STATES OF JERSEY

STATES OF JERSEY DEVELOPMENT COMPANY LIMITED: ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

Presented to the States on 29th April 2014
by the Minister for Treasury and Resources

STATES GREFFE

2014 Price code: C R.56

THE STATES OF JERSEY DEVELOPMENT COMPANY LIMITED

Annual Report & Consolidated Financial Statements
For the year ended 31 December 2013

Contents

Chairman's introduction

In my introductions to the last two Annual Reports of the States of Jersey Development Company Limited ("the Company") I have explained how new governance arrangements have been put in place and directors recruited. This year I am very happy to report that the Board comprised the same people at the beginning and end of the year. The Board has an excellent balance of experience and expertise, precisely what such a Board needs in what is a difficult operating environment. The Board has been able to concentrate its energies on the development programme and in managing the existing estate. I hope that the present Board will remain in place for another three years, to see through the development activities that will be commenced in 2014.

The Waterfront Estate
The on-going business of the Company in managing the Waterfront estate has continued successfully. The first phase of Castle Quay is now complete and during the year the Company concluded the development agreement with Dandara, resulting in a payment to the Company of £3,000,000. The commercial sites on the ground floor of the two blocks are now largely let, giving much needed vibrancy to the area.

Jersey International Finance Centre
The immediate priority for the Company remains the development of the first phase of the Esplanade Quarter – broadly covering the Esplanade Car Park. The project involves creating a "Jersey International Finance Centre". Good progress has been made on the scheme, including detailed discussion with several potential tenants. During the year, detailed planning permission was received for the first of six office blocks and shortly after the year-end permission was also received for a second building and an underground car park. Construction will begin within a few months of pre-lets being agreed.

The project is entirely in line with agreed States policies in respect of the development of the finance industry, planning and the role of the Company itself. The project will provide the Island with an identifiable district for its premier financial services industry. The JIFC will create modern Grade A office accommodation for the locally based financial services industry to operate in the most efficient and cost effective manner.

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

The former Jersey College for Girls site, which has been derelict for over 13 years and has not yet been transferred to the Company, will be the first site to be developed. Good progress has been made in working up a scheme for 183 residential units, and a planning application was made during 2013. This has taken time to consider, largely because of concerns about the effect on parents dropping off their children at a nearby school. It is hoped that 2015 will see building begin on site.

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 2013 was £4,876,215, more than double the 2012 figure of £2,291,662. This increase is largely accounted for by the Company receiving a final overage payment from the completion of Castle Quay Phase 1. The Company does not now 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 £46,872,513.

Chairman's introduction (continued)

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
14 March 2014

Operational overview

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

Achievements

The overall development plan for the Waterfront area of St. Helier 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.

During 2013 the Company has progressed development plans which will secure significant returns to the Company in the future.

Activities

Castle Quay Phase 1:

This development by Dandara Jersey Limited reached final practical completion during 2012 and the Company concluded its agreement with Dandara Jersey Limited in April 2013 receiving a final overage payment of £3,000,000. Sales and lettings continue in spite of the difficult market conditions and the development has increased the vibrancy of the area.

Esplanade Quarter:

The first phase consisting of 6 office buildings totalling about 470,000 square feet of 'Grade A' office space together with associated below ground parking and significant new areas of public realm is to be known as the 'Jersey International Finance Centre' ("JIFC"). The JIFC will create modern environmentally efficient office space of a quality needed to underpin the future of the Island's important finance sector. 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. Post construction 520 public car parking spaces will be provided beneath a new public park.

In August 2013 the Company obtained detailed planning approval for the first office building. In July 2013 the Company submitted a detailed planning application for a larger second office building specifically for a single prospective tenant. In September 2013, plans were submitted for a 520 space underground public car park and public park on the surface.

The Company obtained planning approval on the second office building and the new public car park after the end of the financial year on 28 and 16 January 2014 respectively and the Company will be in a position to begin construction within a few months of securing tenants.

The Company is in detailed discussions with several locally based international financial institutions whose existing leases are reaching expiry and that are seeking modern flexible Grade A office space in order to operate in the most efficient manner.

