STATES OF JERSEY

STATES OF JERSEY DEVELOPMENT COMPANY LIMITED: ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2012

Presented to the States on 16th April 2013
by the Minister for Treasury and Resources

STATES GREFFE

THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED

Annual Report & Consolidated Financial Statements
For the year ended 31 December 2012

Contents

Chairman's introduction

In my introduction to last year's Annual Report I set out in some detail the "strange start" of The States of Jersey Development Company Limited ("JDC"", "the Company"), particularly in relation to the appointment of the Chairman and the Board. I also reported on the appointment of Lee Henry as Managing Director, and set out clearly the role of the Company. This year has seen solid progress, such that JDC is now seen as having a valuable role as a developer and regeneration agent rather than a subject for political debate in itself.

The Board

The new Board, comprising me as interim Chairman, John Tibbo, Nicola Palios, Roger Lewis and the Minister's appointee, Eddie Noel, together with the Managing Director and Finance Director, took office on 20 June 2011. During 2012 the Board was further strengthened and now has the composition that a development company needs. To fill the vacancy caused by the resignation of Eddie Noel in December 2011, the Treasury Minister announced that there would be an open selection process for the person who is formally the "Ministerial appointee". Before the selection process began John Tibbo decided that this would be an appropriate time for him to stand down. John had been a member of the WEB Board since January 1995 including two periods as Interim Chairman. He made a great contribution to the work of the Company in both its old and new guises, and he was particularly helpful in securing a smooth transfer to the new arrangements.

Advertising and a search produced an excellent field of candidates. Ann Santry CBE and Paul Masterton were appointed to the Board. Ann is Chief Executive of the Sovereign Housing Association, a large social housing provider in the south of England. Paul is Chief Executive of Durrell, and has wide business experience in Jersey and internationally. At the same time a selection process was held for a permanent Chairman. The Company needs stability and I indicated in last year's report that I was approaching my task from the perspective of a permanent chairman and that I would be applying for the permanent position when it was advertised. I was delighted to be appointed.

In last year's report I said that the Board was in the process of recruiting a new Finance Director, the position previously held by Lee Henry. It was envisaged that the role could be performed on a part time basis. The Board was fortunate in being able to appoint Simon Neal, who not only had the necessary financial experience, but also had considerable experience of development. Simon's appointment was made full time in recognition that the major part of his work is on the development side.

The Waterfront estate

The on-going business of the Company in managing the Waterfront estate has continued successfully. The first phase of Castle Quay is now complete. The market has been difficult for the past few years but lettings at Millais and Le Capelain Houses continue, including a restaurant and a café, which will help to increase the vibrancy of the whole area. Given the current state of the housing market there is unlikely to be any further residential development of this site for a few years, although the Company is considering whether there might be scope for a small number of larger units.

Jersey International Finance Centre

The immediate priority for the Company remains the development of the first phase of the Esplanade Quarter – broadly covering the Esplanade Car Park. The project involves creating a "Jersey International Finance Centre".

Good progress has been made on the scheme, including detailed discussion with several potential tenants. A detailed planning application has been submitted for the first of the planned six buildings and further applications will be made in 2013. Construction will begin within 12 months of prelets being agreed.

Chairman's introduction (continued)

Regeneration projects
The significant new task of the Company is to develop assets currently belonging to the Public in designated regeneration zones, implementing development in those zones in accordance with approved Masterplans, Development Briefs and relevant guidance prepared by the Minister for Environment.

The former Jersey College for Girls site, which has been derelict for over 12 years, will be the first site to be developed. Good progress has been made in working up a scheme for 150 residential units, and a planning application will be made early in 2013, with construction likely to begin following the granting of a planning consent at which time the site will be transferred from the States of Jersey to JDC.

Financial performance
The nature of work of the Company is such that there can be substantial year-to-year variations in income and expenditure, and hence profits, depending on the timing of development projects. Gross revenue for 2012 was £2,291,662, an increase on the 2011 figure of £326,253 despite a significant decrease in the proceeds on sale of inventory. This increase is largely accounted for by the Company receiving the income from the Esplanade Car Park (a site that the Company has owned since 2004) and making a corresponding dividend payment (£759,000) to the States, representing part of the dividend paid for the year. Development is a long term business and the Company does not expect to realise significant profits until projects currently on the drawing board near completion. However, the Company remains in a very healthy financial position with total assets in the consolidated statement of financial position of £43,961,538.

Board and staff
After the previous year of great change, 2012 was a year for consolidating the organisation and business and preparing the ground for the Company to play a major role in providing Jersey with the infrastructure which the financial sector needs and in regenerating unused land to provide much needed housing. A Company is only as good as its people. The Board provides the necessary direction and oversight but it is the excellent executive team, led by Lee Henry and Simon Neal, which drives the business of the Company. I am very grateful to all my Board colleagues and staff team for their work during the year.

M J Boothman

Chairman
21 February 2013

Operational overview

On 13 October 2010 the States of Jersey approved the establishment of the States of Jersey Development Company ("JDC", "the Company"), a successor to the Waterfront Enterprise Board Limited with a change of remit, board, company name and amended Memorandum and Articles of Association.

The Company is a more focused property development vehicle with an island wide remit. The States of Jersey approved the appointment of a new Board of Non-Executive Directors with effect from 20 June 2011 and the Board adopted the new Memorandum and Articles of Association and changed the name of the Company on 24 June 2011. The Company remains wholly owned by the States of Jersey and its share capital remains at £20 million.

