

WATERFRONT ENTERPRISE BOARD LIMITED

**Annual Report & Accounts
For the year ended 31 December 2007**

Chairman's Report

I am pleased to report that 2007 was a year of significant progress for the company after the uncertainty of 2006. Last year saw the appointment of Stephen Izatt as Managing Director and Lee Henry as Finance Director, and with these and several other new appointments, the company has been revitalised. This team has worked hard to further enhance our excellent working relationships with key States departments whilst further building relationships with our development partners.

Whilst 2006 was a year when the concepts, design and building form of the Waterfront were reassessed, 2007 has been a year of laying the foundation for future development and we now have the development agreement signed for Castle Quays and have negotiated and are ready to sign the development agreement for the key project of Esplanade Quarter.

Furthermore WEB has delivered the Transportation Centre on time and we are encouraged by the positive feedback from users. Work has now started on converting the Weighbridge into a public area to be enjoyed by our community and we have received several enquiries for public events to be held there.

Although there has been significant progress during the year, the company's results for 2007 show a financial loss of £461,128 after an exceptional write off of a previously recognised deferred tax asset and the first part of the cost of developing the Weighbridge. Despite this, shareholder funds increased by £109,522.

The company now enters a phase where its development is largely in the hands of our shareholder, the States of Jersey. The Assembly is soon to debate the proposition to allow the Esplanade Quarter project to proceed and if this is approved then we can proceed with signing the development agreements with Harcourt Developments Ltd. The Assembly is also being asked to agree the formation of the Jersey Enterprise Board (JEB) which is intended to be the holding company for WEB, providing an opportunity for the States of Jersey to maximise the return from any surplus property that it identifies and allowing the company under the new name of JEB to expand its geographical role and enhance the service that it can provide to our shareholder.

On behalf of the Board I am optimistic that next year we will bear the fruits of the foundations put in place over several years of preparation and see the Waterfront and the company grow from strength to strength.



Mr F G Voisin
Chairman

Managing Director's Report

This has been a year of change and progress. A number of key staff appointments were made which has greatly enhanced the team at the Company. I am proud to be part of this enhanced delivery team.

In July 2007 we entered into heads of terms to develop the Esplanade Quarter with a developer who is already experienced in the Island. Once completed, this development will provide 620,000 s.f. of Grade A office space to allow our ever more important finance industry to flourish in a purpose built environment. In addition, the Esplanade Quarter will provide 400 residential units, retail and restaurants, and major new public spaces including a winter garden. The scheme will be serviced by 1420 underground parking spaces linked with La Route de la Liberation which will be tunnelled for the length of the development. The development is expected to commence in 2009 and will be the largest development ever undertaken in Jersey. WEB was and continues to be active in creating the Masterplan in partnership with the Planning and Environment Department, their Masterplanning Architect and the Transport and Technical Services department as well as the developer.

This exciting project will provide an important western linkage between the town of St Helier and its waterfront.

In September, the Transportation Centre was opened. Residents and visitors can now start and finish their public transport journeys in comfort and out of the elements which they were exposed to at the Weighbridge.

We commenced the redevelopment of the Weighbridge in December and will have completed it by June 2008. This is a major new public square and amenity for the benefit of Islanders and visitors, and will be the centre of many attractions for years to come. This large public square forms the eastern connection between St Helier and its waterfront.

The Radisson hotel opened in November and presents a major new offering to our important tourist industry. This four star hotel with 195 beds and a large conferencing centre is both convenient to the centre of St Helier and occupies a commanding site overlooking Elizabeth Castle, St Aubin's Bay and the Elizabeth Marina.

Also during the year, Liberation House was completed and partially occupied. The fit out is still underway for this fully let high specification office building of c. 30,000 s.f.

In the final quarter we undertook much preparation to take back the management of the Waterfront Car Park which was effected smoothly at the end of January 2008. We also were in the process of fitting out our new offices at Harbour Reach and the move was successfully completed in February 2008.

On 25 April 2008 we have entered into a development agreement with Dandara to deliver the Castle Quays development. The first phase received planning permission during the year and the first release was marketed in March 2008 during which approximately 150 residential units were formally reserved. The development will provide 350 residential apartments along with new civic and commercial restaurants and shops, overlooking Elizabeth Marina. Construction commences in 2008.

The profit and loss account shows a loss of £461,127 which reflects the fact that, whilst significant progress was made on land yet to be developed, no new development agreements were signed in 2007. However, during the year the Company's investment properties increased in value by £1,367,150 of which £796,500 was taken through the profit and loss account as a reversal of previous years' write downs.

