Jersey Development Company
Annual Report & Consolidated
Financial Statements 2017

JERSEY
DEVELOPMENT
COMPANY

R.69/2018

KEY ACHIEVEMENTS 2017

ALL 187 UNITS at College Gardens Residential Project SOLD OUT early in the construction phase

October

March

March

October

Successful completion of IFC 1

March

Planning consent for IFC 6

March

October

WINNER IFC 1

'BEST USE OF INNOVATION'

The unitised façade won 'Best use of Innovation' Award at the Jersey Construction Council Awards 2017.

November

Topping out of IFC 5

October

November

November

December

November

A TOTAL OF 74% OF IFC 1 IS LET

December

RESIDENTIAL UNITS PRE-SOLD AT HORIZON 31

(as at 31 December 2017 to the value of £11m)

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Directors, Officers and Professional Advisers

Non-Executive Directors

Nicola Palios (Chairman)
Paul Masterton (Senior Independent Director)
Ann Santry CBE
Richard Barnes
Tom Quigley

Executive Directors

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

Company Secretary

Simon Neal

Registered Office

Durell House
28 New Street
St. Helier
Jersey
JE2 3RA

Place of Incorporation

Jersey

Auditors

PricewaterhouseCoopers CI LLP
37 Esplanade
St. Helier
JE1 4XA

Chairman’s Statement

The States of Jersey Development Company Limited’s (“the Company” or “JDC”) remit is to create value for the public of Jersey. This value will be realised in a number of different but complementary ways - financially, economically, socially and environmentally.

JDC maximises returns from its development activities and its property investments. Revenue generated by JDC from the direct development of property will be invested in working capital for future developments, invested in public infrastructure, invested in regeneration projects or paid to the States Treasury via a dividend. Ultimately, the receipts from the Company’s development activities are reinvested for the benefit of the public.

The Company’s development activities stimulate the local economy and support employment. In recent years the Company has placed construction contracts totalling more than £80 million with two locally based contractors. Furthermore, the office buildings that are being created at the International Finance Centre provide modern and efficient space both for existing businesses to expand or for new businesses to locate to the Island.

Profit maximisation is not JDC’s sole objective. Many of the Company’s projects include social and environmental benefits, whether it be discounted homes for eligible first-time buyers, as at College Gardens, or extensive new civic open space in the heart of St. Helier as at the International Finance Centre (“IFC”).

2017 has seen a real ‘step change’ for the Company.

The IFC has finally come to life after years of planning, with the first building having been completed and occupied and providing our new tenants with the only super-prime grade A office space in Jersey.

That first building will shortly be almost 90% full, with ‘blue chip’ tenants, both long established and new to the Island. As we are approaching full occupancy, we will shortly be marketing that building for sale and expect to have a sale completed, with a healthy profit for the Company and Islanders, by the end of this summer.

Construction of the second building commenced during 2017 and is on schedule for completion in 2018. We are again attracting a lot of interest from tenants who want to avail themselves of column free space, energy efficient buildings and magnificent views over St Aubin’s Bay. With these 2 blocks, we have set a new standard for commercial office buildings in Jersey and established an International Finance Centre which will play an important role in ensuring that Jersey remains at the forefront of the international finance industry.

But JDC is not solely about office development; we have also been continuing work during 2017 on the housing development at the former Jersey College for Girls site. This scheme provides much needed housing for the Island, including 80 affordable units, and the restoration and preservation of one of the most iconic historical building façade that the Island has to offer. I am delighted to report that all units in this development have sold in advance of its completion. In addition to providing more housing stock and restoring the historic building, the Company is predicted to secure a profit in excess of £5m on this development which will be paid out as a dividend to the States of Jersey.

We are therefore now turning attention to our next residential development, Horizon, which will deliver 280 apartments on the marina front in St. Helier. Again, pre-sales are already strong, ahead of the formal launch of this scheme.

Chairman's Statement (continued)

JDC was established to ensure that redundant States assets are developed for the benefit of the Island. I believe that we are delivering that, by providing top quality buildings for commercial lettings at the same time as ensuring that we are providing social and residential housing and generous public realm areas, which are not the natural concern of commercial developers.

I would like to thank the Board and the staff of the Company for their excellent contributions this year and we look forward to continuing to contribute to the development of the Island during the years to come.

Nicola Palios
Chairman
19 March 2018

Strategic Review

2017 has seen a strong year of performance for this property development company that is 100% owned by the States of Jersey. Highlights include the successful completion and further lettings in Building 1 of the International Finance Centre (IFC), construction advancing on IFC Building 5, 100% pre-sales on College Gardens and the commencement of marketing and pre-sales on our new residential project, Horizon.

The Island's economy is in a good position and continues to improve with positive Gross Value Added (GVA) figures, growing 1% in 2016 following a 2% rise in 2015 and a 5% increase in 2014. It is expected that 2017 will continue to show economic growth, following record employment figures and high levels of activity in the construction industry.

The residential property market is very buoyant, with activity at an all-time high and values across most unit types having recovered from the global recession. Demand for one- and two-bedroom apartments is particularly strong as evidenced by the Company's successful pre-sales for College Gardens and now Horizon. JDC is keen to assist first time buyers by structuring a phased payment plan for the 10% deposit required for off-plan purchases. This arrangement has been welcomed by 54 first-time buyers to date and supports the Islands wider housing strategy.

College Gardens

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

The development comprises:

Social rented units for the over 55's	40
Shared equity units for eligible first-time buyers	40
Open market units	107
	187

The 40 Social Rented Units are being delivered by JDC on behalf of the Jersey Homes Trust. These units are on programme and will be completed and handed over to the Jersey Homes Trust in April 2018.

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

By the year end, JDC had secured pre-sales on 100% of the units in the College Gardens residential development with a cumulative value of over £53m. It is a remarkable achievement on such a sizeable residential development.

Strategic Review (continued)

The first units will be ready for occupation in April 2018. Phased completions will take place thereafter until final completion in May 2019. 100% of the profit generated from the development will be paid to the States Treasury as a dividend in 2019.

International Financial Centre (IFC)

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

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

During the year, construction was completed on the first IFC building (IFC 1) and the building is now home to UBS AG, BNP Paribas SA, Laing O'Rourke Corporation, ED Capital and Foundation Services Limited. By the year end, IFC 1 was 74% let with a further 14% in legal hands.

IFC 1 is the highest quality office building in Jersey and is a testament to the design team (principally MJP Architects and Waterman Group), the Main Contractor (Camerons), and their various sub-contractors, as well as JDC's in-house project management team.

Progress on the second building (IFC 5) continued during the year with the building envelope almost complete by the year end. IFC 5 is on programme and will be complete by the end of July 2018 which will include a new public square.

During the year, SANNE Group plc exercised an option on the third floor resulting in SANNE now taking 56% of the building. JDC has received a number of enquiries for the remaining space in IFC 5 and further lettings are anticipated during 2018.

JDC remains confident that based on the lease profiles of potential tenants and the number of enquiries that it has received, that there will be sufficient demand to fill the first four office buildings in the IFC within a 5 year timeframe.

Horizon

During 2017, JDC appointed a design team and advanced the detailed design for Horizon, a 280 unit residential scheme between the Radisson Hotel and Castle Quay. The development includes 20,000 sq. ft. of commercial space on the ground floor and 194 underground parking spaces.

Horizon already had planning consent and JDC appointed the original architects, Skidmore, Owings and Merrill (SOM) to progress the detailed design. SOM is an internationally renowned firm of architects having designed the world's tallest building, the Burj Khalifa in Dubai, as well as One World Trade Center in New York.

JDC commenced the pre-sales on the development at the end of November and by the end of the year had secured reservations on 31 units in the first building (Horizon East) representing 31% of that block. Construction is planned to commence in August 2018 and it is estimated that the entire development will be delivered by early 2022.

Strategic Review (continued)

Investment Properties

The Company owns investment properties which it actively manages to ensure revenues are maximised. Overall, investment and other income was £3.05m for the year (2016: £2.46m) which included litigation costs recovered of £370k, a 24% increase year on year.

During the year, following agreement with the States as Shareholder, the Company disposed of a number of non-strategic investment properties totalling £3.38m.

The Company retains its key strategic investment properties namely - the Waterfront Car Park, the Transportation Centre and Weighbridge Square.