The main objectives of the Company are to co-ordinate and implement the comprehensive development of the St. Helier Waterfront area and to undertake the regeneration of redundant States' assets within Regeneration Zones in accordance with approved Masterplans and Development Briefs as directed by the Regeneration Steering Group.

Achievements
The overall development plan for the Waterfront area of St. Helier remains on track and continues to deliver significant economic, fiscal and amenity value to the Island of Jersey as a whole. During the year under review, the Company has worked closely with its partners in government and industry to ensure quality development of this landmark area, to provide optimum return on investment and also to create a vibrant long-term benefit to all Islanders.

During 2012 the Company has progressed developments which will secure significant returns to the Company in the future.

Activities

Castle Quay Phase 1:
This development by Dandara Jersey Limited reached final practical completion during the year. First occupation of the residential units commenced in December 2010 and the first building, Le Capelain House, was completed in April 2011. Phased completion of the second building, Millais House, commenced in December 2011 and the entire development was physically complete in April 2012. Sales and lettings continue in spite of the difficult market conditions.

Esplanade Quarter:
The first phase has been re-branded 'Jersey International Finance Centre' ("JIFC") and will create much needed modern, environmentally efficient office space for the Island's important finance sector. The JIFC comprises 6 office buildings totalling c.490,000 sq. ft. of 'Grade A' office space together with associated below ground parking and significant public realm. The first phase will be delivered on the existing Esplanade car park and does not require any changes to the existing road network. During construction the 520 public car parking spaces that are currently on the site will be relocated to a neighbouring waterfront site. Post construction 520 public car parking spaces will be provided under a new public park. The sinking of La Route de la Liberation does not form part of Phase 1.

In August 2012 the Company submitted a detailed planning application for the first office building. Subject to securing a planning permit and a necessary level of pre-let, construction could commence towards the end of 2013 which would see the completion of this first office building by the end of 2015.

The Company is negotiating with a number of leading financial institutions who are already operating on-island whose existing leases are reaching expiry and who are seeking modern flexible space in order to operate in the most efficient manner.

Operational overview (continued)

Former Jersey College for Girls
During the year the Company appointed a local design team for this important project and commenced with the preparation of plans for the redevelopment of the former Jersey College for Girls ("JCG"). A Development Brief was prepared and approved by the Environment Minister in July 2012. This Development Brief set out the future use of the site as residential. The redevelopment of the former JCG is sensitive in that it holds many memories for a number of Islanders that attended the school as pupils and others that taught there. The old school building is also listed and its redevelopment needs to be undertaken with care. Ultimately, a change of use to residential will require significant adaptations to the listed building and the redevelopment will only be realised if the necessary flexibility is provided to achieve an economically viable and saleable scheme.

Pre-application advice has been sought and provided by the Planning Department and the proposed scheme was considered and commented upon by the Jersey Architecture Commission at the pre-application stage. JDC will be submitting a detailed planning application towards the end of Q1 2013 (refer to Regeneration Projects on page 2).

Financial
The Company generated a retained profit, after dividend, of £1,224,194 for the financial year ended 31st December 2012 (2011: £854,331).

Cash and cash equivalents have increased to £6,972,084 (2011: £6,134,209). These funds will be required during 2013 and 2014 to meet pre-development expenses of the Company's development projects. There is a purposeful diversification of banks to minimise risk. Cash is actively managed through a range of fixed term deposits and current accounts.

The Group, being the Company and its subsidiaries, manages total assets of £43,961,538 (2011: £42,995,913).

The Group's inventory is carried at the lower of cost and net realisable value with cost being that at the date of the original acquisition plus subsequent expenditure incurred. As at 31st December 2012 these totalled £25,510,297 (2011: £24,672,911). The market value will be realised either on sale to a third party or on direct development of the sites by the Company and subsequent sale on completion.

The Company continues to maximise income from its estate; investment income and other income total £1,946,374 (2011: £1,001,115). The majority of this increase relates to the Company now receiving the net annual income from the Esplanade car park (totalling £759,000), a site that the Company has owned since 2004. Prior to 2012, the States of Jersey received the car park revenue directly through the Transport and Technical Services department.

Future
The primary focus for the Company in 2013 and beyond is to deliver the Jersey International Finance Centre. Commitment from existing on-island financial services companies will illustrate the confidence in the industry to Jersey as a location for offshore finance. The successful delivery of the project will generate significant funds to the Public purse.

The Company will also be progressing plans to regenerate some of the States owned properties that are no longer required for the provision of public services. The States has identified that surplus States owned sites could deliver much needed affordable housing and the Company will continue to work closely with colleagues in the States, the Regeneration Steering Group and the Environment Minister to deliver these important projects. Once again profits generated by JDC from these developments will be returned to the States.

Report of the directors

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2012.

Incorporation
Waterfront Enterprise Board Limited was incorporated in Jersey on 21 February 1996 when 1 million shares of £1 each were issued to the States of Jersey. On 18 March 1997, the Company's authorised share capital was increased from £1 million to £20 million which has been issued and fully paid as at 31 December 2012 and of which 19,999,999 are held by the Greffier of the States on behalf of the States of Jersey and 1 share is held by the Treasurer of the States.

On incorporation the Company was vested with responsibility for the co-ordination and promotion of development in the St Helier Waterfront Area on behalf of the States of Jersey and this mandate was renewed for a period of ten years from 12 December 2006. On 28 April 2002 the States of Jersey resolved to pass legal title to the Company of a number of parcels of land located within the St Helier Waterfront Area which has now been implemented with the exception of two parcels of land.