Former Jersey College for Girls site

In March 2013 the Company submitted a detailed planning application for the redevelopment of the former Jersey College for Girls site to deliver 183 apartments with associated parking. 40 of these units will be for social housing for the over 55s. The Company is in the process of submitting revised plans to address concerns raised about parking arrangements for the neighbouring Janvrin School and to increase the number of social housing units to 75.

The Company hopes to receive approval for the scheme in early Spring 2014 and at which time the site will be transferred to the Company and construction will start in early 2015.

The project will be split into phases and tendered to local contractors.

Operational overview (continued)

Corporate Responsibility
The Company either directly organises or provides assistance to a significant number of community and charity events on the various areas of public realm on the St. Helier Waterfront that the Company owns or manages.

The Company directly organised the following events in 2013:-

- 'Big Bonfire' from which net receipts of £9,000 were raised and donated to three local charities: Side by Side, Variety and Help a Jersey Child.
- Portuguese Food Festival
- International Food Festival
- Spirit of Kites

The Company assisted with the following events in 2013 by either providing use of its land free of charge, and/or providing electricity and water free of charge, and/or providing manpower resource:-

- Liberation Day at the Weighbridge
- Polish Food Festival
- Norman Markets
- ITEX walk
- Standard Chartered Marathon
- Race For Life
- Jersey International Boat Show
- Festival of Motoring
- World Music Day
- St. Helier Street Party

In 2013 the Company's Estate Manager spent over 400 hours organising and assisting with the aforementioned events for the community.

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

The Company has provided technical assistance and contributed £100,000 towards the refurbishment of the West Park Marine Lake that once complete will be operated by the Bodet Foundation. The Company also provided technical expertise in relation to possible uses and high level feasibility studies for Fort Regent.

Financial
The Company generated a retained profit, after dividend, of £3,180,100 for the financial year ended 31st December 2013 (2012: £1,224,194).

Property development is a long term activity and therefore there are substantial year on year variations. Profit in 2013 was exceptionally high as a result of the completion of the Castle Quay Phase 1 project, with a final "overage" payment to the Company of £3,000,000. The developments currently planned will be completed over the next two years and consequently no profits are anticipated from development activity during this period. The Company anticipates generating significant profits when completed developments are sold, which are planned from 2017 onwards.

Cash and cash equivalents increased to £7,696,829 (2012: £6,972,084). These funds will be required during 2014 and 2015 to meet pre-development expenses of the Company's development projects. Cash continues to be actively managed through a range of fixed term deposits and current accounts.

Operational overview (continued)

The Group, being the Company and its subsidiaries, manages net assets of £46,872,513 (2012: £43,692,413).

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 2013 these totalled £27,110,852 (2012: £25,510,297). The market value will be realised either on sale to a third party or on direct development of the sites by the Company and subsequent sale on completion.

The Company continues to maximise income from its estate; investment income and other income total £1,869,144 (2012: £1,946,374).

Future

The primary focus for the Company in 2014 and beyond is to deliver the Jersey International Finance Centre. It is considered commitments from existing on-island financial services companies will illustrate the confidence in the industry and to Jersey as a location for international finance. The successful delivery of the project will generate significant funds to commence the second phase of the Esplanade Quarter masterplan starting with the lowering of La Route de la Liberation.

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

Report of the directors

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2013.

Incorporation
Waterfront Enterprise Board Limited was incorporated in Jersey on 21 February 1996 when 1 million shares of £1 each were issued to the States of Jersey. On 18 March 1997, the Company's authorised share capital was increased from £1 million to £20 million which has been issued and fully paid as at 31 December 2013 and of which 19,999,999 are held by the Greffier of the States on behalf of the States of Jersey and 1 share is held by the Treasurer of the States.

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

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

Principal Activities
The principal activities of the Company and its subsidiary undertakings are property 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 13. The Directors approved the payment of a dividend of £816,400 during the year (2012: £840,317).

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

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

Company Secretary
The secretary of the Company at 31 December 2013 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 and 9. The report of the remuneration committee is set out on page 10. Both are adopted as part of this report.

