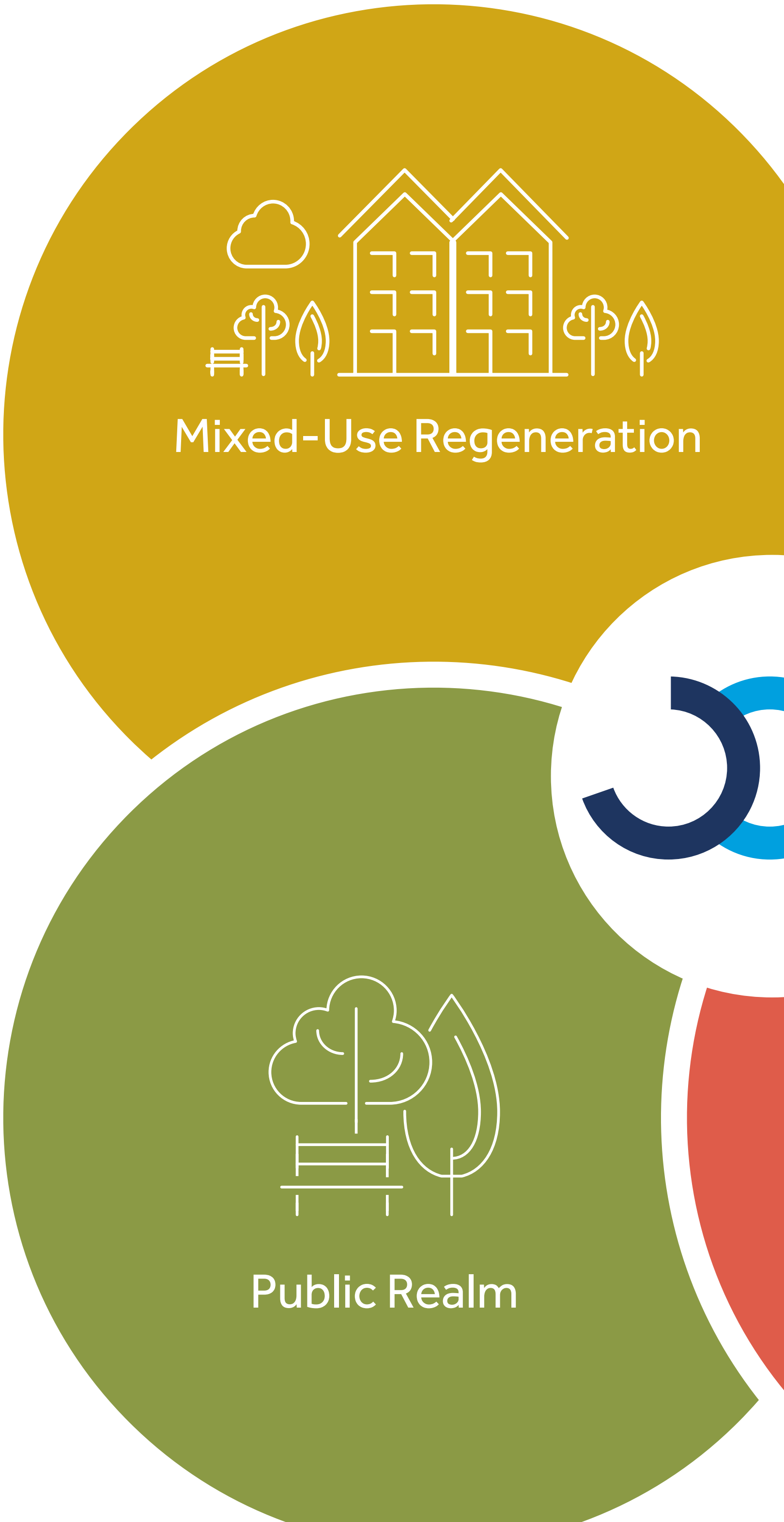
Annual Report

and Consolidated Financial Statements

2022

JERSEY DEVELOPMENT COMPANY

Our Business




New Homes
Commercial
Office Space

Our Vision

"To build a better Jersey."

