STATES OF JERSEY

STATES OF JERSEY DEVELOPMENT COMPANY LIMITED: ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2014

Presented to the States on 28th April 2015
by the Minister for Treasury and Resources

STATES GREFFE

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THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED

Annual Report & Consolidated Financial Statements
For the year ended 31 December 2014

Contents

Chairman's Introduction

Jersey Development Company (JDC) was set up by the States of Jersey as a property development company to create economic and social benefit for the Island of Jersey.

JDC acts in the best interests of the Island and is fulfilling its role in a number of ways. It will directly develop the first phase of the Esplanade Quarter which has been branded the 'Jersey International Finance Centre' (JIFC). The Company will also directly develop the former Jersey College for Girls site. By undertaking property development directly, and in accordance with the risk mitigation measures set down by the States of Jersey, not only will the States receive a greater financial return but it will also have more control over the type, quality and timing of the development.

Redundant States assets will be transferred to the Company at open market value and JDC will repatriate development profits back to the Treasury on the completion and sale of each development. JDC will fund pre-development expenses (design fees and planning application costs) out of its cash resources and will use private third party finance to fund the construction costs.

The composition of JDC's Board has now been unchanged for over two years. This stability, combined with the excellent balance of experience and expertise has provided the Company with exactly what it required to take its developments forward.

In my last annual report I commented on the importance of the Board concentrating its energies on the development programme and in managing the existing estate. I am pleased to report that the Company has done just that and will be commencing construction on its first two projects during the course of 2015.

The Waterfront Estate
The Company owns a number of investment properties and is responsible for managing and maintaining most of the public areas on the Waterfront. JDC focuses on ensuring revenues from its investment properties are maximised and that the Company undertakes the maintenance and management of its estate in the most cost effective manner.

Jersey International Finance Centre
The JIFC remains one of the Company's priority development projects – broadly covering the Esplanade Car Park. The project involves creating almost half a million sq. ft. of modern 'Grade A' office space in six standalone buildings. The Company will undertake the delivery of the development on a building by building basis in response to demand and will commence construction from the east of the site.

College Gardens
The Company is also tasked with developing assets currently belonging to the States in designated regeneration zones, implementing development in those zones in accordance with approved Masterplans, Development Briefs and relevant guidance prepared by the Minister for the Environment.

The first of these sites is the former Jersey College for Girls which has been renamed "College Gardens". Planning permission was granted in December 2014 for 187 residential units, and the site has now been acquired by the Company. JDC will be progressing the marketing and pre-sales and preparing the site ready for construction to commence later in the year.

Financial performance
The nature of work of the Company is such that there can be substantial year-to-year variations in income and expenditure, and hence profits, depending on the timing of development projects.

Revenue for 2014 was £2,154,839, significantly less than the 2013 figure of £4,988,340, reflecting the one-off final overage payment for Castle Quay received in 2013. Profit for the year was £2,783,456 which included a £2,273,656 uplift on the value of investment properties. The Company does not expect to realise significant profits until projects currently on the drawing board near completion. However, the Company remains in a healthy financial position with net assets in the consolidated statement of financial position of £48,839,569.

Board and staff

A Company is only as good as its people. The Board provides the necessary direction and oversight but it is the excellent executive team, led by Lee Henry and Simon Neal, which drives the business of the Company. I am very grateful to all my Board colleagues and staff team for their work during the year.

Mark Boleat
Chairman
11 March 2015

Operational overview

The principal objective of the Company is to create economic and social value for the public of the Island of Jersey. JDC will achieve this by directly developing, selling or joint venturing the completion of the Waterfront and undertaking the regeneration of redundant States property assets as directed by the Regeneration Steering Group.

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

The Company seeks to maximise returns from its development activity and its property investments. Generally, by undertaking development directly, the Company will more than double the financial return that would have otherwise been received had the Company simply sold the site to a third party. 100% of profits generated from the direct development of property will be repatriated to the States Treasury via a dividend for the benefit of the Island as a whole.

Activities

Esplanade Quarter
The first phase has been branded 'Jersey International Finance Centre' (JIFC) which will create six standalone office buildings totalling approximately 470,000 square feet of modern 'Grade A' office space together with below ground car and cycle parking and significant new areas of public realm. The JIFC will create flexible and efficient office space of a quality matching other leading global financial centres. The project will provide the Island with an identifiable district from which to promote its premier financial services industry.