Report of the directors (continued)

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

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

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

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

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

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

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

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

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

14 March 2014

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

Report on corporate governance

The Directors are committed to maintaining a high standard of Corporate Governance and fulfilling their responsibilities in accordance with the Companies (Jersey) Law 1991 and the Memorandum and Articles of Association of the Company. The Board is of the opinion that it has complied with these governing statutes in all material respects.

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

Mix of Independent Non-Executive and Executive Directors
The Board's preference is to ensure a strong majority of independent directors. At 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
Non-Executive Directors are appointed by the Shareholder via an open recruitment process overseen by the Jersey Appointments Commission. The primary function of the Jersey Appointments Commission in overseeing the recruitment of States employees, as well as appointees to States-supported or related bodies, is to ensure that the selection is fair, efficient and conducted in accordance with best practice and procedures. The recruitment code sets the principles and processes to be applied in recruitment and selection activities for all appointments which include conflicts of interest and the members of the commission.

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

Meetings
The Board met nine times during 2013 and was quorate on all occasions.

Board Committees

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

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

  The Audit Committee met four times during 2013.

- **Remuneration Committee**
  The Remuneration Committee members are currently Non-Executive Directors, Nicola Palios (Chairman), 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 twice during 2013.

Report on corporate governance (continued)

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

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

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

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

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

- **Organisation**
  The Board concentrates mainly on strategic and directional matters and on financial performance. It aims to safeguard the Company's assets and ensure proper and reliable accounting records are maintained. There is a clearly defined organisational structure with established reporting responsibilities, authorities and reporting lines to the Board.

- **Audit Committee**
  The Audit Committee operates under a charter that was last ratified on 21 October 2013. 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.

  During the year an internal audit was performed and overseen by the Audit Committee with the findings discussed and remediation undertaken as required.

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

14 March 2014

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 £	2013 Total £	2012 Total £
Executive Directors					
Lee Henry	155,000	1,427	29,000	185,427	169,316
Simon Neal	88,000	-	13,000	101,000	51,463[1]
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	8,887[2]
Paul Masterton	15,000	-	-	15,000	7,079[3]
John Tibbo	-	-	-	-	8,019[4]
Total	**343,000**	**1,427**	**42,000**	**386,427**	**314,764**

Directors' pension contributions

	2013 £	2012 £
Lee Henry	23,250	22,156
Simon Neal	13,200	7,720
	36,450	29,876

By order of the Remuneration Committee

Member of the Remuneration Committee
14 March 2014

[1] Simon Neal was employed for part of the year in 2012. His annualised salary and benefits including pension would have amounted to £93,890.
[2] Ann Santry was a director from 31 May 2012. Her annualised fee for 2012 would have been £15,000 for that year.
[3] Paul Masterton was a director from 12 July 2012. His annualised fee would have been £15,000 for that year.
[4] John Tibbo resigned as a director on 12 July 2012. His annualised fee would have been £15,000 for that year.

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

Report on the financial statements
We have audited the accompanying consolidated financial statements (the "financial statements") of The States of Jersey Development Company Limited which comprise the consolidated statement of financial position as of 31 December 2013 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2013, and of its financial performance and 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.

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

19 March 2014

Consolidated statement of comprehensive income
For the year ended 31 December 2013

	Note	2013	2012
		£	£
Continuing Operations			
Revenue	3.1	4,876,215	2,291,662
Net gain from fair value adjustment on investment property	4	675,796	1,075,605
Employee benefits expense	3.3	(762,324)	(665,322)
Premises and establishment	3.2	(92,096)	(86,007)
Estate management	3.2	(300,127)	(385,773)
Depreciation of property, plant and equipment	3.2	(22,300)	(35,724)
Other expenses (including exceptional items)	3.2	(487,924)	(271,494)
Operating profit		**3,887,240**	**1,922,947**
Analysed as:			
Operating profit before exceptional items		4,167,023	1,966,787
Exceptional items	3.6	(279,783)	(43,840)
Operating profit		**3,887,240**	**1,922,947**
Finance income	3.4	110,864	142,081
Finance costs	3.5	(1,604)	(517)
Finance income - net		**109,260**	**141,564**
Profit for the year		**3,996,500**	**2,064,511**