On 13 October 2010 the States of Jersey approved the establishment of the States of Jersey Development Company Limited, a continuation of Waterfront Enterprise Board Limited but with amended Memorandum and Articles of Association. The new company came into effect on 24 June 2011 following adoption by the States of Jersey of P32/2011 appointing a new board of Non-Executive Directors.

Principal Activities
The principal activities of the Company and its subsidiary undertakings are property holding, development, car park operation and estate management.

Basis of Preparation
In the year ended 31 December 2012, the Directors decided to make the transition from UK GAAP to using International Financial Reporting Standards ("IFRS") in preparing the financial statements, so as to remain aligned with the accounting policies of the ultimate parent, the States of Jersey. The Directors have considered the impact of adopting IFRS on the 2011 comparative figures and have adjusted them accordingly. The significant changes to the comparatives are summarised in note 17 of these financial statements.

Results and Dividends
The results for the year are set out in the consolidated statement of comprehensive income on page 13. The Directors approved the payment of a dividend of £840,317 during the year.

Directors
The Directors who held office during the year were:

Executive Directors
Lee Henry (Managing Director)
Simon Neal (Finance Director & Company Secretary) - appointed 14 March 2012

Non Executive Directors
Mark Boleat (Chairman)
Roger Lewis
Nicola Palios
Ann Santry CBE - appointed 29 May 2012
Paul Masterton - appointed 12 July 2012
John Tibbo - resigned 12 July 2012

The Company maintains insurance for its Directors and Officers providing indemnity against certain liabilities which may be incurred by them whilst acting as Officers of the Company.

Report of the directors (continued)

Company Secretary
The secretary of the Company at 31 December 2012 was Simon Neal who was appointed on 14 March 2012. Lee Henry was the secretary of the Company from 1 January 2012 until 14 March 2012.

Corporate Governance
The report on corporate governance is set out on pages 7 and 8. The report of the remuneration committee is set out on page 9 and 10. Both are adopted as part of this report.

Auditors
The auditors, PricewaterhouseCoopers CI LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

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").

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.

By order of the Board

For and on behalf of
The States of Jersey Development Company Limited

21 February 2013

Registered Office:
Ground Floor
Harbour Reach
La Rue de Carteret
St. Helier
Jersey JE2 4HR

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 and the Memorandum and Articles of Association of the Company. The Board is of the opinion that it has complied with these governing statutes in all material respects.

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

The Board's preference is to ensure a strong majority of independent directors. At year end, the Board comprised of two Executive Directors (the Managing Director and Finance Director) and five Non-Executive Directors, one of whom is Chairman.

Independence

Non-Executive Directors are appointed by the Shareholder 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.

Board Committees

- **Audit Committee**

  The Audit Committee members are currently Non-Executive Directors, Nicola Palios, Ann Santry and Paul Masterton under the Chairmanship of Roger Lewis. Ann Santry was appointed on 29 May 2012 and Paul Masterton was appointed on 12 July 2012.

  Jurat John Tibbo resigned on 12 July 2012.

  Meetings are also attended by invitation by the Chairman, the Managing Director, the Finance Director and a representative from PricewaterhouseCoopers CI LLP, the external auditors. The Audit Committee supports the Board in the execution of its responsibilities to establish and monitor financial reporting and internal control procedures.

  The Audit Committee met 4 times during 2012 and was quorate on all occasions.

- **Remuneration Committee**

  The Remuneration Committee members are currently Non-Executive Directors, Roger Lewis, Mark Boleat, Ann Santry and Paul Masterton under the Chairperson Nicola Palios.

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

  The Remuneration Committee met 3 times during 2012 and was quorate on all occasions.

Report on corporate governance (continued)

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 internal 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.

- **Financial Information and Control**
  The Company prepares budgets and business plans on an annual basis which are submitted to the Shareholders. Quarterly management accounts are produced which enable the performance of the business against these budgets and business plans to be monitored by the Board. There is an established investment evaluation process to ensure Board approval for all capital expenditure commitments above £5,000 outwith the budget and includes the scrutiny of business plans by the Board.

  The Company also prepares annual and five yearly cash flows which are regularly reviewed and updated and are monitored and approved by the Board.

- **Organisation**
  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 Committee**
  The Audit 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.

Relations with Shareholder
The Company is wholly owned by the States of Jersey with the Minister for Treasury and Resources acting as 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.

The Board met 9 times during 2012 and was quorate on every occasion with attendance recorded in the minutes of each meeting.

By order of the Board

For and on behalf of
The States of Jersey Development Company Limited

21 February 2013

Report of the remuneration committee

The Remuneration Committee ("the Committee") comprises Roger Lewis, Nicola Palios, Mark Boleat, Ann Santry and Paul Masterton. Ann Santry was appointed on 29 May 2012 and Paul Masterton was appointed on 12 July 2012.

Jurat John Tibbo resigned on 12 July 2012.

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 full Board (excluding the Executive Directors).

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

Directors' Remuneration

	Salary & Fees	**Benefits**	**Bonus**	**2012 Total**	2011 Total
	£	**£**	**£**	**£**	£
Executive Directors					
Lee Henry	145,000	1,274	23,042[1]	169,316	70,515[3]
Simon Neal	51,463[2]	-	-	51,463	-
Stephen Izatt	-	-	-	-	247,289
Non-Executive Directors					
Mark Boleat	40,000	-	-	40,000	21,205[3]
Roger Lewis	15,000	-	-	15,000	7,952[3]
Nicola Palios	15,000	-	-	15,000	7,952[3]
Ann Santry	8,887[2]	-	-	8,887	-
Paul Masterton	7,079[2]	-	-	7,079	-
John Tibbo	8,019[2]	-	-	8,019	22,987
Peter Crespel					5,000
Total	**290,448**	**1,274**	**23,042**	**314,764**	382,900

[1] Bonus payments in 2012 related to performance for the year ended 31 December 2011.