The JIFC will be delivered on the site of the existing Esplanade surface car park and does not require any changes to the existing road network. During construction the 520 public car parking spaces that are currently on the site will be relocated to a neighbouring waterfront site. Work to create this temporary car park has already commenced. As the development will be undertaken on a building by building basis, the relocation of car parking spaces will be phased such that there will no loss of public parking during or post construction of the JIFC.

In August 2013 the Company obtained detailed planning approval for the first office building. Those plans have been developed further and now have bye-law approval and have been tendered for construction in the local market. The Company is in advanced negotiations with several tenants and will commence construction as soon as a legally binding pre-let is in place.

College Gardens
In December 2014, the Company secured detailed planning consent to construct 187 residential apartments with associated car parking. 80 of these units are designated as Affordable Housing, 40 of which will be sold to a Social Housing Landlord for rental to the over 55s, and 40 will be sold under the assisted purchaser scheme to first time buyers that have qualified through the Affordable Housing Gateway. The Company will be marketing the units in the Spring of 2015 and securing pre-sales in advance of commencing construction.

The project has been designed by an entirely local design team and the construction works will be tendered to local contractors. JDC anticipates construction commencing towards the end of 2015.

Waterfront Estate
The Company owns or administers on behalf of the States of Jersey extensive areas of public realm on the Waterfront. These areas include Les Jardins de la Mer, Marina Gardens (on top of the Waterfront car park), Weighbridge Square, the waterfront promenades, the Steam Clock and surrounding area as well as the landscaping on Route de Port Elizabeth, Rue de L'Etau and Rue de Carteret. JDC ensures that these areas are well maintained, as cost effectively as possible, for the benefit of Islanders and visitors.

JDC also owns investment properties which it continues to manage effectively and maximises revenues from these assets. The Company's largest investment property is the Waterfront car park. At the end of 2013 it invested in new equipment to improve the efficiency and operation of the car park. As a result of the increases in occupancy and charges during the year, a 21% increase in revenue was achieved. The Company is looking at other ways to improve the experience for customers using this popular car park and anticipates rolling out these improvements during 2015.

Overall, investment income and other income was £2,029,142 for the year (2013: £1,869,144), an 8.6% increase.

Corporate Responsibility
The Company either directly organises or provides assistance to a significant number of community and charity events which are hosted on the various areas of public realm on the Waterfront that the Company owns or manages. Two of the events, the 'Big Bonfire' and the 'Monster Truck and Stunt Bike' show, were directly organised by the Company during the year and both proved to be extremely popular with the public.

The Company was able to make the following donations to local charities as a result of the success of these events:

i) Les Amis £3,000;
ii) Side by Side £1,500;
iii) Jersey Hospice £1,500;
iv) Durrell £1,500;
v) British Legion £1,000.

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

Financial
The Company generated a retained profit, after dividend, of £1,967,056 (2013: £3,180,100) for the financial year ended 31st December 2014, that included an upward revaluation of its investment properties of £2,273,656.

As stated in last year's report, property development is a long term activity that inherently causes substantial year on year variations in revenue and profits. The Company had no development income during 2014 (2013: £3,000,000) resulting in significantly less turnover for the year.

The developments that are due to commence in 2015 will be completed over the next two to three years and profits will be recognised during the course of construction. The Company will generate significant net receipts when these developments are sold from 2018 onwards.

Cash and cash equivalents decreased to £4,094,915 (2013: £7,696,829) primarily due to expenditure on professional fees advancing the Company's developments ready for construction to commence.

The Group's inventory is carried at the lower of cost and net realisable value with cost being that at the date of the original acquisition plus subsequent expenditure incurred. As at 31st December 2014 these totalled £30,487,046 (2013: £27,110,852). The market value will be realised either on sale to a third party or on direct development of the sites by the Company and subsequent sale on completion.

The Group, being the Company and its subsidiaries, manages net assets of £48,839,569 (2013: £46,872,513).

Future
One of the main priorities of the Company in 2015 and beyond is to deliver the JIFC. During 2014 there has been significant interest in the project and the Company is now progressing legal documentation with various tenants which, once concluded, will allow construction to commence.

The successful delivery of the project will generate an independently assessed £50 million net receipt.

The Company will also be focusing on the delivery of College Gardens which is due to be completed on a phased basis during 2017 and 2018.

The Operational Overview was approved by the board on 11 March 2015 and signed on its behalf by:

L. Henry

Lee Henry
Managing Director
11 March 2015

Report of the directors

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2014.