The statement of total recognised gains and losses shows a total overall gain for the company in the year of £109,523 as this takes into account the increases in value of the investment properties that was taken to the revaluation reserve (namely £570,650).

Managing Director's Report (continued)

Compared to 2006, the Company had two significant costs. Firstly, the cost of developing the Weighbridge will be greater than the expected value of the completed asset and as such a proportion of costs expended to date has been charged to the profit and loss account. In 2007 this figure totalled £304,608. Secondly, the Treasury and Resources Minister exempted the Company and its associated enterprise from tax, as the Company's profits are to be expended wholly and exclusively to improve and extend public infrastructure and works for the good of the public of the Island. Since the tax status of the Company has changed the previously recognised deferred tax asset of £208,000 has been reversed as an expense through the profit and loss account.

During the period assets with a book cost of £2,324,944 were transferred into investment properties. These assets were the completed transportation centre and the company's interest in the Radisson Hotel. In addition the company has recognised the JEC substation, located at Liberty Wharf, as an investment property.

Working with the Minister for Planning and Environment, his team and other key States Departments we are in the process of delivering a waterfront incorporating world class architecture and public realm and addressing the socio-economic needs of our Island.



Mr S Izatt
Managing Director

WATERFRONT ENTERPRISE BOARD LIMITED

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

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 the 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 2007.

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 one parcel of land which is scheduled for completion in 2008.

Principal activities

The principal activities of the Company and its subsidiary undertakings are property holding, development and management.

Results

The results for the year are set out in the Consolidated Profit and Loss Account on page 8.

Dividend

The Directors do not propose to pay a dividend for the year.

Directors

The Directors who held office during the year were:

Executive Director

Mr S Izatt (Managing Director)

Non Executive Directors

Mr F G Voisin (Chairman)

Jurat J C Tibbo

Mr P J Crespel

Senator P Routier

Deputy J Huet

Senator J Perchard

Report of the Directors (continued)

Mr S Izatt was appointed as Managing Director with effect from 7 May 2007.

Mr L R Henry was appointed as Finance Director with effect from 26 March 2007 however the Finance Director's post is not a Board position.

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.

Secretary

Mr R Woolf resigned as Company Secretary with effect from 23 March 2007. Mr L R Henry was appointed Company Secretary on 26 March 2007.

Corporate Governance

A detailed statement on Corporate Governance is set out on pages 3 to 5. A statement on Directors' remuneration is set out on page 6. Both of these statements are adopted as part of this report.

Auditors

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

Directors' responsibilities with regard to the Financial Statements

The Directors are responsible for preparing financial statements for each financial year, for ensuring that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period and are in accordance with applicable laws. In preparing those 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 Company will continue in business.

Report of the Directors (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



For and on behalf of
Waterfront Enterprise Board Limited

Registered Office

Ground Floor
Harbour Reach
La Rue de Carteret
St Helier
Jersey
JE2 4HR

Corporate Governance

The Directors are committed to maintaining a high standard of Corporate Governance, in accordance with Jersey Company Law and in accordance with its Memorandum and Articles of Association. The Board is of the opinion that it has materially complied with these governing statutes.

The Board

The Board currently comprises one executive director (the Managing Director) and six non-executive directors, three of whom are members of the States of Jersey ("States Directors"). The Chairman is appointed by the States of Jersey. John C Tibbo is the senior independent director.

The Board's principal focus is the overall strategic direction, development and control of the Company. Key matters such as approval of the Company's objectives and commercial strategies, budgets and risk management strategy are reserved for the Board.

The Board met 15 times during 2007 and was quorate on 14 of those occasions with attendance recorded in the minutes of each meeting.

Board Committees

- **Audit Committee**

The Audit Committee comprises the two Non-States Non-Executive Directors under the Chairmanship of John C. Tibbo. Meetings are also attended by invitation by the Deputy Treasurer of the States of Jersey, the Managing Director and the Company Secretary as well as 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 three times during 2007 and there was full attendance at all these meetings.

- **Remuneration Committee**

The Remuneration Committee comprises the States Non-Executive Directors. 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.

- **Internal Control**

The Board has overall responsibility for the Company's system of internal control and for reviewing its effectiveness 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.

Corporate Governance (continued)

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.

- **Financial Information and Control**

The Company prepares budgets on an annual basis. The performance of the business against these budgets and forecasts is monitored by the Board. There is an established investment evaluation process to ensure Board approval for all major capital expenditure commitments and includes the scrutiny of business plans 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.

