. The address of its registered office is Dialogue House, 2-6 Anley Street, St. Helier, Jersey JE2 3QE.

Equity

In 1995 The States of Jersey subscribed £20m of share capital in the Company to finance development projects. The Company was originally formed to manage the development of the St Helier Waterfront area on behalf of the States of Jersey. In 2010 the States adopted P73/2010 which set a new remit for the Company, changed the name of the Company and the Memorandum and Articles of Association. In 2004, The States of Jersey transferred land holdings to the Company at market value as a capital contribution. The changes to the Company were enacted on 24 June 2011 following the appointment of a new board of Non-Executive Directors by the States of Jersey. The Company will carry out developments which will be financed from third party financing where required and capital receipts from the proceeds on the sale of inventory.

2. Summary of significant accounting policies

2.1 Basis of preparation

The principal accounting policies that have been applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all years presented, unless otherwise stated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Directors have considered following accounting standards that are in issue which are not yet effective for accounting period beginning on or after 1 January 2016 and believe that early adopting these standards would not have a material impact on the financial statements of the Group:

IFRS 16, 'Leases' will allow more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, greater transparency of a lessee's financial leverage and capital employed. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months and for which the underlying asset is not of low value. The standard replaces IAS 17 'Leases' and is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Group is assessing the impact of IFRS 16.

Standards, amendments and interpretations to existing standards that are not yet effective and have been early adopted by the Group

IFRS 15, 'Revenue from contracts with customers' was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018 either based on a full retrospective or modified application, with early adoption permitted. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, which is found currently across several Standards and Interpretations within IFRS. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Notes to the consolidated financial statements (continued)

2.1 Basis of preparation (continued)

The Group reviewed the impact of IFRS 15 and accordingly, the Group has elected to early adopt IFS 15 with effect from 1 January 2016, as the Group considers it better reflects the real estate business performance of the Group.

The Group has opted for the method specified under IFRS 15 C3(b) upon adoption of the new standard. Accordingly, the standard has been applied to the year ended 31 December 2016 only (i.e the initial application period). IFRS 15 C3(b) requires the recognition of the revenue retrospectively as a result of which the group recognises the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application being 1 January 2016. In prior years, none of the projects were completed and therefore no adjustment is required on retained earnings as at 1 January 2016.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Income and cash flow statement

The Group has elected to present a single consolidated statement of comprehensive income.

The Group reports cash flows from operating activities using the indirect method. Finance income received and paid is presented within operating cash flows. The Director's believe that presentation of finance income within operating activities best represents the circumstances of the Group. The acquisition of investment properties are disclosed as cash flows from investing activities because this most appropriately reflects the Group's business.

2.2 Basis of Consolidation

The consolidated financial statements have been prepared on a going concern basis, applying the historical cost convention, except for the measurement of investment property at fair value.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on the management's best knowledge of the events, and amounts involved, the actual results may differ from these estimates. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in notes 2.24, 4 and 6.

The consolidated financial statements comprise the financial statements of The States of Jersey Development Company Limited, the parent, and its subsidiaries as at 31 December 2016. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of one half of the voting rights (refer to note 16).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Subsidiaries are fully consolidated from the date from which control is transferred to the Group. They are deconsolidated from the date control ceases.

2.3 Foreign currency translation

Functional and presentation currency

Items presented in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment of which the entity operates ("the functional currency"). The consolidated financial statements are presented in pounds sterling ('£') which is the Company's functional currency and the Group's presentation currency.

No transactions or balances have been translated as the Group conducts all transactions in pounds sterling.

Notes to the consolidated financial statements (continued)

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as an investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the definition of investment property would otherwise be met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs and (where applicable) borrowing costs. Subsequent expenditure is capitalised to the asset's carrying value only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other maintenance and repair costs are expensed as incurred.

After initial recognition, investment property is carried at fair value in accordance with IAS 40 'Investment Property' with movements in value recognised as gains or losses in the consolidated statement of comprehensive income.

In determining the fair value of the investment properties the Group uses market valuations, suitably adjusted for unamortised lease incentives. Fair value is determined each year, using recognised valuation techniques, by an employee of the Company who is a member of the Royal Institute of Chartered Surveyors ('RICS'). Fair value reflects, among other things, rental income from current leases, car park receipts and assumptions about rental income from future leases in light of current market conditions. Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board but at least once every five years.

The valuations form the basis of the carrying amounts of investment property in the consolidated financial statements.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

When the Group disposes of a property at fair value in an arms-length transaction the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement as net gain on sale of investment property.

2.5 Property, plant and equipment

All property, plant and equipment ("PPE") is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Cost of an item of PPE includes its purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing item of PPE at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an item of PPE.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Notes to the consolidated financial statements (continued)

2.5 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

- Leasehold land	Not depreciated
- Leasehold buildings	50 years
- Fixtures, fittings & equipment:	10 years
- Events installations and equipment:	5 – 10 years
- Estate Capital improvements:	5 – 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

2.6 Leases

Properties leased out under operating leases are included in investment properties within the consolidated statement of financial position. See note 2.17 for revenue recognition.

2.7 Inventories

The Group's inventories comprise of land and other property that is to be sold to developers or developed with a view to sale. Inventories are valued at the lower of cost and net realisable value. Cost represents the purchase price plus any directly attributable cost including professional fees and expenses incurred directly associated with the land's development since acquisition. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses (refer to note 2.24). Inventories also include building materials which are held at the lower of cost and net realisable value.

In determining the net realisable value of inventory property the Group uses market valuations to determine the fair value. Fair value is determined each year, using recognised valuation techniques, by an employee of the Company who is a member of the Royal Institute of Chartered Surveyors ('RICS'). Fair value reflects assumptions about rental income from future leases in light of current market conditions as comparable evidence from other land or property that is sold in the market place. Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board.