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

The notes on pages 17 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of financial position
As at 31 December 2013

	Note	31 December 2013 £	31 December 2012 £
Assets			
Non-current assets			
Investment property	4	10,716,944	9,862,541
Property, plant and equipment	5	1,270,676	1,286,476
		11,987,620	**11,149,017**
Current Assets			
Inventories	6	27,110,852	25,510,297
Trade and other receivables	7	841,964	330,140
Cash and cash equivalents		7,696,829	6,972,084
		35,649,645	**32,812,521**
Total assets		**47,637,265**	**43,961,538**
Equity			
Equity attributable to equity holders of the Company			
Share capital	8	20,000,000	20,000,000
Retained earnings		6,676,048	3,495,948
Other reserves		20,196,465	20,196,465
Total Equity		**46,872,513**	**43,692,413**
Liabilities			
Non-current liabilities			
Trade and other payables		-	-
Current liabilities			
Trade and other payables	9	764,752	269,125
Total liabilities		**764,752**	**269,125**
Total equity and liabilities		**47,637,265**	**43,961,538**

The consolidated financial statements on pages 13 to 31 were approved by the Board of Directors on 14 March 2014 and signed on their behalf

By____________________ Director

The notes on pages 17 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2013

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

	Share Capital	Other Reserves	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**

The notes on pages 17 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2013

	Note	2013 £	2012 £
Cash flows from operating activities			
Profit for the year		3,996,500	2,064,511
Adjustment for:			
- Depreciation of property, plant and equipment	5	22,300	35,724
- Net gain from fair value adjustment on investment property	4	(675,796)	(1,075,605)
- Finance income (net)		(109,260)	(141,564)
Changes in working capital:			
- (Increase) / decrease in trade and other receivables	7	(511,824)	1,863,453
- Increase / (decrease) in trade and other payables	9	495,627	(258,569)
- (Increase) in inventories	6	(1,600,555)	(837,386)
Cash generated from operations		**1,616,992**	**1,650,564**
Finance income	3.4	110,864	142,081
Finance costs	3.5	(1,604)	(517)
Net cash generated from operating activities		**1,726,252**	**1,792,128**
Cash flows from investing activities			
Subsequent expenditure on investment property	4	(178,607)	(113,936)
Plant, Property & Equipment	5	(6,500)	-
Net cash used from investing activities		**(185,107)**	**(113,936)**
Cash flows from financing activities			
Dividend paid to the Company's shareholder		(816,400)	(840,317)
Net cash used in financing activities		**(816,400)**	**(840,317)**
Net increase / (decrease) in cash and cash equivalents		724,745	837,875
Cash and cash equivalents at the beginning of the year		6,972,084	6,134,209
Cash and Cash Equivalents at the end of the year		**7,696,829**	**6,972,084**

The notes on pages 17 to 31 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 Ground Floor, Harbour Reach, St. Helier, Jersey JE2 4HR.

Share Capital

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

These consolidated financial statements of the Group for the year ended 31 December 2013 were approved in accordance with a resolution of the directors on 14 March 2014.

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").

New and Amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning 1 January 2013.

Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income which requires entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting which requires disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard has no material impact on the Group's financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard has no material impact on the Group's financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities.

None of the standards noted above have a material impact on the Group's financial statements.

Notes to the consolidated financial statements (continued)

New and Amended standards adopted by the Group (continued)
IFRS 13 Fair value measurement' aims to improve the consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend to the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. This standard has the most significant impact on the Group for the reporting period and its impact is disclosed on notes 2.4, 2.19 and 4 of the consolidated financial statements.

No other amendments to existing standards or new standards would have any impact on the results of the Group.

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 2013. 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 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.

Notes to the consolidated financial statements (continued)

2.4 Investment property (continued)

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 on 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 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.

Notes to the consolidated financial statements (continued)

2.5 Property, plant and equipment (continued)
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 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. 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 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.