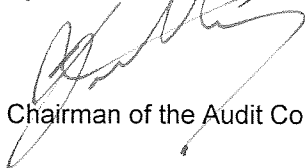
- **Audit Committee**

The Audit Committee reviews the effectiveness of the internal control process 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 Chief Minister acting as the Company's sponsor. 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 Audit Committee



Chairman of the Audit Committee

Report of the Remuneration Committee

The Remuneration Committee comprises the States Non-Executive Directors under the Chairmanship of Senator Paul Routier. The Committee operates under a charter that was ratified by the Board on 25 July 2005.

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 Managing Director's remuneration is a decision taken by the full Board.

Changes to salaries and remuneration payments are normally effective from either 1 January or 1 June each year.

Directors' Remuneration

	Salary & Fees £	Benefits* £	Bonus £	2007 Total £	2006 Total £
Executive Directors					
Mr S Izatt (from 7 th May 2007)	87,997	7,324	-	95,321	-
Mr D Margason (to 3 rd August 2006)	-	-	-	-	131,927
Non Executive Directors					
Mr F G Voisin	30,000	-	-	30,000	10,904
Jurat J C Tibbo	12,000	-	-	12,000	12,000
Mr P J Crespel	10,000	-	-	10,000	10,000
Mr P Horsfall	-	-	-	-	19,032
Senator P Routier	-	-	-	-	-
Deputy J Huet	-	-	-	-	-
Senator J Perchard	-	-	-	-	-
Total	139,997	7,324		147,321	183,863

*The Managing Director received an accommodation allowance not included in benefits above with the value of £13,037 (2006: £21,076).

In addition to the remuneration disclosed above, pension contributions were paid in respect of the Managing Director to the value of £13,199 (2006: £13,047)

By order of the Remuneration Committee



Chairman of the Remuneration Committee

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERFRONT ENTERPRISE BOARD LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Waterfront Enterprise Board Limited which comprise the consolidated and company balance sheets as of 31 December 2007 and the consolidated profit and loss account, the consolidated statement of total recognised gains and losses and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with United Kingdom Accounting Standards and with the requirements of Jersey law. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 2007, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting 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 Report, the Managing Director's Report, 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 WATERFRONT
ENTERPRISE BOARD 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 110 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.



PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
2008

2 May

WATERFRONT ENTERPRISE BOARD LIMITED

Consolidated Profit and Loss Account For the year ended 31 December 2007

	<i>Note</i>	2007 £	2006 £
Turnover		454,818	507,638
Operating costs		1,357,920	1,432,470
Operating exceptional items: permanent changes in carrying value of properties	3	(796,500)	(646,304)
Cost of developing land	4	304,608	-
Other operating income	5	(71,900)	(156,500)
		794,128	629,666
Operating (Loss)	6	(339,310)	(122,028)
Finance income	7	174,488	382,329
Finance costs	8	(85,808)	(31,899)
(Loss) before taxation on ordinary activities		(250,630)	228,402
Taxation on profit on ordinary activities	9	(210,497)	89,315
Retained (loss)/profit for the year		(461,127)	317,717

All the items dealt with in arriving at the retained (loss)/profit for 2007 and 2006 relate to continuing operations.

Statement of total recognised gains and losses

	<i>Note</i>	2007 £	2006 £
(Loss)/profit for the year		(461,127)	317,717
Unrealised surplus on revaluation of properties	10	570,650	-
Total recognised gains and losses for the year		109,523	317,717

The notes on pages 16 to 28 form part of these financial statements.

WATERFRONT ENTERPRISE BOARD LIMITED

Consolidated Balance Sheet At 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed Assets					
Investment properties	10		6,792,094		3,100,000
Other tangible assets	11		1,292,527		3,732,872
			8,084,621		6,832,872
Current Assets					
Current asset investments	12	23,560,298		23,423,287	
Debtors	13	3,927,310		4,507,394	
Cash at bank and in hand		157		6,566	
		27,487,765		27,937,247	
Creditors (amounts falling due within one year)					
Creditors and accruals	14	(1,853,786)		(1,161,042)	
Net Current Assets			25,633,979		26,776,205
Net Assets			33,718,600		33,609,077
Equity shareholders funds					
Called up share capital	15		20,000,000		20,000,000
Profit and loss account	16		(7,048,515)		(6,587,388)
Revaluation Reserve	16		570,650		-
Capital reserve	16		20,196,465		20,196,465
	17		33,718,600		33,609,077

The financial statements on pages 12 to 28 were approved by the Board of Directors

On 1st May 2008

and signed on their behalf



by Mr F G Voisin Director

The notes on pages 16 to 28 form part of these financial statements.