[2] The salaries and fees only represent part of the year. Full year equivalent amounts of salary and fees are as follows: - Simon Neal £88,000, Jurat John Tibbo £15,000, Ann Santry £15,000, and Paul Masterton £15,000.

[3] The salaries and fees shown only represent part of the year. Full year equivalent amounts were as follows:- Lee Henry £145,000, Mark Boleat £40,000, Roger Lewis £15,000, Nicola Palios £15,000.

Report of the remuneration committee (continued)

Directors' pension contributions

Lee Henry	22,156
Simon Neal	7,720
	29,876

By order of the Remuneration Committee

Member of the Remuneration Committee

21 February 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED

Report on the financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of The States of Jersey Development Company Limited which comprise the consolidated statement of financial position as of 31 December 2012 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of Jersey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2012, and of the financial performance and cash flows of the Group 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.

Report on other legal and regulatory requirements

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the chairman's introduction, the operational overview, the report of the directors, the report on corporate governance and the report of the remuneration committee.

In our opinion the information given in the report of the directors is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED (CONTINUED)

This report, including the opinion, has been prepared for and only for the Company's 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

21 February 2013

Consolidated statement of comprehensive income
For the year ended 31 December 2012

	Note	2012 £	Restated 2011 £
Continuing Operations			
Revenue	3.1	**2,291,662**	1,965,409
Net gain from fair value adjustment on investment property	4	**1,075,605**	491,059
Salaries and emoluments	3.3	**(665,322)**	(988,756)
Premises and establishment	3.2	**(86,007)**	(104,333)
Estate management	3.2	**(385,773)**	(392,401)
Depreciation of property, plant and equipment	3.2	**(35,724)**	(24,650)
Other expenses	3.2	**(271,494)**	(192,801)
Operating profit		**1,922,947**	753,527
Finance income	3.4	**142,081**	101,110
Finance costs	3.5	**(517)**	(306)
Finance income - net		**141,564**	100,804
Profit for the year		**2,064,511**	854,331

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

The notes on pages 17 to 29 form part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2012

	Note	31 December 2012	Restated - 31 December 2011	Restated – 1 January 2011
		£	£	£
Assets				
Non-current assets				
Investment property	4	**9,862,541**	8,673,000	7,879,000
Property, plant and equipment	5	**1,286,476**	1,322,200	1,346,849
		11,149,017	9,995,200	9,225,849
Current Assets				
Inventories	6	**25,510,297**	24,672,911	23,022,788
Trade and other receivables	7	**330,140**	2,193,593	2,795,468
Cash and cash equivalents		**6,972,084**	6,134,209	7,242,739
		32,812,521	33,000,713	33,060,995
Total assets		**43,961,538**	42,995,913	42,286,844
Equity and liabilities				
Equity attributable to equity holders of the Company				
Share capital	8	**20,000,000**	20,000,000	20,000,000
Retained earnings		**3,495,948**	2,271,754	1,417,423
Other reserves		**20,196,465**	20,196,465	20,196,465
		43,692,413	42,468,219	41,613,888
Non-current liabilities				
Trade and other payables		-	-	250,000
Current liabilities				
Trade and other payables	9	**269,125**	527,694	422,956
Total liabilities		**269,125**	527,694	672,956
Total equity and liabilities		**43,961,538**	42,995,913	42,296,844

The consolidated financial statements on pages 13 to 29 were approved by the Board of Directors on 21 February 2013 and signed on their behalf

By________________________ Director

The notes on pages 17 to 29 form part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2012

	Share Capital	Other Reserves	Retained Earnings	Total Equity
	£	£	£	£
Balance at 1 January 2012	20,000,000	20,196,465	2,271,754	42,468,219
Comprehensive Income:				
Profit for the year	-	-	2,064,511	2,064,511
Dividend	-	-	(840,317)	(840,317)
Balance at 31 December 2012	20,000,000	20,196,465	3,495,948	43,692,413
Restated Balance at 1 January 2011	20,000,000	20,196,465	1,417,423	41,613,888
Comprehensive Income:				
Profit for the year	-	-	854,331	854,331
Balance at 31 December 2011	20,000,000	20,196,465	2,271,754	42,468,219

The notes on pages 17 to 29 form part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2012

	Note	2012 £	Restated 2011 £
Cash flows from operating activities			
Profit for the year		**2,064,511**	854,331
Adjustment for:			
- Depreciation	5	**35,724**	24,650
- Net gain from fair value adjustment on investment property	4	**(1,075,605)**	(491,059)
- Finance income – net		**(141,564)**	(100,804)
Changes in working capital:			
- Decrease / (Increase) in trade and other receivables	7	**1,863,453**	627,010
- (Decrease) in trade and other payables	9	**(258,569)**	(145,262)
- Increase in inventories	8	**(837,386)**	(1,650,124)
Cash generated / (used) from operating activities		**1,650,564**	(881,258)
Finance costs		**(517)**	(306)
Net cash generated / (used) from operating activities		**1,650,047**	(881,564)
Cash flows from investing activities			
Purchases of investment property	4	**-**	(250,000)
Subsequent expenditure on investment property	4	**(113,936)**	(52,941)
Finance income	3.4	**142,081**	75,975
Net cash generated / (used) in investing activities		**28,145**	(226,966)
Cash flows from financing activities			
Dividend paid to the Company's shareholder		**(840,317)**	-
Net cash used in financing activities		**(840,317)**	-
Net increase / (decrease) in cash and cash equivalents		**837,875**	(1,108,530)
Cash and cash equivalents at the beginning of the year		**6,134,209**	7,242,739
Cash and Cash Equivalents at the end of the year		**6,972,084**	6,134,209