Notes to the consolidated financial statements (continued)

2.9 Share capital

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

2.10 Trade and other payables

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

2.11 Provisions

Provisions are recognised when:

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

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:-

Deferred consideration

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

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 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).

Notes to the consolidated financial statements (continued)

2.15 Taxation

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

2.16 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.

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.

Notes to the consolidated financial statements (continued)

2.18 Financial Risk Management

a) Liquidity risk (continued)

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[5])	783,908	-	-	783,908
Liabilities				
Trade and other payables:				
- Trade and other payables (excluding accruals)	589,013	-	-	589,013
- Accruals	175,739	-	-	175,739

The maturity analysis of financial instruments at 31 December 2012 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	959,746	1,260,419	4,751,919	6,972,084
Trade and other receivables (excluding lease incentive – rent free period[5])	250,973	-	-	250,973
Liabilities				
Trade and other payables:				
- Trade and other payables (excluding accruals)	190,122	-	-	190,122
- Accruals	79,003	-	-	79,003

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

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 2013 and 31 December 2012 equates to the carrying value.

[5] 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)

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 note 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.

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

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

Techniques used for valuing investment property

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

Techniques used for assessing the net realisable value of inventory

The Residual Method (or Hypothetical Development Approach) to estimating fair value is a combination of the Capitalisation (income) and a cost approach (Summation). The Residual Method is defined according to "Approved European Property Valuation Standards" of TEGoVA (The European Group of Valuers' Associations), as: "A method of determining the value of a property which has potential for development, redevelopment or

Notes to the consolidated financial statements (continued)

Techniques used for assessing the net realisable value of inventory (continued)

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

	2013 £	2012 £
Deferred consideration	3,000,000	296,881
Investment income	1,812,637	1,881,985
Other income	56,507	64,389
Reimbursement of costs	7,071	48,407
	4,876,215	**2,291,662**

Note: At the end of the previous year the Company was negotiating a final overage payment that was completed in April 2013 in respect of Castle Quay phase 1 from the developer. As has been the policy in prior years, no income from overages has been recognised until that income is certain.

3.2 Expenses

	Note	2013 £	2012 £
Employee benefit expense (note 3.3)		762,324	665,322
Premises and establishment		92,096	86,007
Estate Management:			
- Estate Management		300,127	341,933
- Estate Management (exceptional items)	3.6	-	43,840
Depreciation of property, plant and equipment		22,300	35,724
Other expenses:			
- Legal, consultancy and professional		135,416	169,564
- Audit		30,920	30,000
- Other operating expenses		41,805	31,807
- Exceptional items	3.6	279,783	-
- SoJDC establishment costs		-	40,123
		1,664,771	**1,444,320**

3.3 Employee benefit expense

	2013 £	2012 £
Wages & salaries	585,085	512,713
Social security	24,057	20,820
Pension costs	75,896	71,404
Bonuses	60,000	33,042
Other staff benefits	17,286	27,343
	762,324	**665,322**

Notes to the consolidated financial statements (continued)

3.4 Finance income

	2013	2012
	£	£
Bank interest receivable	110,864	122,293
Interest receivable on deferred consideration	-	19,788
	110,864	**142,081**

3.5 Finance costs

	2013	2012
	£	£
Bank fees and charges	**1,604**	**517**

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:

	2013	2012
	£	£
West Park Marine Lake	100,000	-
Road and pavement works at the Waterfront	179,783	-
Jubilee celebrations – preparation of Waterfront site	-	43,840
Events - Income	(112,125)	-
Expense	112,125	-
	279,783	**43,840**

4. Investment property

	2013 Leasehold	2012 Leasehold
	£	£
Fair value at 1 January	9,862,541	8,673,000
Direct expenditure on investment property	178,607	113,936
Lease incentives capitalised brought forward	79,167	-
Movement in unamortised lease incentives	(21,111)	79,167
Net gain from fair value adjustment on investment properties	675,796	1,075,605
Market value at 31 December	10,775,000	9,941,708
Lease incentives – rent free adjustments	(58,056)	(79,167)
Fair value at 31 December	**10,716,944**	**9,862,541**

The Group's investment property is measured at fair value. The Group holds 5 classes of investment property all located in Jersey being car parks, a hotel interest, a bus station, a public square with al fresco dining and land upon which a sub-station is located.