WATERFRONT ENTERPRISE BOARD LIMITED

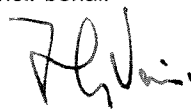
Company Balance Sheet At 31 December 2007

	Note	2007		2006	
		£	£	£	£
Fixed Assets					
Investment properties	10		6,792,094		3,100,000
Other tangible assets	11		1,292,527		3,732,872
Investments			-		1
			8,084,621		6,832,873
Current Assets					
Current asset investments	12	23,560,298		23,423,287	
Debtors	13	3,928,864		4,518,947	
Cash at bank and in hand		157		6,566	
		27,499,319		27,948,800	
Creditors (amounts falling due within one year)					
Creditors and accruals	14	(1,853,797)		(1,161,053)	
Net Current Assets			25,645,522		26,787,747
Net Assets			33,730,143		33,620,620
Equity shareholders funds					
Called up share capital	15		20,000,000		20,000,000
Profit and loss account	16		(7,036,961)		(6,575,834)
Revaluation Reserve	16		570,650		-
Capital reserve	16		20,196,454		20,196,454
	17		33,730,143		33,620,620

The financial statements on pages 12 to 28 were approved by the Board of Directors

on 1st May 2008

and signed on their behalf



by Mr F G Voisin Director

The notes on pages 16 to 28 form part of these financial statements.

WATERFRONT ENTERPRISE BOARD LIMITED

Consolidated Cash Flow Statement For the year ended 31 December 2007

		2007	2006
	Note	£	£
Net cash outflow from operating activities	18	(620,349)	(942,573)
Returns on investments and servicing of finance	19	(79,971)	583
Cash outflow before investment		(700,320)	(941,990)
Capital expenditure and financial investment	20	(235,967)	410,597
Cash outflow before financing		(936,287)	(531,393)
Financing	21	929,878	95,534
Increase/(decrease) in cash in the year		(6,409)	(435,859)

Reconciliation of net cash flow to movement in net funds

Decrease in cash in the year	£ (6,409)
Change in net funds	
Net Funds at 1 January 2007	6,566
Net Funds at 31 December 2007	157

Net funds comprise only cash at bank

The notes on pages 16 to 28 form part of these financial statements.

Notes to the accounts for the year ending 31 December 2007

1 Purpose and financing of the Group and the Company

Share Capital

The Company was formed to manage the development of the St Helier Waterfront area on behalf of the States of Jersey. The Company is responsible for the developments which will be financed from share capital issued by the Company, other capital receipts and grants from the States of Jersey as well as from third party financing. The States of Jersey has subscribed £20m of share capital in the Company to finance development projects.

Introduction of property assets

On 28 April 2002 the States of Jersey resolved to pass legal title to the Company of a number of the parcels of land located on the St Helier Waterfront for which the Company had already been delegated management responsibility. In the course of development of the whole scheme, the Company had already commissioned projects to enhance the value of the sites affected. The Company credited the surplus between the development costs incurred to date and the fair value of these assets to a capital reserve in order to reflect the further contribution they represent to the Company by the States of Jersey.

The first of these assets were transferred into WEB's ownership before 31 December 2003, with further transfers being completed during 2004.

2 Principal accounting policies

i) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain freehold and leasehold assets, and in accordance with generally accepted accounting principles in the United Kingdom.

ii) Basis of consolidation

The consolidated financial statements of Waterfront Enterprise Board Limited comprise the financial statements of Waterfront Enterprise Board Limited and its subsidiary undertakings as listed in note 27.

iii) Investment properties

Investment properties are reflected in the accounts at market value in accordance with SSAP 19 "Investment Properties". Surpluses and deficits arising on the revaluation of investment properties are transferred to the Revaluation Reserve.

In the event that there is a permanent impairment of investment properties below original cost, the impairment below original cost is taken to the Profit and Loss Account.

Any increases in value that reverse previously recognised permanent diminutions are taken to the Profit and Loss Account to the extent that they reverse the previously recognised impairments below cost and the excess over cost is taken to the Revaluation Reserve.

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

2 Principal accounting policies (continued)

iv) Tangible assets

Freehold and leasehold land and buildings are carried at cost and depreciated over their useful economic lives.

If land and buildings are managed on the understanding that the Company will never receive legal title to the asset but the Company's management of the asset for and on behalf of the States of Jersey generates income to be enjoyed by the Company, then the cost of developing that asset will be amortised on a straight line basis over the number of years that the income is expected to continue, and is subject to impairment reviews.