From this assessment, the internal valuer provides a sensitivity analysis to determine the associated risks of the value falling to below the cost.

2.8 Non-current assets held for sale

Non-current are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for such assets and its sale must be highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Investment properties reclassified as non-current assets held for sale continue to be measured at fair value.

2.9 Financial instruments

a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Notes to the consolidated financial statements (continued)

2.9 Financial instruments (continued)

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

The Group's financial assets consist of loans and receivables.

Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and cash equivalents are also classified as loans and receivables and include cash in hand and short-term investments with maturity dates of less than 180 days from the year-end. All such investments are highly liquid.

b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate.

All loans and borrowings are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.11 Equity

- **Share Capital**
  Shares are classified as equity when there is no obligation to transfer cash or other assets.
- **Capital Contribution**
  The capital contribution represents land transferred to the Group by its ultimate shareholder at market value.
- **Reserves**
  Reserves represent distributable profits

2.12 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

2.14 Borrowing costs

Specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use of sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs that are not directly attributable to a qualifying asset are accounted for in the consolidated statement of comprehensive income in the period in which they are incurred (on an accruals basis).

Notes to the consolidated financial statements (continued)

2.15 Sale deposits

Sale deposits refers to the amount received from the customers to reserve apartments at College Gardens. The amounts held will be recognised as revenue as explained in note 2.17.

2.16 Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

2.17 Revenue recognition

Revenue represents the value of the consideration received on the disposal of inventory, rental income, car park receipts and other income.

The Group has elected to early adopt IFRS 15 with effect from 1 January 2016. As a result of early adoption the Group has applied the following accounting policy in the preparation of its consolidated financial statements:

Revenue from contracts with customers

The Group recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Notes to the consolidated financial statements (continued)

2.17 Revenue recognition (continued)

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue and costs are recognised by the reference to the stage of completion of the contract activity.

Revenue is recognised in the consolidated income statement to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

Investment Income:

- **Rental income**
  Rental income comprises income from operating leases net of GST and is recognised on a straight line basis over the lease term. Benefits to lessees in the form of rent free periods are treated as a reduction in the overall return on the lease in accordance with SIC 15 "Operating Leases - Incentives" and are recognised on a straight line basis over the lease term.
- **Car park receipts**
  Revenue from car park receipts is recognised on an accruals basis and, in respect of weekly cash collections at the Waterfront Car Park, a cash basis.

Other income
Other income is recognised on an accruals basis.

2.18 Finance Income and costs

Finance income and costs are accounted for on an accruals basis.

2.19 Expenses

All expenses are accounted for in the consolidated statement of comprehensive income in the period in which they are incurred (on an accruals basis). See note 2.17 for recognition of development costs on College Gardens in the consolidated statement of comprehensive income.

2.20 Taxation

- **Income Tax**
  The Group is exempt from paying Income Tax in Jersey. On 19 October 2007 the Minister for Treasury and Resources exempted the Company and its fully owned subsidiaries from income tax under Article 115 of the Income Tax (Jersey) Law 1961 as the profits of the Company are to be expended wholly and exclusively to improve and extend public infrastructure and works for the good of the public of the Island.
- **Goods & Services Tax**
  The Company is registered for Goods & Services Tax ("GST") and pays GST on all services purchased in Jersey.

2.21 Employee benefits

- **Pensions**
  The Group operates defined contribution pension plans wherein the Group pays fixed contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.
- **Short-term employee benefits and compensation absences**
  Wages, salaries, paid annual leave and sick leave and non-monetary benefits (such as health services and childcare services) are recognised as an employee benefit expense and accrued when the associated services are rendered by the employees of the Group.

Notes to the consolidated financial statements (continued)

2.22 Dividend distribution

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

2.23 Financial Risk Management

Financial risk factors

The risk management function within the Group is carried out in respect of financial risks. Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises liquidity risk, capital risk, credit risk and market risk (including currency risk, interest rate risk and other price risk). The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Risk management is carried out by the Executive Directors under policies approved by the Board of Directors. The Executive Directors identify and evaluate financial risk by taking into account the Group's expected activities and future commitments.

The Board considers both financial and other risks within the Group bi-annually.

a) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group's liquidity position is monitored on a daily basis by the management and is reviewed at least quarterly by the Board of Directors. A summary table with maturity of assets and liabilities presented below is used by key management personnel to manage liquidity risk and derived from managerial reports at company level. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the statement of financial position, as the impact of discounting is not significant.

The maturity analysis of financial instruments at 31 December 2016 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 years to 5 year	Total
Assets						
Cash and cash equivalents	2,900,209	-	-	-	-	2,900,209
Trade and other receivables	763,863	-	-	-	-	763,863
Retention money receivable	-	-	-	6,689	6,688	13,377
Liabilities						
Trade and other payables:						
-Trade and other payables (excluding accruals)	1,905,580	-	-	-	-	1,905,580
- Accruals	321,653	-	-	-	-	321,653
Borrowings	-	-	2,500,000	-	23,327,770	25,827,770
Deferred consideration	-	-	-	-	1,500,000	1,500,000
Contract liability	-	-	1,197,514	199,586	-	1,397,100
Sales deposits	-	-	-	1,082,677	1,842,061	2,924,738
Retention money payable	-	345,558	-	393,902	48,345	787,805

The maturity of the liabilities in years 2 to 5 will be met from the disposal of development assets.