Community Projects

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

JDC promotes and supports the use of these areas for public events and was delighted to assist the Super League Triathlon in the set-up of the arena at the Waterfront. The event was a huge success and was a great showcase for the St. Helier Waterfront. It is hoped that the event will return in 2018. Other major events in 2017 included Liberation Day celebrations, the Boat Show, the Marathon, the Triathlon, Pride, Madeiran Festival and French Week all taking place on land that is owned or administered by JDC. Annually, the Company organises and assists in funding the Christmas lights on Weighbridge Square and Route du Port Elizabeth.

As part of the development of IFC 1, during the year the Company completed new civic space around the building that will be tied into the public square that will be delivered as part of IFC 5.

Financial Performance

Summary

Consolidated statement of comprehensive income	2017	2016
Operating Profit	£7.3m	£2.2m
Revaluation of Investment Properties	£6.1m	£1.6m
Revaluation of non-current assets held for sale	£0.3m	-

Consolidated position of financial position	2017	2016
Total assets	£126.0m	£85.4m
Borrowings	£55.2m	£23.3m

In accordance with international accounting standards, profits are only realised on the completion of a property provided the asset is either sold or held as an investment. During the year the first building in the IFC was completed but the asset was not disposed of and as such it continues to be reflected in the Company's accounts as inventory, at the lower of cost or net realisable value, so no profit has been booked during the year. As College Gardens and IFC 5 were still under construction these properties are also held in the accounts as inventory at the lower of cost or net realisable value, and no profit has been booked during the year.

Notwithstanding this, the Company generated an operating profit of £7.3m (2016: £2.2m) for the financial year ended 31 December 2017, this included an upward revaluation of its investment properties of £6.1m (2016: £1.6m).

Strategic Review (continued)

Cash and cash equivalents decreased to £2.0m (2016: £2.9m). The Company's finance facilities totalling £82.5m (2016: £76.5m) provide construction finance for IFC 1, IFC 5 and College Gardens and the pre-development costs of Horizon. At the year end £55.2m (2016: £25.8m) of these loans had been drawn. The loans will be repaid in full on the disposal of the completed assets. The profits will either be paid out as a dividend, retained by the Company for the delivery of public infrastructure, or used as working capital for future development projects.

The Group, being the Company and its subsidiaries, manages total assets of £126.0m (2016: £85.4m).

The Group's inventory is carried at the lower of cost and net realisable value with cost being the land value at the date of the original acquisition plus subsequent expenditure incurred. As at 31 December 2017 the inventory totalled £102.4m (2016: £66.4m).

Given the level of pre-development expenditure on large real estate projects, the funding requirements for the delivery of public infrastructure at the Esplanade Quarter and the long lead-in times to realising receipts from real estate development, JDC agreed with its Shareholder that there would be no dividend paid from 2016 until the completion of the College Gardens development in 2019. All net receipts from the sale of IFC 1 and IFC 5 will be retained by the Company to fund the delivery of the new 520 space underground public car park that JDC is required to deliver as part of the current Esplanade Quarter masterplan.

Esplanade Quarter Masterplan Review

JDC welcomes the review of the Masterplan and has participated, along with other stakeholders and members of the public, in the workshops that have been organised by the Environment Department and their independent advisors the Design Council CABE. JDC believes that everyone that attended is aligned in a vision to create a Waterfront that Islanders can be proud of, that provides a good mix of uses and improves the built environment. Waterfronts around the world are forward looking and provide new areas for living, commerce and leisure and St. Helier's Waterfront has the ingredients to create a compelling Waterfront. JDC is committed to delivering well designed, high-quality buildings and public realm that will improve the quality of the built environment.

Future

Over the next 5 years the Company is targeting the delivery of a further two office buildings at the IFC, in addition to completing College Gardens and Horizon.

The Company will also be preparing for the next phases of the St. Helier Waterfront following the conclusion of the review of the Esplanade Quarter Masterplan. It is envisaged that these areas (extending from the north of the Radisson Hotel to Les Jardins de la Mer) will deliver further residential accommodation as well as hospitality uses (hotel, self-catering and ground floor food and beverage and retail).

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

L. Henry

Lee Henry
Managing Director
19 March 2018

Commercial Activities

IFC Jersey

IFC Jersey has set a new standard in office development in Jersey, supporting the island's leading Financial Services industry, which directly contributes 44% of the island's economy and employs over 13,000 people.

All buildings in the IFC will provide tenants with highly efficient and flexible working spaces as well as an exceptional approach to energy efficiency, excellent levels of natural light and extensive high quality civic space.

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

The development will deliver high quality community areas and will include a new public square and public park, as well as delivering a re-landscaped Esplanade with wider pavements.

The inclusion of wide open public space surrounding IFC 1 includes the re-instatement of the former sea wall and the recycling of the old sea wall granite to form pavement curb edges.

During the year, new trees were planted along Castle Street. Works to the new public square to be known as Trenton Square commenced in March and will be complete in July 2018.

A new website specifically created for IFC Jersey was launched in April. Ifcjersey.je provides information regarding each of the buildings, floor plans, news updates and a photographic gallery.

Commercial Activities (continued)

IFC 1

Honoured guests including The Bailiff, Senator Alan Maclean and Constable Simon Crowcroft assisted the company to officially open the first building on the IFC development in April.

On completion, the first tenant UBS AG relocated to IFC 1, taking space on the fifth floor and part of the fourth floor. BNP Paribas followed in September taking space on the third and second floor.

At the year end, the building was 74% occupied.

The unitised façade won 'Best use of Innovation' Award at the Jersey Construction Council Awards in October 2017.

During the year an additional 9,510 sq ft was let to:

Lessee	sq.ft	Floor	Lease commencement
Laing O'Rourke	3,297 sq.ft.	4th floor	May 2017
E.D Capital	3,676 sq.ft.	4th floor	August 2017
Foundation Services Ltd	2,537 sq.ft.	1st floor	January 2018

Commercial Activities (continued)

IFC 5

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

SANNE PLC secured 50% of the building in November 2016 and agreed terms for an additional 6% of space during the year, bringing the total to 56%.

Food & Beverage and retail space of 2,600 sq.ft will be occupied on the ground floor and we are currently in negotiations with local food & beverage and retail outlets to secure this space.

Commercial Activities (continued)

IFC 6

Detailed plans were approved by the Planning Applications Committee in March and will provide 68,000 sq.ft. of modern Grade A office accommodation over five floors, as well as a restaurant within the ground floor section.

There will also be private underground parking for 51 cars and 72 bicycles.

The technical design was advanced during 2017 and construction will commence once a pre-let agreement has been confirmed.

Residential Activities

The delivery of much needed residential accommodation is a key objective to the Island Plan. The property market is buoyant, with activity at an all-time high and values across all unit types have now recovered from the global recession. It's imperative that we assist in providing more residential homes to islanders. Our aim is to offer choice and affordability as well as contributing to high quality public spaces within these new residential areas.

Profit maximisation is not the company's sole objective and many of our projects include social and/or environmental benefits, whether it's discounted homes for eligible first-time buyers (as at College Gardens), or creating a new neighbourhood of homes, shops, restaurants and public spaces (as per Horizon at the waterfront).

The Company is also committed to improving the built environment and creating well designed and quality buildings.

The former Jersey College for Girls building was a decaying States asset and is currently being transformed into a modern and highly desirable residential community.

The Castle Quay phase 2 development named 'Horizon' will provide a new level of living and leisure opportunities, connecting St. Helier's business district and creating a dynamic new destination at the waterfront.

College Gardens

During the year, construction continued to progress at the former Jersey College for Girls site at La Pouquelaye, which will consist of 187 residential units. This includes 80 units being delivered as affordable homes; 40 of which have been sold to the Jersey Homes Trust for over 55's social rental and 40 units have been sold to eligible first-time buyers at a discount to the open market.

The first two blocks will be practically complete in April 2018, this includes Garret-Anderson House for the Jersey Homes Trust and Inglis House which contains ten open market units.

The remaining units will be completed as follows:

Nightingale House
provides 28 units and is due for completion - Summer of 2018.

Curie Fry House
provides 35 units and is due for completion - Autumn 2018.

Cavell House
provides 26 units and is due for completion - Winter 2018.

Austen-Bartlett House
provides 48 units and is due for completion - Spring 2019.

Residential Activities (continued)

> *The concept came to us at an exciting time in our lives. We are looking to retire and were apprehensive, but now look at it as a new beginning. When we looked at the high specification and the layout of the apartments, the idea became a reality. The whole experience was very pleasant and we now look forward to the future with great excitement.*
>
> **Purchaser in Nightingale House**

All of the apartments were pre-sold off-plan which included 40 Shared Equity units sold through the Assisted Purchase scheme for first-time buyers. To qualify for these units, the Housing Minister set the eligibility criteria that included:

i) Being a first-time buyer

ii) Locally qualified and

iii) Maximum earnings (individual or couple) of £41,000 per annum.