If an asset is held on the understanding that the Company will in due course receive legal title to the asset then expenditure incurred in the course of bringing the asset to its present location and condition is shown at cost and is not amortised. When at some future date legal title to the asset is acquired, then the asset will be re-classified as either an investment property or as a current asset investment depending upon the Directors' plans in relation to the asset.

Any expenditure on developing assets from which the Company expects to derive no economic benefits is taken to the income and expenditure account in the year in which it is incurred.

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated useful lives in equal annual instalments as follows:

Furniture and fittings	5 years
Equipment and installations	5 – 10 years
Computer equipment	3 years
Improvements to office accommodation	9 years

All expenditure on assets acquired of less than £250 is written off in the year of acquisition.

v) Current Asset Investments

Current asset investments comprise freehold and long leasehold land and buildings which the Directors intend to develop themselves or to sell to a third party for re-development and are stated at the lower of the established carrying value and net realisable value.

The established carrying value is determined by the opening market value at the date of acquisition and subsequent expenditure incurred after acquisition.

On acquisition the difference between the market value and the cost incurred by the Company in relation to the asset prior to acquisition is taken to a capital reserve account. Any decrease in value is taken to the Profit & Loss account.

vii) Deferred Consideration

Deferred consideration arises when freehold or leasehold land and buildings previously classified as a current asset investment are sold but realisation of the consideration is deferred until a future date or dates. If the realisation of the deferred consideration is reasonably 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 profit and loss account 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 these contingent assets is disclosed.

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

2 Principal accounting policies (continued)

viii) Pension costs

Employer's contributions to pension costs are charged to the Profit and Loss Account as they become payable (note 23).

ix) Taxation

The Company is exempt from paying Income Tax (see note 9). The charge through the profit and loss account in 2007 is the reversal of the deferred tax asset and an under-provision for the 2006 tax liability.

x) Turnover

Turnover represents the value of the consideration received on the disposal of current asset investments, rental income received and fees for professional consultancy services rendered recognised on an accruals basis.

xi) Bank interest

Bank interest is accounted for on an accruals basis.

xii) Revenue grants

Grants from the States of Jersey in respect of expenditure incurred are credited to the Profit and Loss Account on an accruals basis.

xiii) Legal, consultancy and professional costs

Legal, consultancy and other professional fees relating to initial investigations and similar studies are written off in the Profit and Loss Account. Costs relating to development phases of projects are capitalised.

xiv) Leases

Payments for operating leases are accounted for on an accruals basis.

Receipts from leases are accounted for on an accruals basis.

Any leases that the company has entered into (in the capacity of lessee or lessor) and which contain incentives are accounted for in accordance with UITF 28 Operating Lease Incentives with the incentives allocated to match the effect of increased rentals receivable or payable in later periods.

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

3 Operating exceptional items: permanent changes in carrying value of properties

As explained in note 2(iii) assets acquired which the Directors intend to retain indefinitely as an investment property are carried in the accounts at market value.

As explained in note 10 on 31 December 2007 the Company re-valued the underground car park in La Rue du Port Elizabeth. The leasehold tenure of the car park was acquired in 2004 when the market value of this property together with the related infrastructure costs identified a deficit of £6,260,516 that was expected to be permanent and was therefore charged to the Profit and Loss Account in that year. The latest valuation was performed internally by a qualified RICS Valuation Surveyor.

This revaluation generated an increase of £210,500 (2006: £646,304) and has been added to the profit and loss account as a partial reversal of 2004 write down.

On 31 December 2007 the Company re-valued the Transportation Centre (known as "Liberation Station"). In 2005 the Company granted a sub lease on the Island Site, now known as "Liberty Wharf", and in doing so effectively disposed of its economic interest in this property. The sub lease excluded the area now occupied by Liberation Station which, following the completion of its construction, is held by the Company as an investment property. In 2005 the carrying value of the land and the cost of construction exceeded the market value of the property and this deficit, which in the opinion of the Directors was expected to be permanent, and which amounted to £586,000, was written off in the Profit and Loss Account in 2005. The recent revaluation increased the carrying value of the asset by £1,022,000 of which £586,000 has been added to the profit and loss as a reversal of the 2005 provision and £436,000 has been added to a Revaluation Reserve.

4 Cost of developing land

During the year the Company commenced the redevelopment of a new square at the Weighbridge for the benefit of the public and visitors to the Island of Jersey. The estimated value of the site on completion has been internally valued by a qualified RICS Valuation Surveyor. This value is less than the costs of the works and a proportion of those costs has been written down in 2007 accounts by £304,608.