Notes to the consolidated financial statements (continued)

2.23 Financial Risk Management (continued)

The maturity analysis of financial instruments at 31 December 2015 was as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 2 years	From 2 years to 5 year	Total
Assets						
Cash and cash equivalents	546,860	-	-	-	-	546,860
Trade and other receivables (excluding lease incentive – rent free period [1])	373,649	-	-	-	-	373,649
Liabilities						
Trade and other payables:						
- Trade and other payables (excluding accruals)	785,913	-	-	-	-	785,913
- Accruals	81,431	-	-	-	-	81,431
Borrowings	-	-	-	-	6,954,986	6,954,986
Deferred consideration	-	-	-	-	1,500,000	1,500,000
Sales deposits	-	-	-	-	47,000	47,000
Provision	-	-	150,000	-	-	150,000

[1] Lease incentive - rent free period: this relates to the receivable recognised when a reduced market rate rent was paid by the lessee at the bus station site. The rent free period is being amortised evenly over the period of the lease and expired in 2016. This is a non-cash item and presents no risk to liquidity.

b) Capital risk

When managing capital, the Group's objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to the Shareholder. The Group aims to deliver these objectives by ensuring that:

- prior to commencing a commercial development, the Group has a sufficient level of legally binding pre-lets to create a value that exceeds the construction cost, and the debt being incurred to fund those costs of development projects are funded by specific loans and the value of the development project exceed the construction costs.
- prior to commencing a residential development, the Group has legally binding pre-sale agreements in place whose total sales value exceeds the construction cost and debt funding.

The general costs of the group are met through operating revenue and a revolving credit facility provided by HSBC Bank plc.

c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group has no significant concentrations of credit risk. Credit risk arises from cash and cash equivalents held at banks, trade receivables, including rental receivables from lessees and rental guarantees. Credit risk is managed on a Group basis. The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. Such risks are subject to a quarterly or more frequent review. The Group has policies in place to ensure that rental and sale contracts are entered into only with lessees and buyers with an appropriate credit history but the Group does not monitor the credit quality of receivables on an ongoing basis. Cash balances are held only with financial institutions with a Moody's credit rating of A or better. The utilisation of credit limits is regularly monitored.

The fair value of cash and cash equivalents at 31 December 2016 and 31 December 2015 equals to the carrying value.

Notes to the consolidated financial statements (continued)

2.23 Financial Risk Management (continued)

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted which are monitored on a quarterly basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

i) Cash flow and fair value interest rate risk

The Group's interest rate risk principally arises from long-term borrowings (Note 9). Borrowings issued as variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk.

The Group's interest rates risk is monitored by the Group's management on a monthly basis. The interest rate risk policy approved by the Board of Directors at the time each facility is put in place. Management analyse the Group's interest rate exposure together with adverse rate sensitivity analysis on a monthly basis based on the latest market information. These calculations are only run for liabilities that represent major interest-bearing positions and are included in the development appraisals that are reported to the Board at each Board meeting.

Trade receivables and payables are interest-free and have settlement dates within one year.

ii) Price risk

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

The Group is exposed to property price risk other than from financial instruments including property rentals risk (see notes 2.24, 4 and 6).

2.24 Significant accounting judgements, estimates and assumptions

Revenue recognition and cost of revenue on development sales

The application of the new accounting policy has required management to make the following judgements:

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstance the Group recognises revenue over time. Where this is not the case revenue is recognised at a point in time.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Transfer of control in contracts with customers

In cases where the Group determines that performance obligations are satisfied at a point in time, revenue is recognised when control over the assets that is the subject of the contract is transferred to the customer. In the case of contracts to sell real estate assets this is generally when the unit has been handed over to the customer.

Notes to the consolidated financial statements (continued)

2.24 Significant accounting judgements, estimates and assumptions (continued)

In addition, the application of IFRS 15 has resulted in the following estimation process:

Allocation of transaction price to performance obligation in contracts with customers
The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognised over time. The Group considers that the use of the input method which requires revenue recognition on the basis of the Group's efforts to the satisfaction of the performance obligation provides the best reference of revenue actually earned. In applying the input method the Group estimates the cost to complete the projects in order to determine the amount of revenue to be recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

Classification of property
The Group determines whether a property is classified as investment property or inventory as follows:

- Investment property comprises leasehold land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises freehold and leasehold land and buildings that is held for sale or development and subsequent sale in the ordinary course of business.

Estimation of net realisable value for inventory
Inventory is stated at the lower of cost and net realisable value ("NRV"). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

NRV in respect of commercial inventory property under construction is assessed by the Company's qualified valuer with reference to the pre-let agreements in place, the yields being applied on similar completed property, any current sale transactions in the market and any further letting agreements that are in negotiation. From the resultant value, the costs that are to be incurred to complete construction are deducted.

Sensitivity analysis is performed to assess headroom in the estimation.

NRV in respect of residential inventory property is assessed with reference to pre-sale agreements and other current sales of similar properties. From the resultant value, the costs that are to be incurred to complete construction are deducted.

For both residential and commercial property, prior to entering into a construction contract, the internal valuer will assess the value of the site by comparison to independent valuations and other similar recent land sales that have occurred. For commercial property, the NRV is sensitive to estimated rental values, sales yield and construction costs. Based on the sensitivity analysis performed as at 31 December 2016, the Directors have concluded that a fluctuation of the yield by +1% does not require impairment of the carrying value. For residential property, the NRV is sensitive to both sales revenue and the cost of construction.

Valuation of property
Fair value is determined each year, using recognised valuation techniques, by an employee of the Company who is a member of the Royal Institute of Chartered Surveyors ('RICS'). Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board but at least once every five years. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Group assets.

Fair value reflects, among other things, rental income from current leases, car park receipts and assumptions about rental income from future leases in light of current market conditions.