The notes on pages 17 to 29 form 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, development, car park operation and estate management. The Company is a limited liability company incorporated and domiciled in Jersey, Channel Islands. The address of its registered office is Ground Floor, Harbour Reach, St. Helier, Jersey JE2 4HR.

Share Capital

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. 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 sale of inventory.

These consolidated financial statements of the Group for the year ended 31 December 2012 were approved in accordance with a resolution of the directors on 21 February 2013.

The Directors have the power to amend the consolidated financial statements after issue.

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 accounting policies have been used throughout all periods presented in the financial statements, except where the Group has applied certain accounting policies and exemptions upon transition to International Financial Reporting Standards ("IFRS"). The exemptions applied by the Group and the effects of transition to IFRS are presented in note 17.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

First time Adoption of IFRS

The Group has elected to adopt IFRS 1 'First-time adoption of International Financial Reporting Standards' (Revised 2008) and has restated retrospectively the opening consolidated statement of financial position at 1 January 2011 and 31 December 2011 by applying the IFRS's in force at 31 December 2012. Full details of the restatement are detailed in note 17.

The financial statements are presented in accordance with International Accounting Standard ("IAS") 1 'Presentation of Financial Statements' (Revised 2008). The Group has elected to present the 'consolidated statement of comprehensive income' in a single statement.

The Group reports cash flows from operating activities using the indirect method. Interest received is presented within investing cash flows. Interest paid is presented in operating cash flows. Additional expenditure on investment properties is disclosed as cash flows from investing activities because this most appropriately reflects the Group's business activities.

In accordance with IFRS 1, the Group presents three statements of financial position in its first IFRS financial statements. In future periods, the Group presents two comparative periods for the statement of financial position only when it: (i) applies an accounting policy retrospectively, (ii) makes a retrospective restatement of items in its financial statements, or (iii) reclassifies items in the financial statements.

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 all accounting standards that are in issue which are not yet effective for accounting period beginning on or after 1 January 2013 and believe that early adopting these standards would not have a material impact on the financial statements of the Group.

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.

Notes to the consolidated financial statements (continued)

2.2 Basis of Consolidation (continued)
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.

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 2012. 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 12).

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.

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.

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 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.

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.

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

Notes to the consolidated financial statements (continued)

2.5 Property, plant and equipment (continued)

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.

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 Inventories

The Group's inventories comprise of land 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. Net realisable value is the estimated selling price in the ordinary course of business (refer to note 2.20). Inventories also include building materials which are held at the lower of cost and net realisable value.

2.7 Financial instruments

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.

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.

2.8 Cash and cash equivalents

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.

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.10 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.

2.11 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.

Notes to the consolidated financial statements (continued)

2.11 Provisions (continued)

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.

2.12 Revenue recognition

Revenue represents the value of the consideration received on the disposal of inventory, rental income, car park receipts and other income. Revenue is recognised as follows:-

- ***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 cash collections at the the Waterfront car park, a cash basis.

- ***Inventory sales***
  Disposal of inventory is recognised when a legally binding, unconditional and irrevocable contract has been entered into.

- ***Other income***
  Other income is recognised on an accruals basis.

2.13 Finance Income and costs

Finance income and costs are accounted for on an accruals basis. Finance income includes amounts that use the effective interest method (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

2.14 Deferred consideration

Deferred consideration arises when freehold or leasehold land, previously classified as inventory, is sold but receipt of the consideration is deferred until a future date or dates. If the receipt of the deferred consideration is virtually certain then the asset is recognised at the net present value of the estimated future cash flows. The unwinding of the discount is recognised annually in the consolidated statement of comprehensive income as finance income. If the realisation of deferred consideration is less than reasonably certain, because it is subject to the outcome of relevant future events, but is nevertheless probable, then the future value of the contingent asset is disclosed.

2.15 Expenses

All expenses are accounted for in the consolidated statement of comprehensive income on the period in which they are incurred (on an accruals basis).

2.16 Taxation

The Company is exempt from paying Income Tax in Jersey. On 19 October 2007 the Minister for Treasury and Resources exempted the Company and its associated enterprise 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.

2.17 Employee benefits

(a) Pensions

Employer's contributions to pension costs are charged to the consolidated statement of comprehensive income as they become payable (see note 14). Contributions to the Public Employees Contributory Retirement Scheme, a defined benefit scheme, are accounted for as if it were a defined contributions scheme.

(b) 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

Notes to the consolidated financial statements (continued)

2.17 Employee benefits (continued)
rendered by the employees of the Group.

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

2.19 Financial Risk Management
Financial risk factors
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, 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.

a) Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and ensuring there is sufficient working cash available at all times.