5 Other operating income

Other operating income comprises grants from the States of Jersey in respect of operational expenditure incurred which are credited to the Profit and Loss Account on an accruals basis. 2007 is the final year in which the Company will receive a grant from the States of Jersey.

6 Operating loss

	2007	2006
	£	£
Operating (loss) is stated after charging:		
Auditor's remuneration – audit	33,000	27,250
Auditor's remuneration - tax and other non-audit services	25,876	33,350
Directors' remuneration	173,557	217,986
Employees emoluments and associated costs	388,315	423,234
Depreciation	46,760	37,066

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

7 Finance income

	2007	2006
	£	£
Bank interest receivable	5,837	5,222
Interest receivable on deferred consideration	168,651	360,493
Other interest receivable	-	16,614
	174,488	382,329

8 Finance costs

	2007	2006
	£	£
Bank interest payable	83,615	26,663
Bank fees and charges	2,193	5,236
	85,808	31,899

9 Taxation on profit on ordinary activities

	2007	2006
	£	£
Jersey		
Income tax (2006: 20%)	-	71,886
Adjustment in respect of prior year	2,445	7,487
Total current tax	2,445	79,373
Deferred taxation		
Origination and reversal of timing differences		
Jersey	-	9,942
Total deferred tax	-	9,942
Reversal of deferred tax asset	208,052	-
Total taxation on profit on ordinary activities	210,497	89,315

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.

Since the tax status of the company has changed to exempt status, the previously recognised deferred tax asset has been reversed as it will not crystallise in the future.

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

10 Investment properties

Group and Company	£
At 31 December 2006	3,100,000
Transfer of assets from Other Tangible Assets	2,324,944
Revaluation	1,367,150
At 31 December 2007	6,792,094

Included with Investment Properties are the following assets: the Waterfront car-park, Liberation Station, the Company's interest in the Radisson Waterfront Hotel and the JEC sub-station at Liberty Wharf.

Valuations of the Waterfront car-park and the JEC substation were undertaken internally as at 31 December 2007 by a qualified RICS valuation surveyor who is an employee of the company.

On 31 December 2007 the Company valued a JEC substation that had previously not been accounted for as an asset in the company's accounts. The valuation produced an asset value of £134,500 for the land upon which the sub-station is sited.

An independent red book valuation was undertaken on Liberation Station as at 31 December 2007.

A review of the company's interest in the Radisson Waterfront Hotel was undertaken internally as at 31 December 2007 by a qualified RICS valuation surveyor who is an employee of the company.

Of the £1,367,150 revaluation sum, £796,500 related to the reversal of previous write downs (see note 3) and increases in value of £570,650 that did not relate to previous years write downs were taken to the revaluation reserve and shown in the Statement of Total Recognised Gains and Losses.

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

11 Other tangible fixed assets

Group

Cost	Interest in land and buildings £	Furniture, fittings and equipment £	Improvements to office accommodation £	Events installations and equipment £	Total £
31 December 2006	3,797,480	98,154	31,403	63,635	3,990,672
Additions	200,962	30,756		4,249	235,967
Write-down of costs	(304,608)				(304,608)
Transfer to Investment	(2,324,944)				(2,324,944)
Properties					
At 31 December 2007	1,368,890	128,910	31,403	67,884	1,597,087
Depreciation					
31 December 2006	206,531	32,593	8,829	9,847	257,800
Charge for year	22,747	11,032	3,472	9,509	46,760
At 31 December 2007	229,278	43,625	12,301	19,356	304,560
Net Book Value					
At 31 December 2007	1,139,612	85,285	19,102	48,528	1,292,527
At 31 December 2006	3,590,949	65,561	22,574	53,788	3,732,872

Company

Cost	Interest in land and buildings £	Furniture, fittings and equipment £	Improvements to office accommodation £	Events installations and equipment £	Total £
31 December 2006	3,797,480	98,154	31,403	63,635	3,990,672
Additions	200,962	30,756		4,249	235,967
Write-down of costs	(304,608)				(304,608)
Transfer to Investment	(2,324,944)				(2,324,944)
Properties					
At 31 December 2007	1,368,890	128,910	31,403	67,884	1,597,087
Depreciation					
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Charge for year	22,747	11,032	3,472	9,509	46,760
At 31 December 2007	229,278	43,625	12,301	19,356	304,560
Net Book Value					
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At 31 December 2006	3,590,949	65,561	22,574	53,788	3,732,872

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

12 Current asset investments

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Subsidiary undertakings	-	-	12,151,543	12,090,197
Freehold land and buildings	12,151,543	12,090,197	-	-
Leasehold land and buildings	11,408,755	11,333,090	11,408,755	11,333,090
	23,560,298	23,423,287	23,560,298	23,423,287