Notes to the consolidated financial statements (continued)

2.24 Significant accounting judgements, estimates and assumptions (continued)

The valuation of investment property is inherently difficult due to the individual nature and circumstances of each investment property. As a result, valuations may not reflect the actual sales price even if the sale was to occur shortly after the valuation date.

Techniques used for valuing investment property

The income capitalisation method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an initial yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach, adjusting for any factors not included in net rental income, such as vacancy, lease incentives, refurbishment, etc.

The Residual Method (or Hypothetical Development Approach) to estimating fair value is a combination of the Capitalisation (income) and a cost approach (Summation). The Residual Method is defined according to "Approved European Property Valuation Standards" of TEGoVA (The European Group of Valuers' Associations), as: "A method of determining the value of a property which has potential for development, redevelopment or refurbishment. The estimated total cost of the work, including fees and other associated expenditures, plus allowance for interest, developer's risk and profit, is deducted from the gross value of the completed project. The resultant figure is then adjusted back to the date of valuation to give the residual value."

2.25 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amounts.

3. Revenue and expenses

3.1 Revenue

	Note	2016 £	2015 £
Investment income		2,323,941	2,196,383
Events		65,688	3,558
Other income		56,417	114,034
Reimbursement of costs		13,804	63,556
		2,459,850	**2,377,531**

Notes to the consolidated financial statements (continued)

3.2 Development Revenue and Cost

During the year, the Jersey Homes Trust purchased the plot for Block 4 at College Gardens and entered into a construction contract with the Company for £8m to develop 40 units that is due for completion in April 2018. £1,945,900 was received during 2016 and the balance is due over the construction period based on the percentage of work completed. See 2.17 and 2.24 for details on revenue, cost recognition, performance obligations and judgements related to them.

	2016 £	2015 £
Revenue from property sales		
College Gardens, Block 4	548,800	-
	548,800	**-**
Development costs on College Gardens		
College Gardens, Block 4	548,800	-
	548,800	**-**

3.3 Expenses

	Note	2016 £	2015 £
Employee benefit expense	3.4	1,042,725	931,807
Premises and establishment	3.5	109,797	134,550
Estate Management	3.6	394,362	314,904
Depreciation of property, plant and equipment		5,336	3,239
Other expenses:			
- Legal, consultancy and professional		410,112	358,617
- Audit		50,770	34,750
- Events		64,083	1,337
- Other operating expenses		160,314	185,143
- Exceptional items	3.9	-	150,000
		2,237,499	**2,114,347**

3.4 Employee benefit expense

	2016 £	2015 £
Wages & salaries	781,135	703,806
Social security	34,321	30,460
Pension costs defined contribution plans	98,946	87,920
Bonuses	90,855	56,543
Recruitment	19,934	34,727
Other staff benefits	17,534	18,351
	1,042,725	**931,807**

The average number of employees in 2016 was 9 (2015: 8).

Notes to the consolidated financial statements (continued)

3.5 Premises and establishment

	2016 £	2015 £
Office alterations	2,853	28,962
Property costs	23,800	23,373
Insurance	26,934	26,539
IT Costs	20,633	26,871
Telephone	11,090	10,698
Other	24,487	18,107
	109,797	**134,550**

3.6 Estate management

	2016 £	2015 £
Waterfront Car Park	218,516	143,366
Jardins de la Mer	50,200	37,037
Steam Clock [2]	-	24,004
Weighbridge	25,655	16,911
Promenades	38,000	33,093
Rates	21,932	22,372
Other	40,059	38,121
	394,362	**314,904**

[2] Maintenance of the Steam Clock and surrounding area was transferred to Ports of Jersey from 1 January 2016.

3.7 Finance income

	2016 £	2015 £
Bank interest receivable	**1,109**	**12,766**

3.8 Finance costs

	2016 £	2015 £
Bank interest, fees and charges	**202,434**	**30,205**

3.9 Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring are considered exceptional items and are presented within the line items to which they best relate.

An analysis of the amount presented as exceptional item in these financial statements is given below:

	2016 £	2015 £
Provision for litigation costs	-	150,000
	-	**150,000**

Notes to the consolidated financial statements (continued)

3.9 Exceptional items (continued)

In the previous year the Group has classified write-offs of inventory as exceptional items. After considering the nature of these expenses, write-offs are now included in 'Other operating expenses'.

4. Investment property

	Note	2016 Leasehold £	2015 Leasehold £
Fair value at 1 January		14,984,166	14,238,055
Direct expenditure on investment property		17,275	94,752
Disposals during the year		(1,200,000)	-
Lease incentives capitalised brought forward		15,834	36,945
Movement in unamortised lease incentives		(15,834)	(21,111)
Net gain from fair value adjustment on investment properties		1,568,559	651,359
Transfer to Non-current assets held for sale	8	(4,370,000)	-
Market value at 31 December		**11,000,000**	**15,000,000**
Lease incentives – rent free adjustments		-	(15,834)
Fair value at 31 December		**11,000,000**	**14,984,166**

The Group's investment property is measured at fair value. The Group holds 6 classes of investment property all located in Jersey being car parks, offices, a hotel interest, a bus station, a public square with al fresco dining and land upon which a sub-station is located.