A summary table with maturity of assets and liabilities presented below is used by key management personnel to manage liquidity risk:

	2012	2011
	£	£
Financial assets – Current		
Cash and cash equivalents – maturing within one year	**6,972,084**	6,134,209
Trade and other receivable – maturing within one year	**330,140**	2,193,593
	7,302,224	8,327,802
Financial liabilities – Current		
Trade & other payables	**269,125**	527,694
	269,125	527,694

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 maintaining sufficient liquidity to meet the expenses of the Group. The Group has no gearing.

c) Credit risk
Credit risk is the risk that a counter party will be unable to meet a commitment that it has entered into with the Company. The Company has entered into leases where this situation could arise. The Directors' manage the risk by ensuring that any default is addressed as they occur. There are no financial assets that are past due.

d) Market risk
The Group's exposure to market risk is comprised of the following:

i) Cash flow and fair value interest rate risk
- As the Group's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Group's income.
- The Group has no interest-bearing liabilities.
- Trade receivables and payables are interest-free and have settlement dates within a year.
- The Directors review cash flows on a regular basis and consider the risk to be negligible.

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 including property rentals risk.

Notes to the consolidated financial statements (continued)

2.20 Significant accounting judgements, estimates and assumptions

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 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 inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

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. 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

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 Yield 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.

Techniques used for assessing the net realisable value of inventory

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."

3 Revenue and expenses

3.1 Revenue

	2012	2011
	£	£
Inventory sales – proceeds from the sale of inventory	**296,881**	940,177
Investment income	**1,881,985**	903,024
Other income	**64,389**	98,091
Reimbursement of costs	**48,407**	24,117
	2,291,662	1,965,409

Notes to the consolidated financial statements (continued)

3.2 Expenses

	2012	2011
	£	£
Salaries and emoluments	**665,322**	988,756
Premises and establishment	**86,007**	104,333
Estate Management	**385,773**	392,401
Depreciation of property, plant and equipment	**35,724**	24,650
Other expenses:		
Legal, consultancy and professional	**169,564**	67,040
Audit	**30,000**	32,656
Other operating expenses	**31,807**	18,004
SoJDC establishment costs	**40,123**	75,101
	1,444,320	1,702,941

3.3 Salaries and emoluments

	2012	2011
	£	£
Wages & salaries	**512,713**	753,559
Social security	**20,820**	19,800
Pension costs	**71,404**	80,944
Bonuses	**33,042**	75,849
Other staff benefits	**27,343**	58,604
	665,322	988,756

3.4 Finance income

	2012	2011
	£	£
Bank interest receivable	**122,293**	75,975
Interest receivable on deferred consideration (note 10)	**19,788**	25,135
	142,081	101,110

3.5 Finance costs

	2012	2011
	£	£
Bank fees and charges	**517**	306

4. Investment property

	2012 Leasehold	Restated - 2011 Leasehold
	£	£
Fair value at 1 January	**8,673,000**	7,879,000
Purchase of investment property	**-**	250,000
Subsequent expenditure on investment property	**113,936**	52,941
Recognition of rent free adjustments	**79,167**	-
Net gain arising on adjustment to fair value of investment properties	**1,075,605**	491,059
Market value / Fair value at 31 December	**9,941,708**	8,673,000
Lease incentives – rent free adjustments	**(79,167)**	-
Fair value at 31 December	**9,862,541**	**8,673,000**

Notes to the consolidated financial statements (continued)

4. Investment property (Continued)

Investment properties comprise the following assets:-

Property	Tenure	Description	Valuation as at 31 December 2012
Waterfront car-park	150 Year Leasehold	500 space car park located on La Route de Port Elizabeth	Internal
Liberation Station	150 Year Leasehold	Bus station located at Liberty Wharf	Internal
Waterfront Hotel	150 Year Leasehold	Financial interest in a 195 bed four star hotel on La Rue de L'Etau	Internal
Weighbridge	150 Year Leasehold	Public square with alfresco dining	Internal
JEC sub-station	150 Year Leasehold	Land upon which sub-station is located at Liberty Wharf	Internal
Castle Quay	999 Year Leasehold	Car parking spaces in the basement of Castle Quay	Internal

Internal valuations were undertaken by a qualified RICS valuation surveyor who is an employee of the Company.

On 31 December 2012 the Company revalued its ownership of the Waterfront car park. The revaluation identified an increase of £1,041,000 (2011: increase of £501,059).

On 31 December 2012 the Company revalued its ownership of the Waterfront Hotel. The revaluation identified an increase of £6,000 (2011: increase of £103,000).

On 31 December 2012 the Company revalued its ownership of the Weighbridge Square. The revaluation identified an increase of £97,772 (2011: decrease of £105,000).

On 31 December 2012 the Company revalued its ownership of a JEC sub-station at Liberty Wharf. The revaluation identified an increase of £10,000 (2011: decrease of £2,000).

On 31 December 2012 the Company revalued its ownership of Liberation Station at Liberty Wharf. The revaluation identified a decrease attributable to the amortisation of the rent free period over the term of the lease that identified a decrease of £79,167 (2011: decrease of £6,000).

The net gain from the fair value adjustment on investment property has been taken to the consolidated statement of comprehensive income.