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

> *We instantly loved the look of the development and its location - the concept appealed to us, and the timescale of the development fitted in with our plans. The whole experience from introduction and follow up was first class and totally professional, and the ease of purchase made the whole process hassle free. A sheer delight to have been successful in the purchase of our apartment.*
>
> **Purchaser in Austen-Bartlett House**

Residential Activities (continued)

Horizon

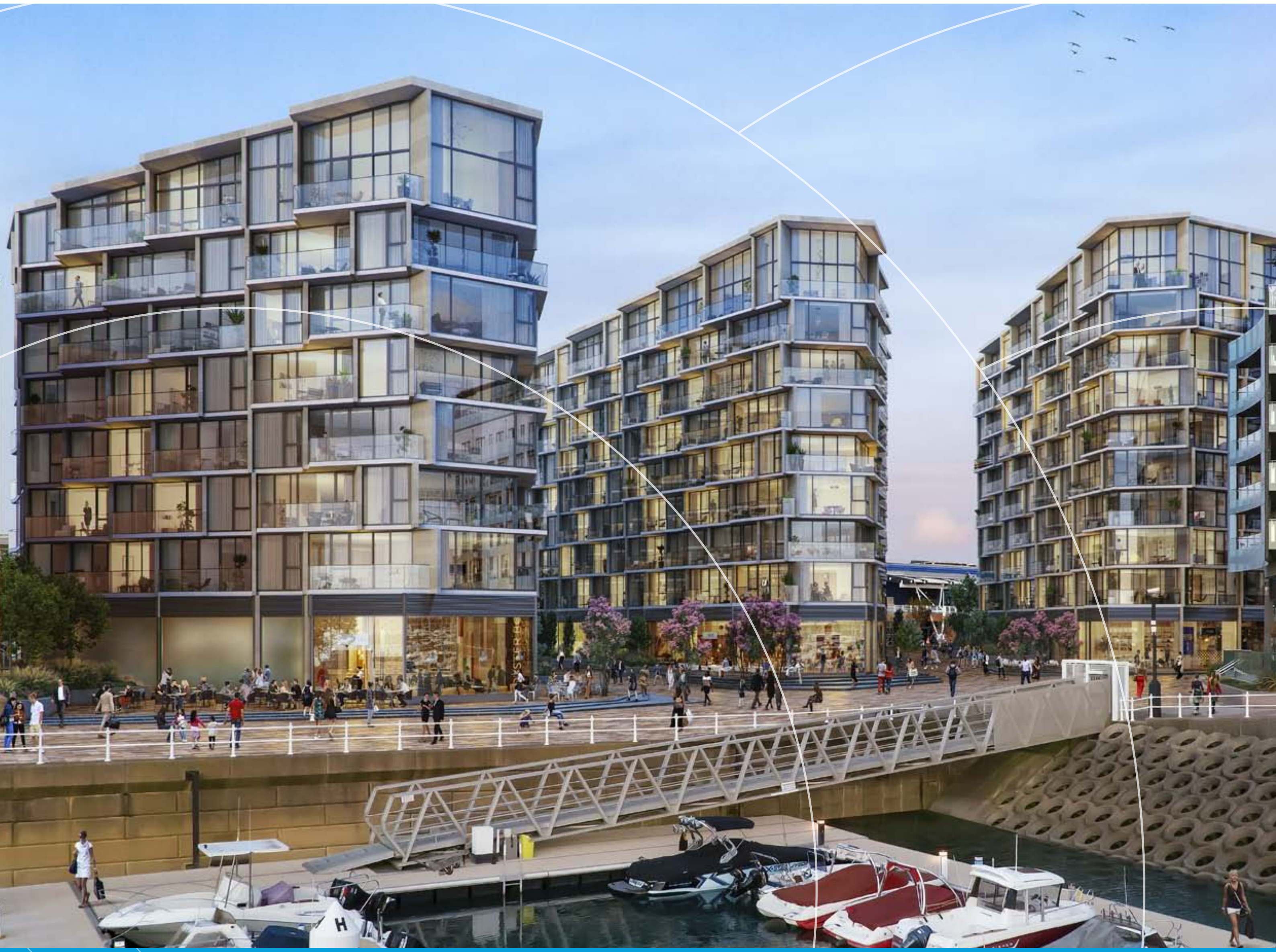
Horizon will be an exclusive collection of 280 one, two and three-bedroom waterside apartments and penthouses and will include a restaurant and retail quarter at the water's edge. The development will bring together a new neighbourhood of homes, shops, restaurants and civic spaces, connecting St. Helier's business district and creating a dynamic destination.

Designed by Skidmore, Owings and Merrill LLP (SOM International), one of the largest and most influential architecture firms in the world, Horizon will be a landmark development for St. Helier.

SOM International are renowned for their iconic buildings and commitment to design excellence, innovation and sustainability and we are extremely excited to be working with this talented team.

The company commenced marketing the residential apartments in Q4 2017 and pre-sales was taken from November 2017. At 31 December 2017, 31 apartments had been pre-sold.

Construction is due to commence on site in Q3 2018. Horizon will be completed in three phases, the first of which will be Q3 2021 through to 2022.



Future Developments

Over the next five years the Company is targeting the delivery of four office buildings at IFC, completing College Gardens and Horizon.

The Company will be preparing the next phase of the St. Helier Waterfront following the conclusion of the review of the Esplanade Quarter Masterplan. It is envisaged that these areas (extending from the north of the Radisson Hotel to Les Jardins de la Mer) will deliver further residential accommodation as well as hospitality uses (hotel, self-catering and ground floor food and beverage and retail).

JDC is also in dialogue with its shareholder to undertake the regeneration of any surplus States owned assets such as St. Saviour's Hospital and South Hill.

Community Engagement

Super League Triathlon

The company was delighted to assist the Super League Triathlon team and 3D Events with facilitating the Super League Triathlon 'Jersey' on 23, 24 September at the Waterfront. The Super League Triathlon transformed the waterfront area to an exciting fast-paced sporting competition, which was enjoyed by thousands of spectators and televised globally throughout the world in 147 countries, to an audience of approximately 375 million people. As part of our commitment to improving the public areas of the Waterfront area we ensured a number of improvements were made to the estate in advance to assist with the success of the Super League Triathlon.

The company is keen and supportive to see the waterfront areas used for a variety of public and charitable events. A number of events have taken place and include, the Jersey Marathon, Liberation Day Celebrations, The Jersey Triathlon, Autism Jersey Table Football, Race for Life and The Norman Market.

Community Engagement (continued)

Public Art Commission for College Gardens

As part of the redevelopment of the former Jersey College for Girls site, we invited art & design students from JCG to take part in the company's public art commission - a large sculpture will be installed at College Gardens to celebrate the school's heritage.

The company commissioned Derek Tristram, a professional local artisanal stonemason. Derek has previous experience as an educator and practical knowledge of working with schools and community groups regarding the delivery of public art schemes. During a 10-week period from March, students reviewed the school's history and most notable alumni set against the cultural backdrop of women's changing roles in society over the last century.

The project journey included learning about the scale, technical processes and materials, drawing sessions to develop ideas, practical workshops to learn clay and stone carving techniques and design detailing sessions, which concluded in July with the final approach for the chosen sculpture.

During the winter Derek commenced work on sculpturing the final design in granite, which will be installed adjacent to the old Greek theatre at College Gardens in Summer of 2018, creating a lasting cultural legacy for future generations for both College Gardens residents and students from JCG to enjoy.

Pride of Jersey Awards

For the past two years, the company has had the privilege to be involved with the annual Pride of Jersey Awards organised by the Jersey Evening Post. The awards recognise remarkable groups or individuals who have gone beyond all expectations and have helped to enhance the lives of others around them.

The company was delighted to once again support the 'Child of the Year' award. We felt this aligned with the company's purpose: to invest in future generations, supporting economic growth and stability for the benefit of all islanders, and in particular, our children's future opportunities.

Civic Space

The company has transformed extensive areas of land into attractive community spaces, with promenades, landscaped gardens and squares. This includes Les Jardins de la Mer, Marina Gardens, Weighbridge Square, the Waterfront promenades and more recently landscaping and tree lined streets which have been widened adjacent to IFC 1 and IFC 5.