Segment	Waterfront & Castle Quay Car Parks	Office	Hotel Interest	Bus Station	Public Square	Land for a sub-station	2016 Total	2015 Total
Fair Value Hierarchy	3	3	3	3	3	3		
Fair Value 1 January Additions	9,600,000	1,200,000	1,750,000	1,234,166	1,000,000	200,000	14,984,166	14,238,055
- Direct Expenditure on investment property	17,275	-	-	-	-	-	17,275	94,752
- Disposal during the year	-	(1,200,000)	-	-	-	-	(1,200,000)	-
Net gain / (loss) from fair value adjustments	182,725	-	1,350,000	15,834	-	20,000	1,568,559	651,359
Transfer to Non-current assets held for sale (note 8)	(300,000)	-	(3,100,000)	-	(750,000)	(220,000)	(4,370,000)	-
Lease incentives capitalised b/f	-		-	15,834	-	-	15,834	36,945
Movement in unamortised lease incentives	-		-	(15,834)	-	-	(15,834)	(21,111)
Market Value per valuation report at 31 December	**9,500,000**	**-**	**-**	**1,250,000**	**250,000**	**-**	**11,000,000**	**15,000,000**
Lease incentive receivable	-	-	-	-	-	-	-	(15,834)
Fair Value at 31 December	**9,500,000**	**-**	**-**	**1,250,000**	**250,000**	**-**	**11,000,000**	**14,984,166**

Notes to the consolidated financial statements (continued)

4. Investment property (continued)

The Group sold its interest in Harbour Reach during the year for £1,650,000 before deducting disposals costs amounting to £6,265, resulting in a realised profit of £443,735.

The management's intention is to dispose of the 10 spaces in Castle Quay car park, the Hotel interest, Sub-station and part of the Public Square within one year. As at 31 December 2016, these assets have been transferred to the "Non-current assets held for sale".

Valuation processes

The Company has an RICS qualified employee who performs valuations on the investment properties based on the latest independent valuations and taking into account recent market evidence, rental agreements, quality of covenant, yield comparisons and location of the asset. If available, information included in valuation reports prepared by independent valuation experts is taken into consideration. The RICS qualified employee reports directly to the Managing Director and Finance Director who report to the Audit & Risk Committee. Discussions of valuation processes and results are held between the Audit & Risk Committee, the Managing Director and Finance Director on an annual basis and with independent valuers, at least once every five years.

Independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued the Waterfront Car Park in December 2016 and the Bus Station and Public Square on 31 December 2013.

For all investment properties, their current use equates to the highest and best use.

At each financial year end, the Finance Director:

- Verifies all major inputs to the valuation report;
- Assesses property valuation movements when compared to the prior year valuation report;
- Holds discussion with the internal valuer / independent valuer if an independent valuer has been appointed.

Information about fair value using significant unobservable inputs (Level 3):

Segment	Valuation - £	Valuation technique	Avg. Net rental income - £	Yield - %	Purchaser's costs - %
Car Park	9,500,000	All risk yield comparison	905,737	8.91	6.5
Bus Station	1,250,000	All risk yield comparison	100,000	7.60	5.0
Public Square	250,000	All risk yield comparison	20,483	7.95	3.0

Yield sensitivity analysis:

Segment	-0.5%	0%	+0.5%
Car Park	10,065,000	9,500,000	8,995,000
Bus Station	1,340,000	1,250,000	1,170,000
Public Square	270,000	250,000	235,000

Gross Revenue[3] :

Segment	Form	Gross Revenue - £
Car Parks		
- Waterfront Car Park	cash	508,893
	lease/licence	563,624
Bus Station	lease	100,000
Public Square	lease/licence	53,523

There have been no movements between levels 1, 2 and 3 and all investment properties are considered to be level 3.

Notes to the consolidated financial statements (continued)

4. Investment property (continued)

The table below analyses financial instruments carried at fair value, by valuation method.
The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Financial Assets and liabilities not carried at fair value but for which fair value is disclosed
The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed.

Assets	Level 1	Level 2	Level 3	Total
Trade and other receivables	-	763,863	-	763,863
Cash and cash equivalents	2,900,209	-	-	2,900,209
Retention money receivable	-	13,377	-	13,377
Total	**2,900,209**	**777,240**	**-**	**3,677,449**
Liabilities				
Retention money payable	-	787,805	-	787,805
Trade and other payables	-	2,227,233	-	2,227,233
Borrowings	-	25,827,770	-	25,827,770
Deferred consideration	-	1,500,000	-	1,500,000
Sales deposits	-	2,924,738	-	2,924,738
Total	**-**	**33,267,546**	**-**	**33,267,546**

There were no transfers between levels 1, 2 or 3 during the year.

[3] Inputs relating to gross rental income are based on existing leases on each of the sites noted. Investment income can fluctuate year on year, but is generally considered to be stable across each of the main investment properties.

Notes to the consolidated financial statements (continued)

4. Investment property (continued)

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2015 but for which fair value is disclosed.

Assets	Level 1	Level 2	Level 3	Total
Trade and other receivables	-	389,483	-	389,483
Cash and cash equivalents	546,860	-	-	546,860
Total	**546,860**	**389,483**	**-**	**936,343**
Liabilities				
Provision	-	150,000	-	150,000
Trade and other payables	-	867,344	-	867,344
Borrowings	-	6,954,986	-	6,954,986
Deferred consideration	-	1,500,000	-	1,500,000
Sales deposits	-	47,000	-	47,000
Total	**-**	**9,519,330**	**-**	**9,519,330**

The assets and liabilities included in the above table are carried at a reasonable approximation of fair value.

Trade receivables include the contractual amounts for settlement of trades and other obligations due to the Group. Trade and other payables represent contract amounts and obligations due by the Group.