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

Results and Dividends
The results for the year are set out in the consolidated statement of comprehensive income on page 14. The Directors approved the payment of a dividend of £816,400 during the year (2013: £816,400).

Directors
The Directors who held office during the year were:

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

Non-Executive Directors
Mark Boleat (Chairman)
Roger Lewis
Nicola Palios
Ann Santry CBE
Paul Masterton

Re-appointment of Directors
The Non-Executive Director Service Agreements for Mark Boleat, Roger Lewis and Nicola Palios expired on 10 June 2014. Prior to the expiry, the States Assembly reappointed all three for a further term of 3 years.

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

Company Secretary
The secretary of the Company at 31 December 2014 was Simon Neal, who continued in office for the whole of the year.

Corporate Governance
The report on corporate governance is set out on pages 8 to 10. The report of the remuneration committee is set out on page 11. Both are adopted as part of this report.

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

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

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

Report of the directors (continued)

- 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

11 March 2015

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

Report on corporate governance

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

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

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

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

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

Meetings
The Board is responsible to the Company's shareholder for the proper management of the Company. It meets regularly, approximately 8 times per year, setting and monitoring strategy, reviewing trading performance and risk management, examining business plans and capital and revenue budgets, formulating policy on key issues and reporting to shareholders. Board papers are circulated prior to each meeting in order to facilitate informed discussion of the matters at hand.

No of meetings	Board	Audit	Remuneration	AGM
Mark Boleat	8	4	3	1
Roger Lewis	8	4	3	1
Nicola Palios	8	4	3	1
Ann Santry	8	4	3	1
Paul Masterton	8	4	3	1
Lee Henry	8	4*	3* (part)	1
Simon Neal	7	3*	-	1

* attendees by invitation

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

Report on corporate governance (continued)

Board Committees

- **Audit Committee**
  The Audit Committee members are Non-Executive Directors, Roger Lewis (Chairman), Mark Boleat, Nicola Palios, Ann Santry and Paul Masterton. The meetings provide a forum for discussions with the external auditor. Meetings are also attended, by invitation, by the Managing Director, the Finance Director and the external auditors.

  The Audit Committee is responsible for reviewing the annual financial statements and accompanying reports before their submission to the Board for approval. It generally meets 4 times a year and is also responsible for monitoring the controls which are in force, (including financial, operational and compliance controls and risk management procedures) to ensure the integrity of the financial information reported to shareholders. It also considers reports from the internal and external auditor and from management. It reports and makes recommendations to the Board. The Audit 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 Committee regularly reviews the scope and results of the work undertaken by both internal and external auditors.

  The Audit Committee met four times during 2014.

- **Remuneration Committee**
  The Remuneration Committee members are currently Non-Executive Directors, Nicola Palios (Chair), Mark Boleat, Roger Lewis, Ann Santry and Paul Masterton.

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

  The Remuneration Committee met three times during 2014.

Internal Control

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

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

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

- **Financial Reporting and Control** – includes:
  - the approval of the annual operating and capital expenditure budgets and the review of the quarterly management accounts compared against the budget and the business plan to and any material changes to them;
  - the preparation of annual and five yearly cash flows which are regularly reviewed, updated and are monitored;
  - approval of interim and final dividends.

- **Strategy & Management**
  Includes the approval of the Company's long-term objectives and commercial strategy. The Board concentrates mainly on strategic and directional matters and on financial performance. It aims to safeguard the Company's assets and ensure proper and reliable accounting records are maintained. There is a clearly defined organisational structure with established reporting responsibilities, authorities and reporting lines to the Board.

Report on corporate governance (continued)

- **Audit Committee**
  The Audit Committee operates under a charter that was last ratified on 13 June 2014. The Audit Committee reviews the appropriateness of the internal control process when there is a change in business operation(s) and discusses the reports of the external auditors with them.

- **Internal Controls**
  Monitoring the effectiveness of the Company's risk management and control processes.