As part of the development of IFC, a new public square named Trenton Square (similar size to Liberation Square) will be completed along with IFC 5 in August 2018.

Corporate Governance Report

Jersey Development Company is committed to maintaining a high standard of Corporate Governance and follows the Corporate Governance Handbook which is based on the best practice principles of the UK Corporate Governance Code issued by the Financial Reporting Council ("the Code") where it is appropriate and practical to do so.

The Company has entered into a Memorandum of Understanding with its Shareholder which emphasises a 'no surprises' culture and specifies those strategic and other issues for which the agreement of the Shareholder's representative should be sought.

The shareholder function is exercised by the Treasury and Resources Minister, whose duty is to act on behalf of the States of Jersey.

The Board

The Board is collectively responsible for the governance of the Company. This is achieved by setting the overall strategy, approving detailed business plans and overseeing delivery of objectives by continually monitoring performance against those plans. Critically, the Board establishes the culture, ethics and values of the Company.

The Board of Directors is responsible for the governance of the Company. The Board is responsible for:

- setting the Company's strategic aims;
- providing the leadership necessary to deliver these aims and associated objectives;
- establishing the culture, values and ethics of the Company;
- supervising the management of the business;
- ensuring the Company complies with relevant laws and regulations; and
- reporting to the shareholder on stewardship, in accordance with the requirements of the MoU.

The Board remains cognisant that while responsibility for the operation of a commercial development company, the Company operates in a multi-stakeholder environment with the public of Jersey as the ultimate shareholder.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The non-executive directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. In accordance with good corporate governance, the Board has an Audit & Risk Committee and a Remuneration & Nomination Committee in place.

Whilst maintaining oversight at regular meetings of the Board, the day to day operation of the Company is the responsibility of the Managing Director and his executive team.

Mix of Independent Non-Executive and Executive Directors

The Board comprises the Chairman, the Managing Director, the Finance Director, the Ministerial Appointee, and 3 States Appointees (in addition to the Chairman). At the year end, the Board comprised of seven Directors, two of whom form the Executive and five the Non-Executive Directors. Of the five Non-Executive Directors, one Director was appointed as the Senior Independent Director during the year.

Independence

One Non-Executive Director is appointed by the Minister for Treasury and Resources with the remaining Non-Executive Directors being appointed by the States Assembly. All Non-Executive Directors are nominated via an open recruitment process overseen by the Jersey Appointments Commission. The primary function of the Jersey Appointments Commission in overseeing appointments to States 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.

Corporate Governance Report (continued)

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.

Membership of both the Board Committees is comprised solely of Non-Executive Directors. These Committee members are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resources in order to carry out their duties. A report of the Audit & Risk Committee is provided on page 23 and the report of the Remuneration & Nomination Committee is provided on pages 24-25.

Meetings

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

The Board met eight times during 2017.

Board attendee	Number of meetings attended	AGM
Nicola Palios (Chair)	7	-
Ann Santry	7	1
Paul Masterton	8	1
Richard Barnes	8	1
Tom Quigley	7	1
Lee Henry	8	1
Simon Neal	8	1

Board Assessment

In accordance with the Board's Terms of Reference, an annual performance assessment of the Board and of the Chair is made together with recommendations for areas of improvement. The main recommendation from the 2017 review was to increase focus on risk management and mitigation.

Internal Control

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

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

- **Strategy & Management**
- **Financial Reporting and Control**
- **Communication**
- **Staff resources**

Relations with Shareholder

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

By order of the Board

Paul Masterton
Senior Independent Director
19 March 2018

Audit & Risk Committee Report

The Audit & Risk Committee operates under a charter agreed by the Board. The Audit & Risk Committee is responsible for:

(a) providing effective governance over the appropriateness of the Company's financial reporting including the adequacy of related disclosures;

(b) the performance of the audit function;

(c) the management of the Company's systems of internal control and financial risks;

(d) overseeing the management of risk by approving the risk management policy and governing its implementation;

(e) reviewing the Company's risk register that includes the highest assessed risks in the Company's development projects;

(f) to monitor the organisation's current risk profile and provide assurance that there are robust structures, processes and accountabilities for risk management within the organisation.

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

The Audit & Risk Committee is responsible for reviewing the annual financial statements and accompanying reports before their submission to the Board for approval. It is also responsible for monitoring the controls which are in force, (including financial, operational and compliance controls and risk management procedures) to ensure the integrity of the financial information reported to the shareholder. It also considers reports from the internal and external auditor and from management. It reports and makes recommendations to the Board.

The Company has a Risk Register for each project and the Company as a whole which details and assesses all the significant risks facing the Company.

Management is responsible for identifying the key risks to achieving their business objectives and ensuring that there are adequate controls in place to manage these in line with the risk appetite set by the Board. The Managing Director and Finance Director are invited to attend the Audit & Risk Committee meetings to provide presentations on the key risks and how these are managed.

The terms of reference of the Audit & Risk Committee require it to meet at least three times in a year. Additional meetings may be called where deemed necessary.

The Audit & Risk Committee also advises the Board on the appointment of the external auditor and on their remuneration, including monitoring any issues that could impact auditor independence. In addition, the Audit & Risk Committee regularly reviews the scope and results of the work undertaken by both internal and external auditors. As the fifth anniversary has passed since the last tender process, the Audit & Risk Committee has decided to tender the external audit for 2018 which will be concluded in time for the Annual General Meeting in May.

The Audit and Risk Committee met four times during 2017.

Committee member attendee	Number of meetings attended
Tom Quigley (Chairman)	4
Ann Santry	4
Paul Masterton	4
In Attendance	
Lee Henry	4
Simon Neal	4
PricewaterhouseCoopers	3

By order of the Audit & Risk Committee

T.K. Quigley

Tom Quigley
Chairman of the Audit & Risk Committee
19 March 2018

Remuneration & Nomination Committee Report

The Remuneration & Nomination Committee operates under a charter agreed by the Board. The Remuneration & Nomination Committee is responsible for:

(a) Reviewing the structure, size and composition of the Board;

(b) Consider and make recommendations to the Board on all new appointments of Directors having regard to the overall balance and composition of the Board;

(c) Make recommendations to the Board concerning the reappointment of any Non-Executive Director following conclusion of his or her specified term of office;

(d) Overseeing succession planning in respect of the Directors; and

(e) Setting the remuneration of the Directors.

The Committee recognises the benefits and will continue to appoint Executive and Non-Executive Directors to ensure diversity of background and on the basis of their skills and experience.

The Remuneration Committee members are currently Non-Executive Directors, Ann Santry (Chairman), Paul Masterton and Richard Barnes.

The Remuneration & Nomination Committee makes recommendations to the Board regarding the remuneration of both Executive, Non-Executive Directors and all staff and considers the ongoing appropriateness and relevance of the remuneration policy. The Committee is also primarily responsible for overseeing the selection and appointment of the Company's Executive and Non-Executive Directors, as and when required and make recommendations to the Board.

As per the Memorandum of Understanding (MoU) with the Treasury and Resource Minister, all the Non-Executive Directors will be appointed by the States Assembly with the exception of the Minister's Appointee. Any changes to the level of remuneration paid to Non-Executive Directors is to be agreed in advance by the Minister. It also states that the Board will undertake a review and benchmarking of directors' remuneration and terms of employment at least every two years.

During the year the first external review of non executive pay was undertaken since 2011. Following approval by the Shareholder, the annual fee was increased, on a phased basis, to £20k p.a in 2017 with a further increase to £22k scheduled from 1 January 2018. The Chair of the Audit Committee is paid an additional £3k p.a to reflect the additional responsibilities.

The terms of reference of the Remuneration & Nomination Committee require it to meet at least once a year.

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

Remuneration & Nomination Committee Report (continued)

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

Directors' Remuneration

	Salary / Fees £'000	Benefits £'000	Bonus £'000	2017 Total £'000	2016 Total £'000
Executive Directors					
Lee Henry	168	2	33	203	207
Simon Neal	135	-	27	162	137
Non-Executive Directors					
Nicola Palios	40	-	-	40	38
Ann Santry	20	-	-	20	15
Paul Masterton	20	-	-	20	15
Richard Barnes	20	-	-	20	3
Tom Quigley	23	-	-	23	3
Roger Lewis	-	-	-	-	12
Total	**426**	**2**	**60**	**488**	**430**

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

Directors' pension contributions

	2017 £'000	2016 £'000
Lee Henry	25	25
Simon Neal	20	18
Total	**45**	**43**

The Remuneration Committee met six times during 2017.