5. Property, plant and equipment

	Office Equipment	Estate installations and equipment	Estate Capital improvements	Total
Cost	**£**	**£**	**£**	**£**
31 December 2015	6,626	48,167	-	54,793
Additions	4,311	-	15,000	19,311
Disposals	-	(20,000)	-	(20,000)
At 31 December 2016	**10,937**	**28,167**	**15,000**	**54,104**
Depreciation				
31 December 2015	110	35,309	-	35,419
Charge for year	914	3,422	1,000	5,336
Disposals	-	(20,000)	-	(20,000)
At 31 December 2016	**1,024**	**18,731**	**1,000**	**20,755**
Net Book Value At 31 December 2016	**9,913**	**9,436**	**14,000**	**33,349**
At 31 December 2015	6,516	12,858	-	19,374

Notes to the consolidated financial statements (continued)

6. Inventories

	2016 £	2015 £
Freehold land	9,544,633	14,443,363
Leasehold land	16,635,245	18,403,670
Property under construction	40,168,963	9,423,318
Building materials	5,000	45,769
	66,353,841	**42,316,120**

'Freehold land' refers to the land owned by the Company in perpetuity.

'Leasehold land' includes the professional fees and other expenses incurred to obtain planning and building consents on various buildings on phase 1 of the Esplanade Quarter development to be known as 'The International Finance Centre' ("IFC").

'Property under construction' represents the construction costs, professional fees and expenses on IFC 1 (formerly No. 4 JIFC), IFC 5 and College Gardens. The comparable amounts shows the costs incurred on these developments prior to 2016.

The Company has entered into a fixed price contract with construction firm Camerons Limited to construct IFC 5 for completion in July 2018.

The Company has also entered into a fixed price contract with construction firm ROK Regal to construct College Gardens with a phased completion of the six blocks from April 2018 to April 2019.

Assessment of Net Realisable Value ("NRV")
Inventories are carried at the lower of cost and NRV. The NRV is the estimated selling price in the ordinary course of business less costs to complete the development and selling expenses. The valuation techniques used to determine the NRV are set out in notes 2.7 and 2.24.

Cost information is provided by the Company's professional cost consultants and this information, together with other costs and the sales evidence, is appraised by the Company's RICS qualified employee. The RICS qualified employee reports directly to the Managing Director and Finance Director who report to the Audit & Risk Committee. Discussions of valuation processes and results are held between the Audit & Risk Committee, the Managing Director and Finance Director on an annual basis.

Following the calculation of the NRV, the RICS employee undertakes a sensitivity analysis to determine the associated risks to changes in market conditions. This process analyses changes to sales value for unsold residential units / unlet office space and changes to estimated costs on projects that have yet to commence and are therefore subject to final tender.

Based on the analysis undertaken, the inventory is carried at lower of costs and NRV and no adjustment is required.

Notes to the consolidated financial statements (continued)

7. Trade and other receivables

	Note	2016 £	2015 £
Amounts due from related parties	17	3,687	11,060
Trade receivables		332,518	10,282
Lease incentives – rent free periods		-	15,834
Other receivables		198,506	152,277
GST Refund		215,777	193,347
Prepayments		13,375	6,683
		763,863	**389,483**

8. Non-current assets held for sale

	2016 £	2015 £
Land for a sub-station	220,000	-
Hotel Interest	3,100,000	-
Part of Public Square	750,000	-
Castle Quay Car Parking	300,000	-
	4,370,000	**-**

As agreed with its Shareholder, the Board agreed to dispose of all the Group's non-strategic assets. It is expected that the disposals will take place in the year ended 31 December 2017.

The gain or loss recognised on the revaluation for the above investment properties included in "Net gain from fair value adjustment on investment property" in the statement of comprehensive income.

9. Share capital

	2016 £	2015 £
Equity share capital		
Authorised 20,000,000 ordinary shares of £1 each	**20,000,000**	**20,000,000**
Issued and fully paid 20,000,000 ordinary shares of £1 each	**20,000,000**	**20,000,000**

Notes to the consolidated financial statements (continued)

10. Borrowings

All the Group's borrowings are at floating rates of interest. Interest costs may increase or decrease as a result of changes in the interest rates.

	2016 £	2015 £
Balance at the beginning of the year	6,954,986	-
Borrowings drawn down during the year	18,872,784	6,954,986
	25,827,770	**6,954,986**

	2016 £	2015 £
Non-current Bank borrowings	23,327,770	6,954,986
Current Bank borrowings	2,500,000	-
	25,827,770	**6,954,986**

The bank borrowings are secured on inventory and investment property. £2.5m of bank borrowings mature on 31 July 2017 and the remaining balance on 6 August 2020. The loans bear average interest of 2.89% (2015: 2.5%) annually.

The fair value of borrowings approximated their carrying value at the date of the statement of financial position.

The Group has the following undrawn floating rate borrowing facilities:

	2016 £	2015 £
Expiring within one year	-	-
Expiring beyond one year	18,672,230	18,045,014
	18,672,230	**18,045,014**

As of 31 December 2016, if interest rates had increased by 25 basis points (2015: 25 basis points) with all other variables held constant, profit for the year would reduce by £15,394 (2015: £1,500). If interest rates had been reduced by 25 basis points (2015: 25 basis points) with all other variables held constant, profit for the year woud increase by £15,394 (2015: £1,500).

Notes to the consolidated financial statements (continued)

11. Deferred consideration

The deferred consideration represents the consideration payable for the former Jersey College for Girl's site (now known as College Gardens) which is payable to the States of Jersey on completion and sale of the development.

12. Contract liability

Contract liability represents consideration received from the Jersey Homes Trusts towards the construction of Block 4 of College Gardens and is transferred to revenue based on the percentage of work completed.