Our Mission

"To be the Government of Jersey's partner for regeneration and strategic property development in order to deliver a sustainable financial, social and environmental contribution to Jersey and its people."

We invest in the island's future by carrying out major regeneration

> Coordinating, planning and delivering major property developments and regeneration.

> Balancing the financial, social and environmental elements.

We construct new homes

> Delivering much needed new homes, with focus on sustainable living.

> Addressing Jersey's housing shortage through supply of new homes targeting first-time buyers and right-sizing.

We create and maintain many public squares and gardens

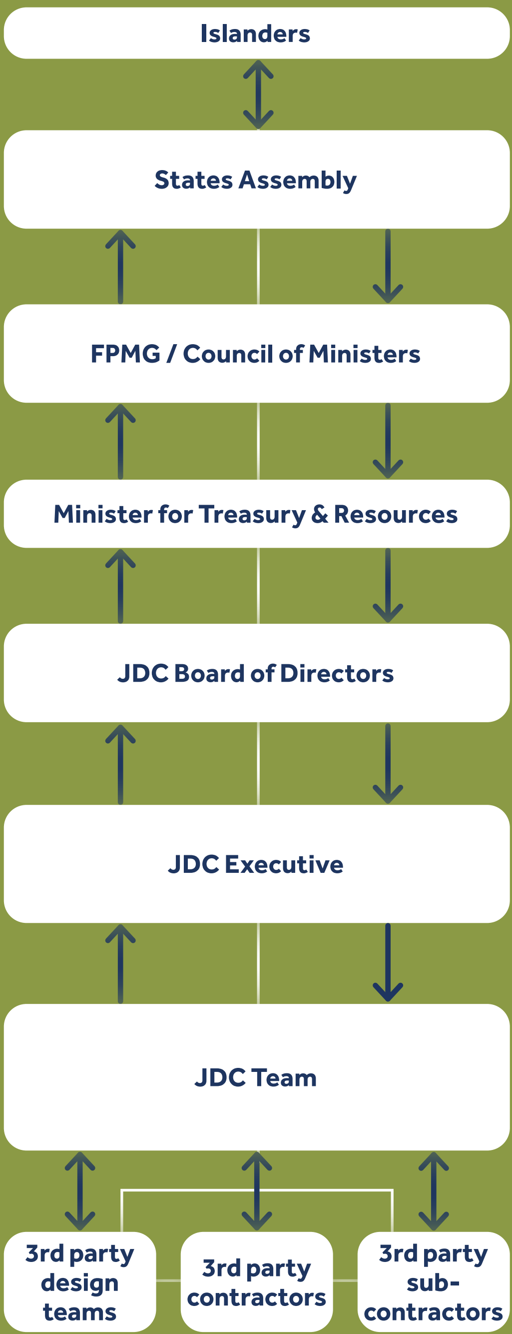
> Protecting and valuing our environment. We maintain the Weighbridge, Marina Gardens, Les Jardins de la Mer and Trenton Square.

> Supporting Jersey's infrastructure and community well-being, mental and physical health.

We construct 'Super Prime Grade A' Quality Office Space

> Supporting Jersey's premier industry with the right quality infrastructure to support retention and growth in the island's international finance industry.

Summary of Ownership and Lines of Reporting



We are 100% owned by the States, therefore by you, the Public.

Every initiative JDC undertakes is Government led, the building and property investments are raised on land that has been entrusted to JDC by the Government of Jersey.

We have no policy-making functions or remit to develop masterplans and are solely charged to deliver policies agreed by the Government of Jersey in an effective and efficient manner.

We work closely with the States Treasury & Exchequer department to ensure all our decisions are in line with our remit and Government expectations.

We are run by an independent, experienced, highly respected Board and are accountable to our Shareholder, the Minister for Treasury & Resources.

Our investments are creating jobs, housing and infrastructure to support Jersey's economy.
Our projects are also community focussed and include high quality open green spaces and landscaped areas for the public to enjoy.