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

13 Debtors

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts due from subsidiary undertakings	-	-	11,554	11,553
Amounts due from the States of Jersey	3,350	56,109	3,350	56,109
Trade debtors	31,567	3,922	31,567	3,922
Deferred consideration due within one year	1,729,000	676,000	1,729,000	676,000
Deferred consideration due after more than one year (see (1) below)	2,088,000	3,509,000	2,088,000	3,509,000
Deferred taxation	-	208,052	-	208,052
Other debtors	53,887	35,051	53,887	35,051
Prepayments	21,506	19,260	21,506	19,260
	3,927,310	4,507,394	3,938,864	4,518,947

(1) Included in debtors is £2,088,000 (2006:£3,509,000) which relates to the considerations receivable on disposal of interests in land and buildings and which is receivable after more than one year.

14 Creditors: amounts falling due within 1 year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts due to subsidiary undertakings	-	-	11	11
Amounts due to the States of Jersey	10,489	16,430	10,489	16,430
Taxation	-	97,488	-	97,488
Bank overdraft	1,646,058	716,181	1,646,058	716,181
Trade creditors	71,593	92,821	71,593	92,821
Other creditors	32,694	32,484	32,694	32,484
Accruals and deferred income	92,952	205,638	92,952	205,638
	1,853,786	1,161,042	1,853,797	1,161,053

The bank overdraft is secured by a security interest agreement over deferred consideration receivable on disposal of interests in land and buildings and is repayable on demand.

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

15 Called up share capital

Equity share capital

	2007	2006
	£	£
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

16 Reserves

Group

	<i>Capital Reserve</i>	<i>Revaluation Reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 31 December 2006	20,196,465	-	(6,587,388)	13,609,077
Retained (loss) for the year			(461,127)	(461,127)
Revaluation of Investment Property		570,650		570,650
At 31 December 2007	20,196,465	570,650	(7,048,515)	13,718,600

	<i>Capital Reserve</i>	<i>Revaluation Reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
At 31 December 2006	20,196,454	-	(6,575,834)	13,620,620
Retained profit for the year			(461,127)	(461,127)
Revaluation of Investment Property		570,650		570,650
At 31 December 2007	20,196,454	570,650	(7,036,961)	13,730,143

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Retained (loss)/profit for the year	(461,127)	317,717	(461,127)	329,271
Increase in revaluation reserve	570,650	-	570,650	-
Opening equity shareholders' funds	33,609,077	33,291,360	33,620,620	33,291,349
Closing shareholders' funds	33,718,600	33,609,077	33,730,143	33,620,620

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

18 Reconciliation of Operating profit/(loss) for the year to net cash outflow from operating activities

	2007 £	2006 £
Operating loss	(339,311)	(122,028)
Depreciation	46,760	37,065
Exceptional Items (note 3)	(796,500)	(646,304)
Loss on disposal of tangible fixed asset	-	10,832
(Increase) in current asset investments	(137,010)	(417,735)
Decrease in debtors	538,237	515,537
(Decrease) in creditors	(237,133)	(319,940)
Cost of developing land	304,608	
Net cash outflow from operating activities	(620,349)	(942,573)

The changes in current asset investments, debtors and creditors for the year ended 31 December 2007 as disclosed above do not correspond to the changes in the corresponding values as disclosed in the consolidated balance sheet. These differences arise as a result of non cash transactions as set out in note 22.

19 Returns on investments and servicing of finance

	2007 £	2006 £
Bank interest received	5,837	5,222
Other interest received	-	16,614
Bank interest paid	(85,808)	(21,253)
Total	(79,971)	583

20 Net capital income/(expenditure) and financial investment

	2007 £	2006 £
Purchase of tangible fixed assets	(235,967)	(135,707)
Expenditure on investment property	-	(53,696)
Disposal of tangible fixed assets	-	600,000
Total	(235,967)	410,597

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

21 Financing

	2007 £	2006 £
Bank loan advanced	929,878	705,534
Bank loan repaid	-	(610,000)
Total	929,878	95,534

22 Major non cash transactions

During the year the Group recorded the following major non cash transactions:

	£
Revaluation of investment property (exceptional item shown in note 18)	(796,500)
Interest receivable on the net present value of deferred consideration in respect of land and buildings sold	168,651

23 Pension costs

Salaries and emoluments include pension contributions of £18,065 (2006: £33,363) which relate to staff who are members 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.

At 31 December 2007 the Company had 1 member of staff in the scheme (2006: 3).