Committee member attendee	Number of meetings attended
Ann Santry (Chair)	6
Paul Masterton	6
Richard Barnes	6
In Attendance Lee Henry	6

By order of the Remuneration & Nomination Committee

Ann Santry

Ann Santry
Chairman of the Remuneration & Nomination Committee
19 March 2018

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2017.

Incorporation

The States of Jersey Development Company Limited (the "Company") was incorporated in Jersey, Channel Islands on 21 February 1996. The Company trades as Jersey Development Company which is it the registered business name.

Principal Activities

The principal activity of the Company and its subsidiaries (the "Group") is to engage in property investment, property development, car park operations and estate management.

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

The Company's mission is to create 'dynamic innovative and sustainable new environments for people to live, work and invest, ensuring all developments are in the local interest and contributing to Jersey's bright economic future.' The Company creates new homes for residents and new Grade A office space for the Island's premier financial services industry. By investing in direct development, rather than selling land to developers, the Company ensures that returns to taxpayers are improved as well as retaining control over design and quality.

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

The principal place of business is Jersey, Channel Islands.

Results and Dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 33. There was no dividend paid during the year (2016: £Nil).

Directors

The Directors who held office during the year and subsequently were:

Executive Directors

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

Non-Executive Directors

Nicola Palios (Chairman)
Paul Masterton (Senior Independent Director)
Ann Santry CBE
Tom Quigley
Richard Barnes

Directors' and officers' insurance

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

Independent Auditor

A tender process is currently underway to appoint an auditor which will be concluded in time for an appointment to occur at the Annual General Meeting.

Directors' Report (continued)

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

By order of the Board

For and on behalf of
The States of Jersey Development Company Limited
19 March 2018

CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of The States of Jersey Development Company Limited (the "Company") and its subsidiaries (together the "Group") as at 31 December 2017, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises the Key Achievements 2017, the Directors, Officers and Professional Advisers, the Chairman's Statement, the Strategic Review, the Commercial Activities, the Residential Activities, the Future Developments, the Community Engagement, the Corporate Governance Report, the Audit & Risk Committee Report, the Remuneration & Nomination Committee Report and the Directors' Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on other legal and regulatory requirements

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

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

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Karl Hairon
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands
29 March 2018

Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Revenue	3.1	3,047	2,460
Development revenue on College Gardens, Block 4	3.2	6,480	549
Net gain from fair value adjustment on investment property	4, 8	6,096	1,569
Net gain from fair value adjustment on non-current assets held for sale	8	280	-
Net gain on sale of investment property	4	2	444
Total Revenue		**15,905**	**5,022**
Development costs on College Gardens	3.2	(6,480)	(549)
Employee benefits expense	3.4	(1,042)	(1,043)
Premises and establishment		(149)	(110)
Estate management	3.5	(603)	(394)
Depreciation of property, plant and equipment	5	(7)	(5)
Other expenses	3.3	(316)	(687)
Operating profit		**7,308**	**2,234**
Finance income		-	1
Finance costs		(561)	(202)
Finance income - net		**(561)**	**(201)**
Profit for the year		**6,747**	**2,033**

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

The notes on pages 37 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investment property	4	17,250	11,000
Property, plant and equipment	5	27	33
Trade and other receivables	7	1,297	-
Retention money receivable		86	13
		18,660	**11,046**
Current Assets			
Inventories	6	102,408	66,354
Trade and other receivables	7	1,582	764
Retention money receivable		86	-
Cash and cash equivalents		1,951	2,900
		106,027	**70,018**
Non-current assets held for sale	8	1,330	4,370
Total assets		**126,017**	**85,434**
Equity			
Equity attributable to equity holders of the Company			
Share capital	9	20,000	20,000
Capital contribution	2.11	20,196	20,196
Retained earnings	2.11	17,320	10,573
Total Equity		**57,516**	**50,769**
Liabilities			
Non-current liabilities			
Borrowings	10	55,199	23,328
Deferred consideration	11	-	1,500
Contract liability	12	-	200
Sale deposits	2.15	1,340	2,925
Retention money payable	13	582	442
Trade and other payables	14	821	-
Total non-current liabilities		**57,942**	**28,395**
Current liabilities			
Borrowings	10	-	2,500
Deferred consideration	11	1,500	-
Contract liability	12	182	1,197
Sale deposits	2.15	3,078	-
Retention money payable	13	928	345
Trade and other payables	14	4,871	2,228
Total liabilities		**68,501**	**34,665**
Total equity and liabilities		**126,017**	**85,434**

The consolidated financial statements were approved by the Board of Directors on 19 March 2018 and signed on their behalf

By ______________________ Director

The notes on pages 37 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Share Capital £'000	Capital Contribution £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2017	**20,000**	**20,196**	**10,573**	**50,769**
Comprehensive Income:				
Profit for the year	-	-	6,747	6,747
Balance at 31 December 2017	**20,000**	**20,196**	**17,320**	**57,516**

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

The notes on pages 37 to 60 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the year		6,747	2,033
Adjustment for:			
- Depreciation of property, plant and equipment	5	7	5
- Net gain from fair value adjustment on investment property	4	(6,096)	(1,569)
- Net gain from fair value adjustment on non-current assets held for sale	8	(280)	-
- Net gain on sale of investment property	4	(2)	(444)
- Contract liability	12	(1,215)	1,397
- Write off of inventory costs		-	41
- Finance expense (net)		561	201
Changes in working capital:			
- (Increase) in retention receivable		(159)	(13)
- Increase in retention payable	13	723	788
- (Increase) in trade and other receivables	7	(2,115)	(374)
- Increase in trade and other payables	14	3,151	1,303
- (Increase) in inventories		(35,975)	(24,078)
Cash generated from operations		**(34,653)**	**(20,710)**
Interest received		-	1
Interest paid		(397)	(152)
Payment on legal claims		-	(150)
Sale deposit received		1,493	2,877
Net cash generated from operating activities		**(33,557)**	**(18,134)**
Cash flows from investing activities			
Subsequent expenditure on investment property	4	(4)	(17)
Proceeds from the sale of investment property	4	-	1,650
Proceeds from the sale of non-current assets held for sale	8	3,322	-
Property, plant & equipment	5	(1)	(19)
Net cash used from investing activities		**3,317**	**1,614**
Cash flows from financing activities			
Proceeds from borrowings	10	29,611	18,873
Loan arrangement fees paid	10	(320)	-
Net cash used in financing activities		**29,291**	**18,873**
Net (decrease) / increase in cash and cash equivalents		(949)	2,353
Cash and cash equivalents at the beginning of the year		2,900	547
Cash and Cash Equivalents at the end of the year		**1,951**	**2,900**

The notes on pages 37 to 60 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

The principal activities of the Company and its subsidiaries (together, 'the Group') are property holding, property development, car park operation and estate management in Jersey. The Company is a limited liability company incorporated and domiciled in Jersey, Channel Islands. The Company trades as Jersey Development Company which is the registered business name of The States of Jersey Development Company Limited.

Equity

In 1996 The States of Jersey subscribed £20m of share capital in the Company to finance the infrastructure of the Waterfront. The Company was originally formed to manage the development of the St. Helier Waterfront area on behalf of the States of Jersey. In 2004, The States of Jersey transferred land holdings to the Company at market value as a capital contribution totalling £20.2m. 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 carries out developments which are financed from third parties and capital receipts from the proceeds on the sale of inventory.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

Statement of compliance

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

Standards, amendments and interpretations to existing standards that are effective and have been adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

Disclosure Initiative: Amendments to IAS 7. This amendment requires disclosure of changes in liabilities arising from financing activities.

The adoption of these amendments did not have any significant impact on 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 2018 and believe that early adopting these standards would not have a material impact on the financial statements of the Group:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

Notes to the consolidated financial statements (continued)

2.1 Basis of preparation (continued)

The financial assets of the Group consist solely of loans and receivables and are held currently held at amortised costs. Under IFRS 9, the financial assets meet definition of a debt instrument. Management has considered the following assessments in determining their classification:

- The business model for managing the financial asset.
- The contractual cash flows characteristics of the financial asset.