5 Property, plant and equipment

	Leasehold land and buildings	Fixtures, fittings & equipment	Events installations and equipment	Estate capital improvement	Total
Cost	£	£	£	£	£
31 December 2011	1,552,025	57,242	31,056	95,716	1,736,039
Additions	-	-	-	-	-
At 31 December 2012	**1,552,025**	**57,242**	**31,056**	**95,716**	**1,736,039**
Depreciation					
31 December 2011	252,025	57,242	23,580	80,992	413,839
Charge for year	19,000	-	2,000	14,724	35,724
At 31 December 2012	**271,025**	**57,242**	**25,580**	**95,716**	**449,563**
Net Book Value					
At 31 December 2012	**1,281,000**	**-**	**5,476**	**-**	**1,286,476**
At 31 December 2011	1,300,000	-	7,476	14,724	1,322,200

Notes to the consolidated financial statements (continued)

6 Inventories

	2012	2011
	£	£
Freehold land	**9,531,925**	9,536,533
Leasehold land	**15,693,131**	15,090,609
Costs capitalised on inventory to purchase	**239,472**	-
Building materials	**45,769**	45,769
	25,510,297	24,672,911

In the opinion of the Directors the net realisable value of inventory is not less than their carrying values.

Costs capitalised on inventory to purchase represents professional fees incurred on the former Jersey College for Girls site. The Company will purchase the site once planning permission has been obtained and approval has been given by the States of Jersey for the site to be sold to the Company.

7 Trade and other receivables

	Note	2012	2011
		£	£
Amounts due from related parties	13	**9,958**	25,112
Trade receivables		**23,945**	46,502
Deferred consideration		**-**	1,835,831
Lease incentives – rent free periods		**79,167**	100,278
Other receivables		**210,950**	173,158
Prepayments		**6,120**	12,712
		330,140	2,193,593

Note: In the event the deferred consideration is virtually certain then the asset is recognised at the net present value of the estimated future cash flows. The deferred consideration relates to Castle Quay Phase 1 overages receivable following disposal of interests in land and buildings. All deferred consideration was received during 2012.

The Directors' have not recognised any further deferred consideration for the year ended 31 December 2012 as it is not certain what further overages will be payable. In accordance with the Castle Quay Development Agreement 25% of overages receivable are held in escrow until 2 years post practical completion of each sub-phase. These escrow amounts can be used to offset negative overage positions and receipt of the funds in escrow is therefore not certain and has not been provided for. As at 31 December 2012 £1,139,024 was held in escrow (2011: £464,332). Additional overages may be payable in respect of car parking spaces at Castle Quay Phase 1. The Company is currently negotiating this position with the developer.

8 Share capital

Equity share capital	2012	2011
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

9 Trade and other payables

	Note	2012	2011
		£	£
Amounts due to related parties	13	**1,284**	26,480
Trade payables		**87,719**	146,641
Social security		**9,812**	7,910
Other taxes		**8,616**	15,786
Other liabilities		**29,502**	14,554
Accruals and deferred income		**132,192**	316,323
		269,125	527,694

Notes to the consolidated financial statements (continued)

10 Major non cash transactions

	2012	2011
	£	£
Interest receivable on deferred consideration (note 3.4)	-	25,135

11 Legal action

Harcourt Developments Limited ("Harcourt") has filed an action against the Company. Harcourt is claiming 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. The Company will defend the action brought about by Harcourt and does not envisage the action will delay any of its current plans and activities. The Group has no significant contingent liabilities.

12 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:

	Principal activity	Holding
Waterfront (5A&B) Limited	Dormant Company	2 ordinary shares of £1 each
Waterfront (6C) Limited	Land Holding	2 ordinary shares of £1 each
Waterfront (6D) Limited	Land Holding	2 ordinary shares of £1 each
Waterfront (6E) Limited	Land Holding	2 ordinary shares of £1 each

13 Related party transactions

Directors received £344,640 in 2012 comprising salary, emoluments, pension, bonus and benefits (2011: £552,900 – includes a termination settlement of £170,000 payable to the former Managing Director, Stephen Izatt).

The Company intermittently purchases services from the States of Jersey on a commercial basis. During the year £26,204 (2011: £18,257) was expended.

The States of Jersey receive £45,000 per annum in rental in respect of La Fregate at Jardin de la Mer and passes this amount onto the Company as a contribution to the upkeep of the area.
In September 2007, a lease was entered into for the new Liberation Station, whereby rental income receivable from the States of Jersey is 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 2012 in respect of this contract is £78,889 (2011: £78,889). An insurance premium in respect of Liberation station in the sum of £1,405 (2011: £722) was reimbursed to the 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 £14,311 (2011:£15,205) were collected.

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 £9,644 (2010: £9,391) were collected.

The Company has a related party relationship with the Port 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 £79,000 (2011:£40,177) was received. The Company entered into a further agreement with the Port of Jersey to allow marine traders to use 10 spaces at Castle Quay. During the year £9,000 (2011: £Nil) was received.

At 31 December 2012 the following balances were receivable / prepaid as follows:

- Jersey Tourism £1,225
- Jersey Property Holdings £7,258
- Transport & Technical Services £1,475

Notes to the consolidated financial statements (continued)

13 Related party transactions (continued)

In addition, the Company reimburses the Port of Jersey for the electricity used to operate the Steam Clock and surrounding lights. The total cost for 2012 was £6,036 (2011: £7,972). Of this amount, £1,284 was owed at 31 December 2012.

14 Pension costs

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expense when they are due.

Salaries and emoluments include pension contributions of £11,511 (2011: £11,174) which relate to one member of staff (2011:1) who is a member of the Public Employees Contributory Retirement Scheme (PECRS). This is a defined benefit pension scheme whose assets are held separately from those of the States of Jersey; however, it is not a conventional defined benefit scheme as the employer is not responsible for meeting any on-going deficiency for the scheme. Reference should be made to the States of Jersey financial statements for the year ended 31 December 2012 for further details of the scheme. Contributions are accounted for within this Group as a defined contribution scheme, as it is a multi-employer scheme. The Group is exempt from the defined benefit pension schemes disclosure requirements as it is a multi-employer scheme and the Group is unable to identify its share of the underlying assets and liabilities of the scheme.