Notes to the consolidated financial statements (continued)

4 Investment property (continued)

Segment	Car Parks	Hotel Interest	Bus Station	Public Square	Land for a sub-station	2013 Total	2012 Total
Fair Value Hierarchy	3	3	3	3	3		
Fair Value 1 January	**6,305,708**	**1,386,000**	**1,389,833**	**571,000**	**210,000**	**9,862,541**	**8,673,000**
Additions							
- Direct Expenditure on investment property	172,723	-	-	5,884	-	178,607	113,936
Net gain / (loss) from fair value adjustments	446,569	264,000	(197,889)	173,116	(10,000)	675,796	1,075,605
Lease incentives capitalised b/f	-	-	79,167	-	-	79,167	-
Movement in unamortised lease incentives	-	-	(21,111)	-	-	(21,111)	79,167
Market Value per external valuation report as 31 December	**6,925,000**	**1,650,000**	**1,250,000**	**750,000**	**200,000**	**10,775,000**	**9,941,708**
Lease incentive receivable	-	-	(58,056)	-	-	(58,056)	(79,167)
Fair Value at 31 December	**6,925,000**	**1,650,000**	**1,191,944**	**750,000**	**200,000**	**10,716,944**	**9,862,541**

Valuation processes

The Group's investment properties were valued at 31 December 2013 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.

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	6,675,000	All risk yield comparison	553,629	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	131,037	7.5	5.0
Bus Station	1,250,000	All risk yield comparison	100,000	7.5	5.0
Public Square	750,000	All risk yield comparison	63,249	8.0	4.5
Land for sub-station	200,000	All risk yield comparison	15,630	7.0	3.0

Yield sensitivity analysis:

Segment	-0.5%	0%	+0.5%
Car Parks			
- Waterfront Car Park	7,139,905	6,675,000	6,274,462
- Castle Quay	268,615	250,000	232,800
Hotel	1,778,359	1,650,000	1,556,064
Bus Station	1,357,143	1,250,000	1,187,500
Public Square	805,371	750,000	710,621
Land for sub-station	233,248	200,000	202,148

Notes to the consolidated financial statements (continued)

4 Investment property (continued)

Gross Revenue[6]:

Segment	Form	Gross Revenue - £
Car Parks		
- Waterfront Car Park	cash	341,698
	lease/licence	382,374
- Castle Quay	lease	18,000
Hotel	lease	131,037
Bus Station	lease	100,000
Public Square	lease/licence	81,020
Land for sub-station	lease	15,630

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 2013 but for which fair value is disclosed.

Assets	Level 1	Level 2	Level 3	Total
Trade and other receivables	-	841,964	-	841,964
Cash and cash equivalents	7,696,829	-	-	7,696,829
Total	7,696,829	841,964	-	8,538,793
Liabilities				
Trade and other payables	-	764,752	-	764,572
Total	-	764,752	-	764,572

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.

5 Property, plant and equipment

	Leasehold land and buildings	Fixtures, fittings & equipment	Events installations and equipment	Estate capital improvement	Total
Cost	£	£	£	£	£
31 December 2012	1,552,025	57,242	31,056	95,716	1,736,039
Additions	-	-	6,500	-	6,500
Disposals / write downs	(252,025)	(57,242)		(95,716)	(404,983)
At 31 December 2013	**1,300,000**	**-**	**37,556**	**-**	**1,337,556**
Depreciation					
31 December 2012	271,025	57,242	25,580	95,716	449,563
Charge for year	19,000	-	3,300	-	22,300
Disposals / write downs	(252,025)	(57,242)		(95,716)	(404,983)
At 31 December 2013	**38,000**	**-**	**28,880**	**-**	**66,880**
Net Book Value					
At 31 December 2013	**1,262,000**	**-**	**8,676**	**-**	**1,270,676**
At 31 December 2012	1,281,000	-	5,476	-	1,286,476

[6] 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)

6 Inventories

	2013	2012
	£	£
Freehold land	9,531,925	9,531,925
Leasehold land	17,533,158	15,693,131
Costs capitalised on inventory to purchase	-	239,472
Building materials	45,769	45,769
	27,110,852	**25,510,297**

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

'Costs capitalised on inventory to purchase' represented professional fees incurred on the former Jersey College for Girls site. As at 31 December 2013, the site remained outside of the ownership of the Company but has a commitment from the States of Jersey that it will be reimbursed its design related costs now amounting to £582,392 should the site not be sold to the Company. Due to the delays in the transfer, the amount due has been reclassified from inventory to debtors (note 7).