As the objective of the Group is to hold these assets to maturity and the contractual payments represent solely payment of principal and interest, the financial assets will continue to be held at amortised costs. Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. As the Group's financial assets consist of trade and other receivables, contract assets and lease receivables which don't contain significant financing component, the Group has elected the simplified approach to impairment assessment. This approach allows to recognise the loss allowance at initial recognition and throughout its life at an amount equal to lifetime ECL. ECL are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate. ECL consider the amount and timing of payments, thus a credit loss arises even if the Group expects to be paid in full but later than when contractually due. As the Group's financial assets have been originated with parties that have low risk of default and have strong capacity to meet its obligations, the Group doesn't expect the ECL impairment model to have material impact on the consolidated financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

IFRS 16, 'Leases' will allow more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, greater transparency of a lessee's financial leverage and capital employed. The standard replaces IAS 17 'Leases' and is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Group is assessing the impact of application of IFRS 16.

Amendment to IAS 40, 'Investment Property' clarifies that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The amendment is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Group does not expect material impact of this standard.

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

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

Notes to the consolidated financial statements (continued)

2.1 Basis of preparation (continued)

The Group had elected to adopt IFRS 15 with effect from 1 January 2016.

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

Income and cash flow statement

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

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

2.2 Basis of Consolidation

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

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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of one half of the voting rights (refer to note 16).

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

2.3 Foreign currency translation

Functional and presentation currency

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

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

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.

Notes to the consolidated financial statements (continued)

2.4 Investment property (continued)

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

2.6 Leases

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

Notes to the consolidated financial statements (continued)

2.7 Inventories

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

In determining the net realisable value of inventory property the Group uses market valuations to determine the fair value. Fair value is determined each year, using recognised valuation techniques and using the latest valuation assumptions included in the reports produced for third party funders on similar investments. Fair value reflects assumptions about rental income from future leases in light of current market conditions as comparable evidence from other land or property that is sold in the market place. Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board.

2.8 Non-current assets held for sale

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

2.9 Financial instruments

a) Financial assets

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

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.

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

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

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

b) Financial liabilities

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

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

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

Notes to the consolidated financial statements (continued)

2.10 Cash and cash equivalents

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

2.11 Equity

- **Share Capital**

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

- **Capital Contribution**

  The capital contribution represents land transferred to the Group by its ultimate shareholder at market value.

- **Reserves**

  Reserves represent distributable profits.

2.12 Trade and other payables

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

Other payables include contractual obligations related to lease incentives provided to tenants.

Other payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

2.13 Borrowings

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

2.14 Borrowing costs

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

2.15 Sale deposits

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

2.16 Provisions

Provisions are recognised when:

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

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

Notes to the consolidated financial statements (continued)

2.17 Revenue recognition

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

Investment Income

- **Rental income**

  Rental income comprises income from operating leases net of GST and is recognised on a straight line basis over the lease term. Benefits to lessees in the form of rent free periods are treated as a reduction in the overall return on the lease in accordance with SIC 15 "Operating Leases - Incentives" and are recognised on a straight line basis over the lease term.

- **Car park receipts**

  Revenue from car park receipts is recognised on an accruals basis and, in respect of weekly cash collections at the Waterfront Car Park, a cash basis.

Other income

Other income is recognised on an accruals basis.

Notes to the consolidated financial statements (continued)

2.18 Finance Income and costs

Finance income and costs are accounted for on an accruals basis. The Group has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

2.19 Expenses

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

2.20 Taxation

- **Income Tax**

  The Group is exempt from paying Income Tax in Jersey. On 19 October 2007, the Minister for Treasury and Resources exempted the Company and its fully owned subsidiaries from income tax under Article 115 of the Income Tax (Jersey) Law 1961 as the profits of the Company are to be expended wholly and exclusively to improve and extend public infrastructure and works for the good of the public of the Island.

- **Goods & Services Tax**

  The Company is registered for Goods & Services Tax ("GST") and pays GST on all services purchased in Jersey.

2.21 Employee benefits

- **Pensions**

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

- **Short-term employee benefits and compensation absences**

  Wages, salaries, paid annual leave and sick leave and non-monetary benefits (such as health services and childcare services) are recognised as an employee benefit expense and accrued when the associated services are rendered by the employees of the Group.

2.22 Dividend distribution

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

2.23 Financial Risk Management

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

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

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

a) Liquidity risk

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

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

Notes to the consolidated financial statements (continued)

2.23 Financial Risk Management (continued)

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total £'000
Liabilities					
Trade and other payables:					
- Trade and other payables (excluding accruals)	4,272	821	-	-	5,093
- Accruals	599	-	-	-	599
Borrowings	-	14,042	41,157	-	55,199
Deferred consideration	1,500	-	-	-	1,500
Retention money payable	928	552	30	-	1,510

The obligations in respect of liabilities maturing in years 2 to 5 will be met from proceeds on disposal of the development assets.

The maturity analysis of financial liabilities at 31 December 2016 was as follows:

	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total £'000
Liabilities					
Trade and other payables:					
- Trade and other payables (excluding accruals)	1,906	-	-	-	1,906
- Accruals	322	-	-	-	322
Borrowings	2,500	-	23,328	-	25,828
Deferred consideration	-	1,500	-	-	1,500
Retention money payable	345	394	48	-	787

b) Capital risk

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

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

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

Notes to the consolidated financial statements (continued)

2.23 Financial Risk Management (continued)

c) Credit risk

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

The fair value of cash and cash equivalents at 31 December 2017 and 31 December 2016 equals to the carrying value.

d) Market risk

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

i) Cash flow and fair value interest rate risk

The Group's interest rate risk principally arises from long-term borrowings (Note 10). Borrowings issued as variable rates expose the Group to cash flow interest rate risk. The Group does not have borrowings at fixed rates and therefore has no significant exposure to fair value interest rate risk.

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

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

ii) Price risk

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

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

e) Fair value estimation

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

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

Notes to the consolidated financial statements (continued)

2.23 Financial Risk Management (continued)

Financial Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyses within the fair value hierarchy the Group's assets and liabilities (by class) not measured at fair value at 31 December 2017 but for which fair value is disclosed.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Trade and other receivables	-	893	-	893
Cash and cash equivalents	1,951	-	-	1,951
Retention money receivable	-	172	-	172
Total	**1,951**	**1,065**	**-**	**3,016**
Liabilities				
Retention money payable	-	1,510	-	1,510
Trade and other payables	-	5,692	-	5,692
Borrowings	-	55,199	-	55,199
Deferred consideration	-	1,500	-	1,500
Total	**-**	**63,901**	**-**	**63,901**

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Trade and other receivables	-	764	-	764
Cash and cash equivalents	2,900	-	-	2,900
Retention money receivable	-	13	-	13
Total	**2,900**	**777**	**-**	**3,677**
Liabilities				
Retention money payable	-	787	-	787
Trade and other payables	-	2,228	-	2,228
Borrowings	-	25,828	-	25,828
Deferred consideration	-	1,500	-	1,500
Total	**-**	**30,343**	**-**	**30,343**

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

Notes to the consolidated financial statements (continued)

2.24 Significant accounting judgements, estimates and assumptions

Revenue recognition and cost of revenue on development sales

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

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

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

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

Classification of property

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

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

Estimation of net realisable value for inventory

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

NRV in respect of commercial inventory property under construction is assessed by the Executive Directors with reference to the pre-let agreements in place, the yields being applied on similar completed property, any current sale transactions in the market and any further letting agreements that are in negotiation having regard to the latest independent valuation report on similar properties prepared for the third-party funder. From the resultant value, the costs that are to be incurred to complete construction are deducted.

Sensitivity analysis is performed to assess headroom in the estimation.

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

Notes to the consolidated financial statements (continued)

2.24 Significant accounting judgements, estimates and assumptions (continued)

For both residential and commercial property, prior to entering into a construction contract, the internal valuer will assess the value of the site by comparison to independent valuations and other similar recent land sales that have occurred. For commercial property, the NRV is sensitive to estimated rental values, sales yield and construction costs. For residential property, the NRV is sensitive to both sales revenue and the cost of construction.

Valuation of property

Fair value is determined each year, using recognised valuation techniques, by an employee of the Company who is a member of the Royal Institute of Chartered Surveyors ('RICS'). Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board but at least once every five years. 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 others, 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 income capitalisation method converts anticipated future cash flow benefits in the form of rental income into present value. This approach requires careful estimation of future benefits and the application of investor yield or return requirements. One approach to value the property on this basis is to capitalise net rental income on the basis of an initial yield, generally referred to as the 'All Risks Yield' approach or 'Net Initial Yield' approach, adjusting for any factors not included in net rental income, such as vacancy, lease incentives, refurbishment, etc.