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

By order of the Board

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

11 March 2015

Report of the Remuneration Committee

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

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

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

Directors' Remuneration

	Salary & Fees	Benefits	Bonus	2014 Total	2013 Total
	£	£	£	£	£
Executive Directors					
Lee Henry	160,000	1,656	27,900	189,556	185,427
Simon Neal	100,000	-	15,840	115,840	101,000
Non-Executive Directors					
Mark Boleat	40,000	-	-	40,000	40,000
Roger Lewis	15,000	-	-	15,000	15,000
Nicola Palios	15,000	-	-	15,000	15,000
Ann Santry	15,000	-	-	15,000	15,000
Paul Masterton	15,000	-	-	15,000	15,000
Total	**360,000**	**1,656**	**43,740**	**405,396**	**386,427**

Directors' pension contributions

	2014	2013
	£	£
Lee Henry	24,000	23,250
Simon Neal	15,000	13,200
Total	**39,000**	**36,450**

By order of the Remuneration Committee

Member of the Remuneration Committee
11 March 2015

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

Report on the financial statements

We have audited the accompanying consolidated financial statements (the "financial statements") of The States of Jersey Development Company Limited ("the Company") and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Report on other legal and regulatory requirements

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

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

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

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

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

12 March 2015

Consolidated statement of comprehensive income
For the year ended 31 December 2014

	Notes	2014 £	2013 £
Continuing Operations			
Revenue	3.1	2,154,839	4,988,340
Net gain from fair value adjustment on investment property	4	2,273,656	675,796
Employee benefits expense	3.3	(814,711)	(762,324)
Premises and establishment	3.2	(98,649)	(92,096)
Estate management	3.2	(312,767)	(300,127)
Depreciation of property, plant and equipment	3.2	(20,717)	(22,300)
Other expenses (including exceptional items)	3.2	(437,272)	(600,049)
Operating profit		**2,744,379**	**3,887,240**
Analysed as:			
Operating profit before exceptional items		2,914,493	4,167,023
Exceptional items	3.6	(170,114)	(279,783)
Operating profit		**2,744,379**	**3,887,240**
Finance income	3.4	41,175	110,864
Finance costs	3.5	(2,098)	(1,604)
Finance income - net		**39,077**	**109,260**
Profit for the year		**2,783,456**	**3,996,500**

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

The notes on pages 18 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2014

	Notes	2014 £	2013 £
Assets			
Non-current assets			
Investment property	4	14,238,055	10,716,944
Property, plant and equipment	5	5,376	1,270,676
		14,243,431	**11,987,620**
Current Assets			
Inventories	6	30,487,046	27,110,852
Trade and other receivables	7	244,634	841,964
Cash and cash equivalents		4,094,915	7,696,829
		34,826,595	**35,649,645**
Total assets		**49,070,026**	**47,637,265**
Equity			
Equity attributable to equity holders of the Company			
Share capital	8	20,000,000	20,000,000
Retained earnings	2.9	8,643,104	6,676,048
Capital Contribution	2.9	20,196,465	20,196,465
Total Equity		**48,839,569**	**46,872,513**
Liabilities			
Current liabilities			
Trade and other payables	9	230,457	764,752
Total liabilities		**230,457**	**764,752**
Total equity and liabilities		**49,070,026**	**47,637,265**

The consolidated financial statements on pages 14 to 32 were approved by the Board of Directors on 11 March 2015 and signed on their behalf

By____________________ Director

The notes on pages 18 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2014

	Share Capital	Capital Contribution	Retained Earnings	Total Equity
	£	£	£	£
Balance at 1 January 2013	20,000,000	20,196,465	3,495,948	43,692,413
Comprehensive Income:				
Profit for the year	-	-	3,996,500	3,996,500
Dividend	-	-	(816,400)	(816,400)
Balance at 31 December 2013	**20,000,000**	**20,196,465**	**6,676,048**	**46,872,513**

	Share Capital	Capital Contribution	Retained Earnings	Total Equity
	£	£	£	£
Balance at 1 January 2014	20,000,000	20,196,465	6,676,048	46,872,513
Comprehensive Income:				
Profit for the year	-	-	2,783,456	2,783,456
Dividend	-	-	(816,400)	(816,400)
Balance at 31 December 2014	**20,000,000**	**20,196,465**	**8,643,104**	**48,839,569**

The notes on pages 18 to 32 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2014