7 Trade and other receivables

	Note	2013	2012
		£	£
Amounts due from related parties	12	589,897	9,958
Trade receivables		23,618	23,945
Lease incentives – rent free periods		58,056	79,167
Other receivables		163,704	210,950
Prepayments		6,689	6,120
		841,964	**330,140**

8 Share capital

Equity share capital	2013	2012
Authorised	£	£
20,000,000 ordinary shares of £1 each	**20,000,000**	**20,000,000**
Issued and fully paid		
20,000,000 ordinary shares of £1 each	**20,000,000**	**20,000,000**

9 Trade and other payables

	Note	2013	2012
		£	£
Amounts due to related parties	12	2,420	1,284
Trade payables		497,342	87,719
Social security		10,281	9,812
Other taxes		10,659	8,616
Other liabilities		18,524	29,502
Accruals and deferred income		225,526	132,192
		764,752	**269,125**

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 the action brought about by Harcourt and does not envisage the action will delay any of its current plans and activities. The Directors do not consider any liability will arise from this action.

The Group has no significant contingent liabilities.

Notes to the consolidated financial statements (continued)

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

12 Related party transactions

Directors received £422,877 in 2013 comprising salary, emoluments, pension, bonus and benefits (2012: £344,640).

The Company intermittently purchases services from the States of Jersey on a commercial basis. During the year £10,166 (2012: £26,204) was expended.

The Company submitted both detailed and bye-law planning applications for its various developments and was required to pay a planning fee to the States of Jersey for each application. During the year £520,866 (2012: £91,162) was expended.

The States of Jersey receive £45,000 per annum in rental in respect of La Fregate at Jardin de la Mer and passes this amount onto the Company as a contribution to the upkeep of the area.

In September 2007, a lease was entered into for the new Liberation Station, whereby rental income receivable from the States of Jersey is at a level the Directors consider equivalent to market rates. The total recognised in the consolidated statement of comprehensive income for the year ended 31 December 2013 in respect of this contract is £78,889 (2012: £78,889). An insurance premium in respect of Liberation station in the sum of £1,352 (2012: £1,405) was reimbursed to the Company.

The Company receives £759,000 (2012: £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 £14,171 (2012: £14,311) 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 £11,507 (2012: £9,644) 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 (2012: £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 (2012: £9,000) was received.

In accordance with an agreement with the States of Jersey, the Company incurred expenditure on design fees for the former Jersey College for Girls Site and will be reimbursed these costs should the site not be sold to the Company.

Notes to the consolidated financial statements (continued)

12 Related party transactions (continued)

At 31 December 2013 the following balances were receivable / payable as follows:

		2013	2012
		£	£
-	Jersey Tourism	1,881	1,225
-	Jersey Property Holdings	245	7,258
-	Ports of Jersey	5,379	-
-	Treasury	582,392	-
-	Transport & Technical Services	(607)	1,475
-	Ports of Jersey	(1,813)	(1,284)

In addition, the Company reimburses Ports of Jersey for the electricity used to operate the Steam Clock and surrounding lights. The total cost for 2013 was £7,477 (2012: £6,036). Of this amount, £1,813 was owed at 31 December 2013 (2012: £1,284).

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 £11,830 (2012: £11,511) which relate to one member of staff (2012:1) 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 2013 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 2013 the Company was required to fund additional annual contributions amounting to £6,528 (2012: £6,252). This figure is subject to annual adjustment by reference to the percentage increase of the average pensionable earnings of all members of the scheme.

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

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.