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

3. Revenue and expenses

3.1 Revenue

	2017 £'000	2016 £'000
Investment income	2,246	2,324
Rental income on IFC 1	218	-
Service Charge income on IFC 1	116	-
Events	-	66
Other income	459	56
Reimbursement of costs	8	14
	3,047	**2,460**

Notes to the consolidated financial statements (continued)

3.1 Revenue (continued)

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 £'000	2016 £'000
No later than 1 year	1,136	-
Later than 1 year and no later than 5 years	7,315	-
Later than 5 years	14,607	-
	23,058	**-**

3.2 Development Revenue and Cost

During 2016, the Jersey Homes Trust purchased the plot for Block 4 at College Gardens and entered into a construction contract with the Company for £8m to develop 40 units that is due for completion in April 2018. £5.27m (2016: £1.95m) was received during 2017 and the balance is due over the construction period based on the percentage of work completed. See 2.17 and 2.24 for details on revenue, cost recognition, performance obligations and judgements related to them.

	2017 £'000	2016 £'000
Revenue from property sales		
College Gardens, Block 4	6,480	549
	6,480	**549**
Development costs on College Gardens		
College Gardens, Block 4	6,480	549
	6,480	**549**

3.3 Other expenses

	2017 £'000	2016 £'000
Legal, consultancy and professional	155	410
Audit	53	51
Other	108	226
	316	**687**

3.4 Employee benefit expense

	2017 £'000	2016 £'000
Wages & salaries	902	872
Social security	30	34
Pension costs defined contribution plans	86	99
Other staff related expenses	24	38
	1,042	**1,043**

The average number of employees in 2017 was 12 (2016: 9).

Notes to the consolidated financial statements (continued)

3.5 Estate management

	2017 £'000	2016 £'000
Waterfront car park	169	218
IFC 1	246	-
Other	188	176
	603	**394**

4. Investment property

	2017 Leasehold £'000	2016 Leasehold £'000
Fair value at 1 January	11,000	14,984
Direct expenditure on investment property	154	17
Disposals during the year	-	(1,200)
Lease incentives capitalised brought forward	-	16
Movement in unamortised lease incentives	-	(16)
Net gain from fair value adjustment on investment properties	6,096	1,569
Transfer to Non-current assets held for sale	-	(4,370)
Market & Fair value at 31 December	**17,250**	**11,000**

The Group's investment property is measured at fair value. The Group holds 3 classes of investment property all located in Jersey being a car park, a bus station and a public square.

Segment	Waterfront & Castle Quay Car Parks £'000	Bus Station £'000	Public Square £'000	2017 Total £'000	2016 Total £'000
Fair Value Hierarchy	3	3	3		
Fair Value 1 January Additions	**9,500**	**1,250**	**250**	**11,000**	**14,984**
- Direct Expenditure on investment property	154	-	-	154	17
- Disposal during the year	-	-	-	-	(1,200)
Net gain / (loss) from fair value adjustments	4,846	1,250	-	6,096	1,569
Transfer to Non-current assets held for sale *(note 8)*	-	-	-	-	(4,370)
Lease incentives capitalised b/f	-	-	-	-	16
Movement in unamortised lease incentives	-	-	-	-	(16)
Market & Fair Value at 31 December	**14,500**	**2,500**	**250**	**17,250**	**11,000**

Notes to the consolidated financial statements (continued)

4. Investment property (continued)

Valuation processes

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

Independent professionally qualified valuers D2 Real Estate Ltd (formerly known as BNP Paribas Real Estate Ltd) who hold a recognised relevant professional qualification and have relevant experience in the locations and segments of the investment properties valued the Waterfront Car Park and the Bus Station at the end of 2017 and Public Square on 31 December 2013.

The increase in the valuation associated with the Waterfront Car Park is noted in the valuation report being attributable to the following consideration:

- Gross income is excess of £1.2 million;
- Comparable leasing transactions with annual rent in excess of £3,000 p.a. / parking space where as the valuation the gross income equates to £2,069 p.a. / parking space;
- Increased demand for parking in St. Helier;
- Establishment of the Esplanade Quarter as a central office location, warranting further growth of the demand for parking; and
- Prime yields in Q4 2017 were 6.6 to 6.7%.

The increase in the valuation associated with the Transport Centre is as a direct result of the valuers establishing the fair value of the rent that would be payable by an unrelated party. The valuers considered the rental value of other uses and considered the value of the rent as a bus station should be a minimum of £150,000 p.a. The valuers considered that given the covenant strength, a yield of 5.7% on the fair value rental was appropriate.

For all investment properties, it is considered that their current use equates to the highest and best use.

At each financial year end, the Finance Director:

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

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

Segment	Valuation £'000	Valuation technique	Avg. Net rental income per valuation - £'000	Yield %	Purchaser's costs - %
Car Park	14,500	All risk yield comparison	1,086	7.00	6.2
Bus Station	2,500	All risk yield comparison	150	5.7	5.0
Public Square	250	All risk yield comparison	21	8.15	5.0

Notes to the consolidated financial statements (continued)

4. Investment property (continued)

Yield sensitivity analysis

Segment	-0.5% £'000	0% £'000	+0.5% £'000
Car Park	15,745	14,500	13,438
Bus Station	2,878	2,500	2,209
Public Square	266	250	235

Gross Revenue[1]

Segment	Form	Gross Revenue £'000
Car Park		
- Waterfront Car Park	cash	608
	lease/licence	597
Bus Station	lease	100
Public Square	licence	25

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

Information about fair value as at 31 December 2016 using significant unobservable inputs (Level 3):

Segment	Valuation £'000	Valuation technique	Avg. Net rental income per valuation - £'000	Yield %	Purchaser's costs - %
Car Park	9,500	All risk yield comparison	906	8.91	6.5
Bus Station	1,250	All risk yield comparison	100	7.60	5.0
Public Square	250	All risk yield comparison	20	7.95	3.0

Yield sensitivity analysis

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

Gross Revenue[1]

Segment	Form	Gross Revenue £'000
Car Park		
- Waterfront Car Park	cash	509
	lease/licence	564
Bus Station	lease	100
Public Square	lease/licence	33

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

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

Notes to the consolidated financial statements (continued)

5. Property, plant and equipment

	Office Equipment £'000	Events installations and equipment £'000	Events Capital improvements £'000	Total £'000
Cost				
31 December 2016	11	28	15	54
Additions	1	-	-	1
Disposals	-	-	-	-
At 31 December 2017	**12**	**28**	**15**	**55**
Depreciation				
31 December 2016	1	19	1	21
Charge for year	1	3	3	7
Disposals	-	-	-	-
At 31 December 2017	**2**	**22**	**4**	**28**
Net Book Value				
At 31 December 2017	**10**	**6**	**11**	**27**
At 31 December 2016	10	9	14	33

6. Inventories

	2017 £'000	2016 £'000
Freehold land	11,401	9,545
Leasehold land	17,592	16,635
Leasehold building	30,706	-
Property under construction	42,704	40,169
Building materials	5	5
	102,408	**66,354**

'Freehold land' refers to the land owned by the Company in perpetuity and 'Leasehold land' held on 150 years lease with the Public of Jersey.

Freehold and Leasehold land includes the professional fees and other expenses incurred to obtain planning and building consents on various commercial and residential buildings.

'Leasehold building' refers to IFC 1 that was completed during the year.

'Property under construction' represents the construction costs, professional fees and expenses on IFC 5 and College Gardens. The comparable amounts show the costs incurred on these developments prior to 2017.

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

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

Borrowing costs capitalised during the year amount to £650,207 (2016: £322,639). The weighted average interest rate for the Group's borrowings during the year was 3.72% (2016: 3.56%).

Notes to the consolidated financial statements (continued)

6. Inventories (continued)

Assessment of Net Realisable Value ("NRV")

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

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

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

Based on the analysis undertaken, the inventory is carried at lower of cost and NRV.

7. Trade and other receivables

Trade and other receivables under one year	Note	2017 £'000	2016 £'000
Amounts due from related parties	17	5	4
Trade receivables		330	332
Unamortised lease incentive		677	-
Other receivables		302	199
GST Refund		256	216
Prepayments		12	13
		1,582	**764**

Trade and other receivables over one year	2017 £'000	2016 £'000
Unamortised lease incentive	677	-
Unamortised rent income	620	-
	1,297	**-**

8. Non-current assets held for sale

	2017 £'000	2016 £'000
Land for a sub-station	-	220
Hotel Interest	-	3,100
Part of Public Square	935	750
Castle Quay Car Parking	395	300
Fair value at 31 December	**1,330**	**4,370**

As agreed with its Shareholder, the Board agreed to dispose of all the Group's non-strategic assets. The Group sold Land for a sub-station and Hotel Interest during the year for £230,000 and £3,150,000 respectively before deducting disposals costs amounting to £58,345, resulting in a realised profit of £1,655. Part of a Public Square and some car parking located as Castle Quay are in the process of being sold / have been sold since the year end and are shown at fair value.