	Note	2014 £	2013 £
Cash flows from operating activities			
Profit for the year		2,783,456	3,996,500
Adjustment for:			
- Depreciation of property, plant and equipment	5	20,717	22,300
- Net gain from fair value adjustment on investment property	4	(2,273,656)	(675,796)
- Write off of inventory costs		113,050	-
- Finance income (net)		(39,077)	(109,260)
Changes in working capital:			
- Decrease / (Increase) in trade and other receivables	7	597,330	(511,824)
- (Decrease) / Increase in trade and other payables	9	(534,295)	495,627
- (Increase) in inventories	6	(3,489,245)	(1,600,555)
Cash generated from operations		**(2,821,720)**	**1,616,992**
Finance income	3.4	41,175	110,864
Finance costs	3.5	(2,098)	(1,604)
Net cash generated from operating activities		**(2,782,643)**	**1,726,252**
Cash flows from investing activities			
Subsequent expenditure on investment property	4	(2,871)	(178,607)
Property, plant & equipment	5	-	(6,500)
Net cash used from investing activities		**(2,871)**	**(185,107)**
Cash flows from financing activities			
Dividend paid to the Company's shareholder		(816,400)	(816,400)
Net cash used in financing activities		**(816,400)**	**(816,400)**
Net (decrease) / increase in cash and cash equivalents		(3,601,914)	724,745
Cash and cash equivalents at the beginning of the year		7,696,829	6,972,084
Cash and Cash Equivalents at the end of the year		**4,094,915**	**7,696,829**

The notes on pages 18 to 32 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 address of its registered office is Dialogue House, 2-6 Anley Street, St. Helier, Jersey JE2 3QE.

Share Capital

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

These consolidated financial statements of the Group for the year ended 31 December 2014 were approved in accordance with a resolution of the directors on 11 March 2015.

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").

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 2014 and believe that early adopting these standards would not have a material impact on the financial statements of 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. Finance income was presented within investing cash flows in the prior year. 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 2.19 and 4.

The consolidated financial statements comprise the financial statements of The States of Jersey Development Company Limited, the parent, and its subsidiaries as at 31 December 2014. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of

Notes to the consolidated financial statements (continued)

2.2 Basis of Consolidation (continued)
one half of the voting rights (refer to note 11).

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.

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

Notes to the consolidated financial statements (continued)

2.5 Property, plant and equipment (continued)

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 2.12 for revenue recognition.

2.7 Inventories

The Group's inventories comprise of land that is to be sold to developers or developed with a view to sale. Inventories are valued at the lower of cost and net realisable value. Cost represents the purchase price plus any directly attributable cost including professional fees and expenses incurred directly associated with the land's development since acquisition . Net realisable value is the estimated selling price in the ordinary course of business (refer to note 2.19). Inventories also include building materials which are held at the lower of cost and net realisable value.

2.8 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.

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

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

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able

Notes to the consolidated financial statements (continued)

2.8 Financial instruments (continued)

a) Financial assets (continued)

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

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

b) Financial liabilities

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

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

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

2.9 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

2.10 Trade and other payables

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

2.11 Provisions

Provisions are recognised when:

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

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

2.12 Revenue recognition

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

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.

Notes to the consolidated financial statements (continued)

2.12 Revenue recognition (continued)

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

Other income
Other income is recognised on an accruals basis.

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

2.14 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).

2.15 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.

2.16 Employee benefits
(a) Pensions
Employer's contributions to pension costs are charged to the consolidated statement of comprehensive income as they become payable (see note 13). Contributions to the Public Employees Contributory Retirement Scheme, a defined benefit scheme, are accounted for as if it were a defined contributions scheme. The Group is exempt from the defined benefit pension schemes disclosure requirements as it is a multi-employer scheme and the Group is unable to identify its share of the underlying assets and liabilities of the scheme.

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

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

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

Notes to the consolidated financial statements (continued)

2.18 Financial Risk Management (continued)

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 provides written principles for overall risk management, as well as written policies covering specific areas, interest rate risk, credit risk and investing excess liquidity.

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 ensuring there is sufficient working cash available at all times.

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

The maturity analysis of financial instruments at 31 December 2014 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Assets				
Cash and cash equivalents	4,094,915			4,094,915
Trade and other receivables (excluding lease incentive – rent free period[1])	244,634	-	-	244,634
Liabilities				
Trade and other payables:				
- Trade and other payables (excluding accruals)	170,457	-	-	170,457
- Accruals	50,000	-	-	50,000

The maturity analysis of financial instruments at 31 December 2013 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Total
Assets				
Cash and cash equivalents	1,441,829	6,255,000	-	7,696,829
Trade and other receivables (excluding lease incentive – rent free period[1])	783,908	-	-	783,908
Liabilities				
Trade and other payables:				
- Trade and other payables (excluding accruals)	589,013	-	-	589,013
- Accruals	175,739	-	-	175,739

From the analysis above it can be seen that liquidity risk is not significant.