The Actuarial valuation of the scheme as at 31 December 2010, dated 23 May 2012, indicated that the Scheme had a surplus of £40.6m.

As an admitted body to PECRS the Group has been allocated a proportion of the unfunded liabilities of the scheme which arose in the years up to and including 31 December 1986. With effect of 1 January 2012 the Company is required to fund additional annual contributions amounting to £6,252 (2011: £5,976). This figure is subject to annual adjustment by reference to the percentage increase of the average pensionable earnings of all members of the scheme.

It is the understanding of the Directors that the Group will not be required to fund any other part of the deficit relating to the PECRS pension scheme.

15 Commitments	**2012**	2011
	£	£
Authorised but not yet contracted for	-	756,885

16 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.

17 First time adoption of IFRS

During the year the Group has changed its accounting framework from UK Generally Accepted Accounting Standards (UK GAAP) and prepared these financial statements in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 January 2011. The Group's IFRS accounting policies presented in note 2 have been applied in preparing the financial statements for the year ended 31 December 2012 and retrospectively for the comparative information and the opening statement of financial position at the date of transition.

The Group has applied IFRS 1 'First-time Adoption of International Financial Reporting Standards (as revised in 2008) in preparing these first IFRS financial statements. The effects of the transition to IFRS on equity, statement of financial position, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes to the financial statements that accompany the tables.

First time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Group has applied the mandatory exemptions but has not opted to apply any optional exemptions.

Mandatory exemptions adopted by the Group:

The Group has used estimates under IFRS that are consistent with those applied under UK GAAP (with adjustments for accounting policy differences) unless there is objective evidence those estimates were in error.

Notes to the consolidated financial statements (continued)

17 First time adoption of IFRS (Continued)

Reconciliation of equity

Equity at the date of transition and at 31 December 2011 can be reconciled to the amounts reported under UK GAAP as follows:

	UK GAAP	1 January 2011 Movements	IFRS
Assets	£	£	£
Non-current assets			
Investment property	7,879,000		7,879,000
Property, plant and equipment	1,346,849		1,346,849
	9,225,849		9,225,849
Current Assets			
Inventories	23,022,788		23,022,788
Trade receivables	2,795,468		2,795,468
Cash and cash equivalents	7,242,739		7,242,739
	33,060,995		33,060,995
	42,286,844		42,286,844
Equity and liabilities			
Equity			
Issued capital	20,000,000		20,000,000
Retained earnings	1,121,423	296,000	1,417,423
Revaluation reserve	296,000	(296,000)	-
Other reserves	20,196,465		20,196,465
	41,613,888		41,613,888
Non-Current Liabilities	250,000		250,000
Current liabilities			
Trade and other payables	422,956		422,956
	42,286,844		42,286,844

	UK GAAP	31 December 2011 Movements	IFRS
Assets	£	£	£
Non-current assets			
Investment property	8,673,000		8,673,000
Property, plant and equipment	1,322,200		1,322,200
	9,995,200		9,995,200
Current Assets			
Inventories	24,672,911		24,672,911
Trade receivables	2,193,593		2,193,593
Cash and cash equivalents	6,134,209		6,134,209
	33,000,713		33,000,713
	42,995,913	-	42,995,913
Equity and liabilities			
Issued capital	20,000,000		20,000,000
Retained earnings	1,936,754	335,000	2,271,754
Revaluation reserve	335,000	(335,000)	-
Other reserves	20,196,465		20,196,465
	42,468,219		42,468,219
Current liabilities			
Trade and other payables	527,694		527,694
	42,995,913		42,995,913

Notes to the consolidated financial statements (continued)

17 First time adoption of IFRS (Continued)

Reconciliation of total comprehensive income

Total consolidated comprehensive income for the reporting period ended 31 December 2011 can be reconciled to the amounts reported under UK GAAP as follows:

		1 January 2011	
Continuing Operations	**UK GAAP £**	**Movements £**	**IFRS £**
Revenue	1,965,409		1,965,409
Net gain from fair value adjustment on investment property	452,059	39,000	491,059
Salaries and emoluments	(988,756)		(988,756)
Premises and establishment	(104,333)		(104,333)
Estate management	(392,401)		(392,401)
Depreciation of property, plant and equipment	(24,650)		(24,650)
Other expenses	(192,801)		(192,801)
Operating Profit	714,527		753,527
Finance income	101,110		101,110
Finance costs	(306)		(306)
Finance income - net	100,804		100,804
Profit for the year	815,331		854,331

Notes to the reconciliation

a) Investment property

The investment property falls under IAS 40 at the date of transition. Under IFRS, the Company may elect, subsequently to initial recognition, to account for its investment property using either fair value or cost models. The Company has elected to use the fair value model. Under UK GAAP the properties were carried at market value. No adjustments have arisen from fair value measurement in accordance with UK GAAP versus fair value presented in accordance with IFRS. IFRS does require that the treatment of unrealised gains and losses on revaluation of investment property be taken to the consolidated statement of comprehensive income whereas under UK GAAP unrealised gains and losses on the revaluation of investment property are taken to the consolidated statement of total recognised gains and losses.

b) Consolidated statement of cash flows

Other than the change in cash flow headings, there are no material adjustments in the consolidated statement of cash flows. The components of cash and cash equivalents under UK GAAP are similar to those presented under IFRS.