Notes to the consolidated financial statements (continued)

8. Non-current assets held for sale (continued)

The gain or loss recognised on the revaluation for the above assets are included in "Net gain from fair value adjustment on non-current assets held for sale" in the statement of comprehensive income.

9. Share capital

	2017 £'000	2016 £'000
Equity share capital		
Authorised 20,000,000 ordinary shares of £1 each	**20,000**	**20,000**
Issued and fully paid 20,000,000 ordinary shares of £1 each	**20,000**	**20,000**

10. Borrowings

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

	2017 £'000	2016 £'000
Balance at the beginning of the year	25,828	6,955
Borrowings drawn down during the year	29,611	18,873
Commitment fees paid	(320)	-
Commitment fees - amortised during the year	80	-
	55,199	**25,828**

	2017 £'000	2016 £'000
Non-current Bank borrowings	55,199	23,328
Current Bank borrowings	-	2,500
	55,199	**25,828**

The bank borrowings are secured on inventory to the value of £89.33m (2016: £55.14m) and investment property to the value of £14.5m (2016: £9.5m) and bears average interest of 2.56% (2016: 2.89%) annually. The maturity analysis of the borrowings is included in note 2.23.

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

The Group has the following undrawn floating rate borrowing facilities:

	2017 £'000	2016 £'000
Expiring within one year	-	-
Expiring beyond one year	27,061	18,672
	27,061	**18,672**

As of 31 December 2017, if interest rates had increased by 25 basis points (2016: 25 basis points) with all other variables held constant, profit for the year would reduce by £67,720 (2016: £15,394). If interest rates had been reduced by 25 basis points (2016: 25 basis points) with all other variables held constant, profit for the year would increase by £67,720 (2016: £15,394).

Notes to the consolidated financial statements (continued)

11. Deferred consideration

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

12. Contract liability

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

	2017 £'000	2016 £'000
Non-current		
Contract liability – College Gardens	-	200
Current		
Contract liability – College Gardens	182	1,197
	182	**1,397**

	Note	2017 £'000	2016 £'000
Balance at the beginning of the year		1,397	-
Amount billed during the year		5,265	1,946
Less: Revenue recognised during the year	3.2	(6,480)	(549)
		182	**1,397**

13. Retention money payable

The retention money payable refers to a percentage of the contract price due to contractors retained by the Company.

	2017 £'000	2016 £'000
Non-current		
Retentions payable after 12 months	582	442
Current		
Retentions payable within 12 months	928	345
	1,510	**787**

14. Trade and other payables

Trade and other payables under 1 year	Note	2017 £'000	2016 £'000
Amounts due to related parties	17	-	9
Trade payables		3,408	1,853
Social security		-	16
Other taxes		-	12
Other liabilities		731	17
Accruals and deferred income		732	321
		4,871	**2,228**

Within accruals and deferred income is included accrued interest amounting to £163,774 (2016: £50,390) included in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

14. Trade and other payables (continued)

Trade and other payables over 1 year	2017 £'000	2016 £'000
Other liabilities	821	-
	821	**-**

15. Contingent liabilities and commitments

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

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

During 2017, Harcourt lost its appeal to overturn the Court's decision and the case is now concluded in the Company's favour. The Company has recovered costs amounting to £369,528 which are reflected in other income of which £133,600 was outstanding as at 31 December 2017 and has subsequently been received.

The Group has no significant contingent liabilities.

The Group has capital commitments of £33,397,859 (2016: £65,941,057) in respect of developments under construction.

16. Subsidiaries

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

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

Entity	Principal activity	Holding
Waterfront (6C) Limited	Land holding	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
Waterfront (CP) Limited	Property holding	2 ordinary shares of £1 each
JIFC (1) Limited	Land holding	2 ordinary shares of £1 each
JIFC (2) Limited	Land holding	2 ordinary shares of £1 each
JIFC (3) Limited	Land holding	2 ordinary shares of £1 each
JIFC (4) Limited	Property holding	2 ordinary shares of £1 each
JIFC (5) Limited	Property holding	2 ordinary shares of £1 each
JIFC (6) Limited	Land holding	2 ordinary shares of £1 each
JIFC Management Limited	Land holding	2 ordinary shares of £1 each
College Properties Limited	Property holding	2 ordinary shares of £1 each
EQ2 Limited	Land holding	1 ordinary share of £1 each
Waterfront Development (6C) Limited	Development	2 ordinary shares of £1 each

Notes to the consolidated financial statements (continued)

16. Subsidiaries (continued)

Subsidiaries of College Properties Limited	Principal activity	Holding
Austen-Barlett House Limited	Property holding	1 ordinary share of £1 each
Cavell House Limited	Property holding	1 ordinary share of £1 each
Curie Fry House Limited	Property holding	1 ordinary share of £1 each
Inglis House Limited	Property holding	1 ordinary share of £1 each
Nightingale House Limited	Property holding	1 ordinary share of £1 each
College Gardens Parking Limited	Property holding	2 ordinary shares of £1 each

17. Related party transactions

The Company

Directors received £533,260 in 2017 comprising salary, emoluments, pension, bonus and benefits (2016: £472,508).

The States of Jersey

The Company submitted planning and building control applications for its various developments and was required to pay planning and building control fees to the States of Jersey for each application. During the year £695,868 (2016: £116,650) was expended.

The Company paid £30,080 (2016: £85,080) in stamp duty to register the security on the Company's borrowings.

The States of Jersey receive £45,000 per annum (2016: £45,000) in rental in respect of La Fregate at Les Jardin de la Mer and passes this amount onto the Company as a contribution to the upkeep of Les Jardins de la Mer public park.

The States of Jersey receive £14,269 per annum (2016: £14,772) in relation to various insurance policies obtained by States of Jersey on behalf of the Company.

In September 2007, a lease was entered into for Liberation Station whereby rental income receivable from the States of Jersey was at a level the Directors considered equivalent to market rates. The total recognised in the consolidated statement of comprehensive income for the year ended 31 December 2017 in respect of this contract is £100,000 (2016: £84,166). An insurance premium in respect of Liberation station in the sum of £3,861 (2016: £1,462) has been recharged to the States of Jersey of which £nil (2016: £644) was outstanding at the year end.

The Company receives £759,000 (2016: £759,000) from the States of Jersey in respect of a licence to operate Les Jardins Car Park.

Notes to the consolidated financial statements (continued)

17. Related party transactions (continued)

The Company intermittently purchases services from various departments at the States of Jersey on a commercial basis as follows:

Name of related party	(Income) / Expense	2017 (Income) / Expenses for the year £'000	2017 Outstanding at year end £'000	2016 (Income) / Expenses for the year £'000	2016 Outstanding at year end £'000
Customs & Immigration	Car Park income	(9)	-	(7)	-
Future Hospital	Rental income	(28)	-	-	-
Property Holding Maintenance Dept SOJ	Re-imbursement of Ground Maintenance Albert & Victoria Pier Housing	(5)	1	(5)	1
Property Holding Maintenance Dept SOJ	Re-imbursement of repairs -Albert & Victoria Pier Housing	(1)	-	-	-
Jersey Property Holdings	Legal costs	6	-	1	1
DFI	Construction related expenses	38	-	31	(2)

Ports of Jersey

The Company has a related party relationship with the Ports of Jersey (Jersey Harbours). The Ports 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 £108,744 (2016: £105,517) was received. A further agreement is in place with the Ports of Jersey to allow marine traders to use 10 spaces at Castle Quay. During the year £23,045 (2016: £22,637) was received. At the year-end £nil (2016: £4,882) was outstanding.

The Company undertakes various services for the Ports of Jersey and recharges those costs. Those services amount to £130 (2016: £3,250), of which £nil (2016: £2,100) was outstanding at the year end.

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

Outstanding at 31 December 2017

At 31 December 2017, the following balances were receivable / (payable) as follows:

	2017 £'000	2016 £'000
Ports of Jersey	-	2
Transport & Technical Services	4	1
Transport & Technical Services	-	(2)
Ports of Jersey	-	(5)

18. Immediate and ultimate controlling party

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

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

On 16 February 2018, the 10 car parking spaces located at Castle Quay was sold for £395,000, net of estimated disposal costs.

JERSEY
DEVELOPMENT
COMPANY

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