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

Notes to the consolidated financial statements (continued)

2.18 Financial Risk Management (continued)

b) Capital risk

When managing capital, the Group's objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to the Shareholder. The Group aims to deliver these objectives by maintaining sufficient liquidity to meet the expenses of the Group. The Group has no gearing.

c) Credit risk

Credit risk is the risk that 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 contracts are entered into only with lessees 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 2014 and 31 December 2013 equates to the carrying value.

d) Market risk

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

i) Cash flow and fair value interest rate risk

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

ii) Price risk

- The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.
- The Group is exposed to property price risk including property rentals risk (see notes 2.19 and 4).

2.19 Significant accounting judgements, estimates and assumptions

Classification of property

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

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

Estimation of net realisable value for inventory

Inventory is stated at the lower of cost and net realisable value ("NRV"). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and in the light of recent market transactions. NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion.

Valuation of property

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

Notes to the consolidated financial statements (continued)

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

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

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

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

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

3 Revenue and expenses

3.1 Revenue

	2014 £	2013 £
Deferred consideration	-	3,000,000
Investment income	1,972,918	1,812,637
Events	104,674	112,125
Other income	56,224	56,507
Reimbursement of costs	21,023	7,071
	2,154,839	**4,988,340**

3.2 Expenses

	Note	2014 £	2013 £
Employee benefit expense	3.3	814,711	762,324
Premises and establishment		98,649	92,096
Estate Management		312,767	300,127
Depreciation of property, plant and equipment		20,717	22,300
Other expenses:			
- Legal, consultancy and professional		85,108	135,416
- Audit		33,490	30,920
- Events		103,910	112,125
- Other operating expenses		44,650	41,805
- Exceptional items	3.6	170,114	279,783
		1,684,116	**1,776,896**

Notes to the consolidated financial statements (continued)

3.3 Employee benefit expense

	2014	2013
	£	£
Wages & salaries	617,921	585,085
Social security	25,592	24,057
Pension costs	80,710	75,896
Bonuses	68,471	60,000
Other staff benefits	22,017	17,286
	814,711	**762,324**

3.4 Finance income

	2014	2013
	£	£
Bank interest receivable	**41,175**	**110,864**

3.5 Finance costs

	2014	2013
	£	£
Bank fees and charges	**2,098**	**1,604**

3.6 Exceptional items

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

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

	2014	2013
	£	£
West Park Marine Lake	-	100,000
Road and pavement works at the Waterfront	57,064	179,783
Property Inventory costs written off	113,050	-
	170,114	**279,783**

4. Investment property

	2014 Leasehold	2013 Leasehold
	£	£
Fair value at 1 January	10,716,944	9,862,541
Direct expenditure on investment property	2,871	178,607
Transfer from Property, Plant & Equipment	1,244,584[2]	-
Lease incentives capitalised brought forward	58,056	79,167
Movement in unamortised lease incentives	(21,111)	(21,111)
Net gain from fair value adjustment on investment properties	2,273,656	675,796
Market value at 31 December	14,275,000	10,775,000
Lease incentives – rent free adjustments	(36,945)	(58,056)
Fair value at 31 December	**14,238,055**	**10,716,944**

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

[2] During the year, the Company vacated its offices and let them to a third party. Consequently, the property has been reclassified as an investment property from the lease commencement date.

Notes to the consolidated financial statements (continued)

4 Investment property (continued)

Segment	Car Parks	Office	Hotel Interest	Bus Station	Public Square	Land for a sub-station	2014 Total	2013 Total
Fair Value Hierarchy	3	3	3	3	3	3		
Fair Value 1 January	**6,925,000**	-	**1,650,000**	**1,191,944**	**750,000**	**200,000**	**10,716,944**	**9,862,541**
Additions - Direct Expenditure on investment property	2,871		-	-	-	-	2,871	178,607
- Transfer from Property, Plant & Equipment		1,244,584	-				1,244,584	
Net gain / (loss) from fair value adjustments	2,089,129	55,416	-	21,111	108,000		2,273,656	675,796
Lease incentives capitalised b/f	-		-	58,056	-	-	58,056	79,167
Movement in unamortised lease incentives	-		-	(21,111)	-	-	(21,111)	(21,111)
Market Value per valuation report as 31 December	**9,017,000**	**1,300,000**	**1,650,000**	**1,250,000**	**858,000**	**200,000**	**14,275,000**	**10,775,000**
Lease incentive receivable	-	-	-	(36,945)	-	-	(36,945)	(58,056)
Fair Value at 31 December	**9,017,000**	**1,300,000**	**1,650,000**	**1,213,055**	**858,000**	**200,000**	**14,238,055**	**10,716,944**

Valuation processes

The car parks, hotel interest, bus station, public square and land for a sub-station were valued at 31 December 2013 and the offices on 1 December 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The Group has an RICS qualified employee who reviews the valuations performed by the independent valuers for financial reporting purposes. This person reports directly to the Managing Director and Finance Director who report to the Audit Committee. Discussions of valuation processes and results are held between the Audit Committee, the Managing Director and Finance Director on an annual basis and with independent valuers, at least once every five years.