	2016 £	2015 £
Non-current Contract Liability – College Gardens	199,586	-
Current Contract Liability – College Gardens	1,197,514	-
	1,397,100	**-**

	Note	2016 £	2015 £
Balance at the beginning of the year		-	-
Amount billed during the year		1,945,900	-
Less: Revenue recognised during the year	3.2	(548,800)	-
		1,397,100	**-**

13. Retention money payable

The retention money payable refers to a percentage of the contract price due to real estate developers retained by the Group.

	2016 £	2015 £
Non-current Retentions payable after 12 months	442,247	-
Current Retentions payable within 12 months	345,558	-
	787,805	**-**

Notes to the consolidated financial statements (continued)

14. Trade and other payables

	Note	2016 £	2015 £
Amounts due to related parties	17	7,389	1,778
Trade payables		1,852,922	745,199
Social security		16,388	13,958
Other taxes		11,723	11,349
Other liabilities		17,158	13,629
Accruals and deferred income		321,653	81,431
		2,227,233	**867,344**

15. Contingent liabilities and commitments

In 2012, Harcourt Developments Limited and associated entities ("Harcourt") filed an action against the Company. Harcourt claimed that the Company should not have terminated what it alleges to be an agreement relating to prospective development projects and is claiming damages for breach of contract and / or unjust enrichment.

During 2016, the Company was successful in having the majority of Harcourt's claim, including the entirety of the contractual claim, struck out and the Court ordered Harcourt to properly plead those parts of the unjust enrichment claim that were not struck out within a certain time period. Harcourt failed to meet the Court's deadline and the remaining parts of the claim have also been struck out.

Subsequent to the year end, Harcourt has now appealed against this decision and the Court has yet to determine whether the appeal will be allowed. The directors consider the likelihood of any claim being successful to be remote.

The Group has reached agreement and closed any other litigations and claims pending from previous year.

The Group has no significant contingent liabilities.

The Group has capital commitments of £65,941,057 (2015: £17,923,292) in respect of developments under construction.

Notes to the consolidated financial statements (continued)

16. Subsidiaries

The principal activities of the Company are land and property holding, development and estate management.

It is also the owner of all the equity share capital of the following subsidiary companies all of which are incorporated in Jersey:

Entity	Principal activity	Holding
Waterfront (6C) Limited	Land holding	100%
Waterfront (6D) Limited	Land holding	100%
Waterfront (6E) Limited	Land holding	100%
Waterfront (CP) Limited	Property holding	100%
JIFC (1) Limited	Land holding	100%
JIFC (2) Limited	Land holding	100%
JIFC (3) Limited	Land holding	100%
JIFC (4) Limited	Development & property holding	100%
JIFC (5) Limited	Development & property holding	100%
JIFC (6) Limited	Land holding	100%
JIFC Management Limited	Land holding	100%
College Properties Limited	Development & property holding	100%
EQ2 Limited	Landholding	100%

17. Related party transactions

The Company
Directors received £472,508 in 2016 comprising salary, emoluments, pension, bonus and benefits (2015: £428,156).

The States of Jersey
The Company intermittently purchases services from the States of Jersey on a commercial basis. During the year £5,390 (2015: £4,900) was expended of which £943 (2015: £Nil) was outstanding at the year end.

The Company intermittently purchases services from the States of Jersey (DFI) on a commercial basis. During the year £21,224 (2015: £32,893) was expended of which £1,780 (2015: £Nil) was outstanding at the year end.

The Company intermittently purchases services from the States of Jersey (Property Holdings) on a commercial basis. During the year £727 (2015: £Nil) was expended which was outstanding at the year end.

The Company submitted planning and building control applications for its various developments and was required to pay planning and building control fees to the States of Jersey for each application. During the year £116,650 (2015: £389,974) was expended.

The Company paid £85,080 (2015: £125,080) in stamp duty to register the security on the Company's borrowings.

The States of Jersey receive £45,000 per annum (2015: £45,000) in rental in respect of La Fregate Café at Les Jardins de la Mer and passes this amount onto the Company as a contribution to the upkeep of Les Jardins de la Mer public park.

Notes to the consolidated financial statements (continued)

17. Related party transactions (continued)

The States of Jersey receive £14,772 per annum (2015: £9,209) in relation to various insurance policies obtained by States of Jersey which covers the Company.

In September 2007, a lease was entered into for the new Liberation Station, whereby rental income receivable from the States of Jersey was at a level the Directors consider equivalent to market rates. The total recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016 in respect of this contract is £84,166 (2015: £78,889). An insurance premium in respect of Liberation station in the sum of £1,462 (2015: £803) has been recharged to the States of Jersey of which £644 (2015: £Nil) was outstanding at the year end.

The Company receives £759,000 (2015: £759,000) from the States of Jersey in respect of a licence to operate the Esplanade Car Park and Les Jardins Car Park.

Jersey Electricity Company
The Company has a related party relationship with the Jersey Electricity Company Limited who lease the electricity sub-station located on the Esplanade from the Company on a commercial basis. During the year rentals totalling £14,655 (2015: £14,655) was collected.

The Company intermittently purchases infrastructure items from the Jersey Electricity Company on a commercial basis. During the year £83,585 (2015: £129,305) was expended.

Jersey Telecoms
The Company has a related party relationship with Jersey Telecom Limited, who lease a GSM mast located on La Rue de L'Etau from the Company on a commercial basis. During the year rentals totalling £10,074 (2015: £10,484) were collected.

The Company intermittently purchases equipment for its developments and investments from the Jersey Telecoms on a commercial basis. During the year £37,766 (2015: £6,163) was expended.

Jersey Water
The Company has a related party relationship with Jersey Water, from whom the Company intermittently purchases equipment for its developments and investments on a commercial basis. During the year £60,954 (2015: £Nil) was expended.