Reference should be made to the States of Jersey accounts for the year ended 31 December 2007 for further details of the scheme. Contributions are accounted for within this Company as a defined contribution scheme, as it is a multi-employer scheme.

The Actuarial valuation of the scheme as at 31 December 2004, dated 13 March 2006, indicated that the Scheme had a deficit of £17.4m.

As an admitted body to PECRS the Company 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 2007 the Company is required to fund additional annual contributions amounting to £5,596 (2006: £5,232). 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 Company will not be required to fund any other part of the deficit relating to the PECRS pension scheme.

Salaries and emoluments include pension contributions of £32,217 (2006: £22,295) which relate to staff who have personal pension plans that are defined contribution schemes. In 2007 the Company had 6 members of staff in such schemes (2006: 2).

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

24 Capital commitments

The Group has capital commitments at the year end as follows:

	2007	2006
	£	£
Contracted for but not provided for in the financial statements	1,622,809	96,965
Authorised but not yet contracted for	562,285	2,252,525
	2,185,094	2,349,490

25 Financial commitments

The Group has annual commitments under non-cancellable operating leases at the year end in respect expiring as follows:

	2007	2006
	£	£
Date of lease expiring		
After more than five years	38,740	38,740

Note: On 15 February 2008 the Company assigned this lease for an annual rental of £38,740 and now owner-occupies premises at Harbour Reach as its office accommodation.

26 Related party transactions

The Company intermittently purchases services from the States of Jersey on a commercial basis and during the year £15,391 was expended in this regard.

The Company also had a related party relationship with the States of Jersey whereby it received rental income at less than market rates for the use of the Weighbridge as a bus station. This lease was terminated on 30 September 2007. During the year rentals totalling £16,214 were collected in respect of this lease from the States of Jersey Department who administer the property.

In September 2007, a new lease has been entered into for the new Liberation Station, whereby rental income receivable from the States of Jersey is at a level the Directors consider to be equivalent to market rates. The total recognised in the Profit and Loss Account for the year ended 31 December 2007 in respect of this contract is £19,722.

Balances with the States of Jersey at the balance sheet date are disclosed in notes 13 and 14.

The Company intermittently purchases goods and services on a commercial basis from corporate bodies that are wholly or partially owned by the States of Jersey. During the year purchases were made from the following corporate bodies: The Jersey Electricity Company Limited £113,052, The Jersey New Waterworks Company Limited £12,107, Jersey Telecom Limited £5,132 and Jersey Energy Limited of £2,405.

The Company also 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 £8,756 were collected.

WATERFRONT ENTERPRISE BOARD LIMITED

Notes to the accounts for the year ending 31 December 2007 (continued)

26 Related party transactions (continued)

On 15 June 2007 La Haie du Puits Limited, a wholly owned subsidiary of Waterfront Enterprise Board Limited, which was established by the Company to facilitate the purchase of the former Managing Director's property was, following the changes to the Housing Law that enables J Category employees to purchase property directly through a company, transferred into the ownership of the new Managing Director in order for him to purchase a property. At the date of transfer the value of the company was £1.

27 Post balance sheet event

On 25 April 2008 the Company entered into a share sale and development agreement ("the agreement") with Castle Quays Development Limited ("Castle") relating to the development of Castle Quays. Under the terms of the agreement the Company received an initial non-refundable consideration of £1,093,579 on signing. This development will take place in two phases with phase 1 incorporating the land held in the Company's subsidiary Waterfront 6A Limited and phase 2 comprising of the land held in the Company's subsidiary Waterfront 6C Limited. Subject to the phase 1 conditions precedent being fulfilled, Castle will purchase the shares of Waterfront 6A Limited for a base value of £3,625,000 with certain additional planning and sales overages being payable on completion. The holding value of the land owned by Waterfront 6A Limited as at 31 December 2007 was £2,624,163.

28 Subsidiaries

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

It is also the beneficial owner of all the equity share capital of the following subsidiary undertakings all of which were incorporated in Jersey:

	Principal activity	Holding
Waterfront 5A – B Limited	Property Holding	2 ordinary shares of £1 each
Waterfront 6A Limited	Property Holding	2 ordinary shares of £1 each
Waterfront 6C Limited	Property Holding	2 ordinary shares of £1 each
Waterfront 6D Limited	Property Holding	2 ordinary shares of £1 each
Waterfront 6E Limited	Property Holding	2 ordinary shares of £1 each

During the year the Company disposed of La Haie de Puits Limited (see note 26)

29 Immediate and ultimate controlling party

The Company is wholly owned by the States of Jersey.