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.

Notes to the consolidated financial statements (continued)

4 Investment property (continued)

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

Segment	Valuation - £	Valuation technique	Net rental income - £	Yield - %	Purchaser's costs - %
Car Parks					
- Waterfront Car Park	8,767,000	All risk yield comparison	726,852	7.75	6.5
- Castle Quay	250,000	All risk yield comparison	18,000	7.0	3.0
Hotel	1,650,000	All risk yield comparison	131,091	7.5	5.0
Offices	1,300,000	All risk yield comparison	119,005	8.9	2.0
Bus Station	1,250,000	All risk yield comparison	100,000	7.5	5.0
Public Square	858,000	All risk yield comparison	71,291	8.0	4.5
Land for sub-station	200,000	All risk yield comparison	14,655	7.0	3.0

Yield sensitivity analysis:

Segment	-0.5%	0%	+0.5%
Car Parks			
- Waterfront Car Park	9,373,884	8,767,000	8,237,656
- Castle Quay	268,615	250,000	232,800
Hotel	1,778,359	1,650,000	1,556,064
Offices	1,391,130	1,300,000	1,223,524
Bus Station	1,357,143	1,250,000	1,187,500
Public Square	907,772	858,000	800,975
Land for sub-station	233,248	200,000	202,148

Gross Revenue[3]:

Segment	Form	Gross Revenue - £
Car Parks		
- Waterfront Car Park	cash	414,575
	lease/licence	463,117
- Castle Quay	lease	18,000
Hotel	lease	131,091
Offices	lease	119,005
Bus Station	lease	100,000
Public Square	lease/licence	85,507
Land for sub-station	lease	14,655

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

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 2014 but for which fair value is disclosed.

Assets	Level 1	Level 2	Level 3	Total
Trade and other receivables	-	244,634	-	244,634
Cash and cash equivalents	4,094,915	-	-	4,094,915
Total	4,094,915	244,634	-	4,339,549
Liabilities				
Trade and other payables	-	230,457	-	230,457
Total	-	230,457	-	230,457

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

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

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

Notes to the consolidated financial statements (continued)

5 Property, plant and equipment

	Leasehold land and buildings	Events installations and equipment	Total
Cost	£	£	£
31 December 2013	1,300,000	37,556	1,337,556
Additions	-	-	-
Disposals / write downs	(1,300,000)		(1,300,000)
At 31 December 2014	**-**	**37,556**	**37,556**
Depreciation			
31 December 2013	38,000	28,880	66,880
Charge for year	17,417	3,300	20,717
Disposals / write downs	(55,417)	-	(55,417)
At 31 December 2014	**-**	**32,180**	**32,180**
Net Book Value			
At 31 December 2014	**-**	**5,376**	**5,376**
At 31 December 2013	1,262,000	8,676	1,270,676

6 Inventories

	2014	2013
	£	£
Freehold land	9,531,925	9,531,925
Leasehold land	20,109,764	17,533,158
Costs capitalised on inventory to purchase	799,588	-
Building materials	45,769	45,769
	30,487,046	**27,110,852**

'Leasehold land' has increased due to professional fees and expenses being incurred to obtain planning and building consents on phase 1 of the Esplanade Quarter development to be known as 'The Jersey International Finance Centre'.

'Costs capitalised on inventory to purchase' represented professional fees incurred on the former Jersey College for Girls site. As at 31 December 2014, the site remained outside of the ownership of the Company but has since the balance sheet date been purchased by the Company. Due to the transfer post the balance sheet date, the capitalised costs have been transferred from debtors to inventory (note 7).