Ports of Jersey
The Company has a related party relationship with the Ports of Jersey (Jersey Harbours). The Port of Jersey has an agreement with the Company that allows marina users to park in the Waterfront Car Park. 50 spaces are permanently available with an additional 100 spaces available at weekends and on Bank holidays. During the year £105,517 (2015: £82,950) was received. A further agreement is in place with the Ports of Jersey to allow marine traders to use 10 spaces at Castle Quay. During the year £22,637 (2015: £18,700) was received.

The Company undertakes various services for the Ports of Jersey and recharges those costs. Those services amount to £3,250 (2015: £3,850), of which £2,100 (2015: £3,850) was outstanding at the year end.

All income and expenditure for subsidiary companies is taken through the parent company.

Notes to the consolidated financial statements (continued)

17. Related party transactions (continued)

Outstanding at 31 December 2016

At 31 December 2016 the following balances were receivable / (payable) as follows:

	2016 £	2015 £
Jersey Property Holdings	943	-
Ports of Jersey	2,100	8,925
Transport & Technical Services	644	2,135
Transport & Technical Services	(1,780)	-
Ports of Jersey	(4,882)	(1,778)
Jersey Property Holdings	(727)	-

18. Immediate and ultimate controlling party

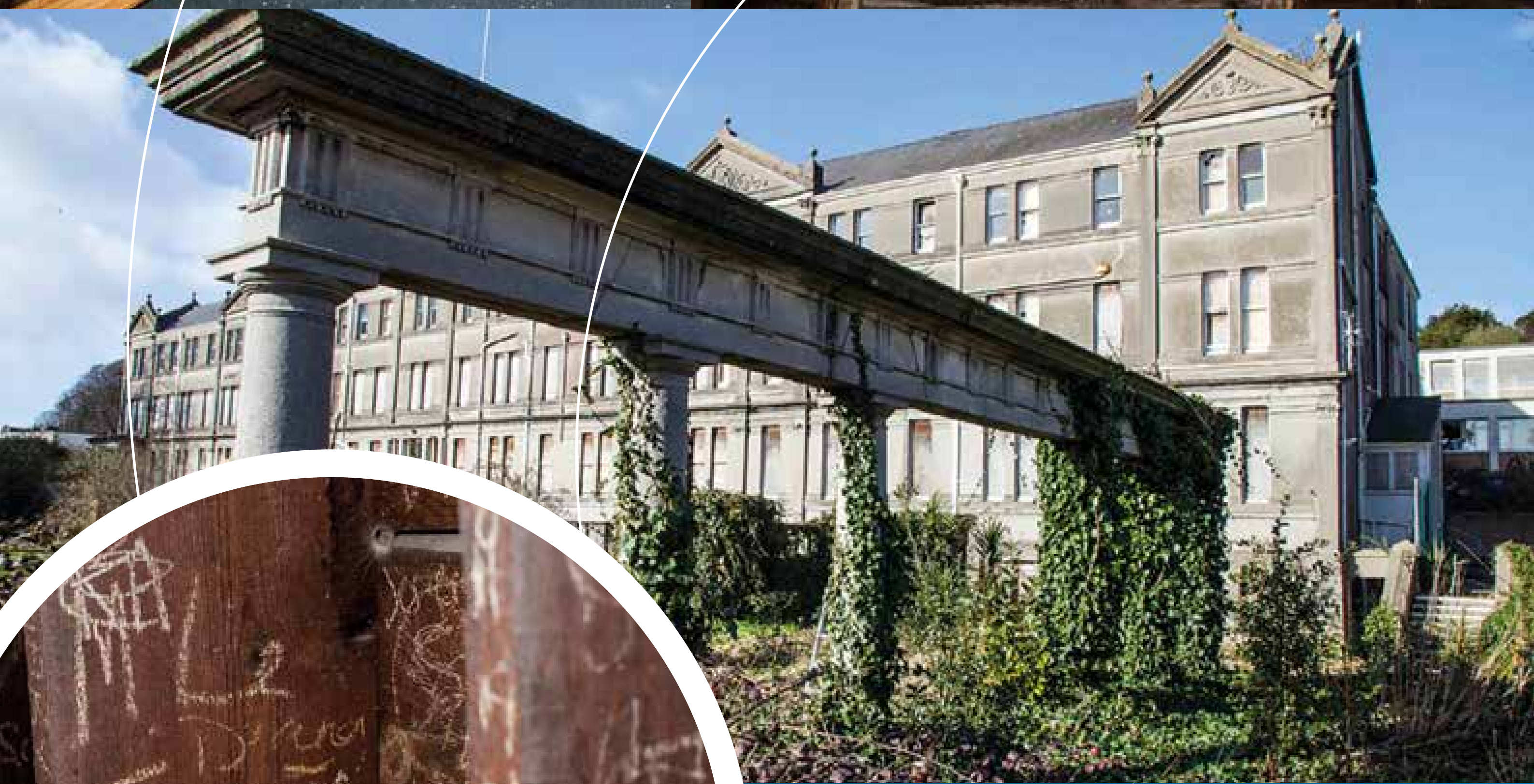
The Company is wholly owned by the States of Jersey which is considered by the Directors to be the immediate and ultimate controlling party.

19. Events after the date of the statement of financial position

Since the statement of financial position date, IFC 1 was completed in first quarter of 2017.

After the year end the land for the sub-station was sold for £220,000, net of estimated disposal costs.

Since the balance sheet date, the Company has obtained a development loan of £20m and a second Revolving Credit Facility for £12m to fund for the purpose of enabling works and other pre-development and development costs on the Company's IFC 5 development.



Photographs showing original features of the College Gardens site at La Pouquelaye, St Helier.

JERSEY
DEVELOPMENT
COMPANY

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