7 Trade and other receivables

	Note	2014	2013
		£	£
Amounts due from related parties	12	46,761	589,897
Trade receivables		16,851	23,618
Lease incentives – rent free periods		36,945	58,056
Other receivables		132,097	163,704
Prepayments		11,980	6,689
		244,634	**841,964**

8 Share capital

Equity share capital	2014	2013
Authorised	£	£
20,000,000 ordinary shares of £1 each	**20,000,000**	**20,000,000**
Issued and fully paid		
20,000,000 ordinary shares of £1 each	**20,000,000**	**20,000,000**

Notes to the consolidated financial statements (continued)

9 Trade and other payables

	Note	2014	2013
		£	£
Amounts due to related parties	12	2,680	2,420
Trade payables		85,591	497,342
Social security		11,392	10,281
Other taxes		10,297	10,659
Other liabilities		10,299	18,524
Accruals and deferred income		110,198	225,526
		230,457	**764,752**

10 Legal action

Harcourt Developments Limited ("Harcourt") has filed an action against the Company. Harcourt is claiming that the Company should not have terminated what it alleges to be an agreement relating to prospective development projects and is claiming damages for breach of contract. The Company will defend any actions brought about by Harcourt and that any such actions will not delay any of the Group's current plans and activities.

The Group has no significant contingent liabilities.

11 Subsidiaries

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

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

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

12 Related party transactions

Directors received £444,396 in 2014 comprising salary, emoluments, pension, bonus and benefits (2013: £422,877).

The Company intermittently purchases services from the States of Jersey on a commercial basis. During the year £30,013 (2013: £10,166) was expended.

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 £241,080 (2013: £520,866) was expended.

The States of Jersey receive £45,000 per annum 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.

In September 2007, a lease was entered into for the new Liberation Station, whereby rental income receivable from the States of Jersey is at a level the Directors consider equivalent to market rates. The total recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014 in respect of this contract is £78,889 (2013: £78,889). An insurance premium in respect of Liberation station in the sum of £1,332 (2013: £1,352) has been recharged to the States of Jersey and remains outstanding at the year end.

Notes to the consolidated financial statements (continued)

12 Related party transactions (continued)

The Company receives £759,000 (2013: £759,000) from the States of Jersey in respect of a licence to operate the Esplanade Car Park.

The Company has a related party relationship with the Jersey Electricity Company Limited who lease the electricity sub-station located on the Esplanade from the Company on a commercial basis. During the year rentals totalling £14,655 (2013: £14,171) were collected.

The Company has a related party relationship with Jersey Telecom Limited, who lease a GSM mast located on La Rue de L'Etau from the Company on a commercial basis. During the year rentals totalling £10,349 (2013: £11,507) were collected.

The Company has a related party relationship with the Ports of Jersey (Jersey Harbours). The Port of Jersey has an agreement with the Company that allows marina users to park in the Waterfront car park. 50 spaces are permanently available with an additional 100 spaces available at weekends and on Bank holidays. During the year £79,000 (2013: £79,000) was received. The Company entered into a further agreement with the Port of Jersey to allow marine traders to use 10 spaces at Castle Quay. During the year £18,000 (2013: £18,000) was received.

In addition, the Company reimburses Ports of Jersey for the electricity used to operate the Steam Clock and surrounding lights. The total cost for 2014 was £8,058 (2013: £7,477).

At 31 December 2014 the following balances were receivable / (payable) as follows:

		2014	2013
		£	£
-	Jersey Tourism	-	1,881
-	Jersey Property Holdings	45,429	245
-	Ports of Jersey	-	5,379
-	Transport & Technical Services	1,332	
-	Treasury	-	582,392
-	Transport & Technical Services	(500)	(607)
-	Ports of Jersey	(2,180)	(1,813)

13 Pension costs

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

Salaries and emoluments include pension contributions of £5,294 (2013: £5,302) which relate to one member of staff (2013:1) who is a member of the Public Employees Contributory Retirement Scheme (PECRS). This is a defined benefit pension scheme whose assets are held separately from those of the States of Jersey; however, it is not a conventional defined benefit scheme as the employer is not responsible for meeting any on-going deficiency for the scheme. Reference should be made to the States of Jersey financial statements for the year ended 31 December 2014 for further details of the scheme. Contributions are accounted for within this Group as a defined contribution scheme, as it is a multi-employer scheme. The Group is exempt from the defined benefit pension schemes disclosure requirements as it is a multi-employer scheme and the Group is unable to identify its share of the underlying assets and liabilities of the scheme.

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

As an admitted body to PECRS the Group has been allocated a proportion of the unfunded liabilities of the scheme which arose in the years up to and including 31 December 1986. With effect from 1 January 2014 the Company was required to fund additional annual contributions amounting to £6,463 (2013: £6,528). This figure is subject to annual adjustment by reference to the percentage increase of the average pensionable earnings of all members of the scheme.

Notes to the consolidated financial statements (continued)

13 Pension costs (continued)

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

14 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.