By investing in direct development, we ensure that returns to the taxpayers are improved, as well as retaining control over design and quality.
Our in-house team of professionals work with expert external professionals to visualise and create quality development schemes.

We team up with high quality contractors to deliver those plans, creating a far greater return to the Government than by simply selling the land to a third party developer.

Our Stakeholders and what we do for them

£47m
Government of Jersey
£47m profits generated since 2012

1621
Home owners
187 homes delivered, 280 under construction and 1,154 more homes to be created by 2031

175
First Time Buyers
175 first time buyers assisted since 2012

£10.8m
Government of Jersey
£10.8m of dividends paid to the Government of Jersey since 2012

29,224m²
Island Community
An area equivalent to 4 x football pitches of public realm maintained by JDC for the benefit of the Community

£3.3m
Island Community
£3.3m invested in public infrastructure and public realm since 2012

Fair
Our Contractors & Staff
We are a Living Wage partner

£3.2m
Island Community
£3.2m of support for social and community projects since 2012

Our current developments

IFC 6

This Grade A office building, which is being constructed directly west of IFC 5, is a 'BREEAM Excellent' environmentally rated building. The building works will also include the extension of Trenton Square.

Construction activity commenced in early 2022, with a targeted completion date of the end of November 2023.

IFC 6 will include a 4,000 sq. ft restaurant on the ground floor and the basement of the building will provide 51 private car parking spaces and 72 bicycle spaces for the tenants. The building is 84% pre-let and the remaining space within the building will be marketed during the construction process.

Public Realm

Commercial Office Space

Our current developments (continued)

Horizon

New Homes

Public Realm

This 280 apartment development is being delivered through a Joint Venture with French construction company Groupe Legendre. The neighbourhood will benefit from shops and restaurants on the ground floor.

The scheme will add more vibrancy to the area and the introduction of two new pedestrian streets will improve connectivity to the promenades around Elizabeth Marina.

Horizon East has already completed and purchasers started moving in during January 2023. Horizon South is scheduled for completion in April and Horizon West in October 2023.

South Hill

New Homes

Public Realm

The proposals were to provide 139 apartments within this unique landscape setting, maximising views over the harbours and St Aubin's Bay, whilst giving prominence to the granite landform. Designs with the vision of creating a landmark, sustainable residential development with a sense of community and well-being at the former Planning Offices at South Hill were submitted to the Planning Department in 2021 but rejected on the grounds of height and massing. The revised plans addressed the massing concerns raised, with the highest building at the rear of the site decreasing from eight storeys to six and one other building on the site reduced from six storeys to five.
The revised scheme met with positive reactions during the public drop in event at the Town Hall in November 2022 and were subsequently submitted to Planning, who recommended the scheme for approval to the Planning Committee. Unfortunately, the plans were rejected by the Committee.

The scheme had proposed 76 one bed, 57 two beds and 6 three bedroom units, a courtyard garden, basement car park, cycle storage facilities, café and public toilets. In addition, the children's play park would have been regenerated, as well as improvements to the pedestrian and cycle routes to the area.

The buildings were designed to Passivhaus principles, to support the Island's low energy and carbon in use target and helping residents to reduce their energy costs. The development would have set a new standard in building low energy apartments in Jersey. Planted balconies, green roofs and gardens would have maximised residents' connection to nature.

These units were specifically for owner-occupiers, targeting first time buyers, either by shared equity or open market, with support via the JDC deposit payment scheme, as well as downsizers and upsizers.

Mixed-Use Regeneration

New Homes

Public Realm

South West St Helier Waterfront

This visionary project includes 984 new homes and will provide significant benefits to the Community. More than half of the site area is designated to public realm, providing a broad spectrum of recreational and social spaces. These include an extended Les Jardins de la Mer, offering generous lawn space, a new play hub, outdoor lido and a series of sport hubs, providing new public amenities, and new public squares linked by new pedestrian and cycle routes. The development will focus on landscape, greenery and biodiversity.

This mixed-use development will address the existing disconnect between the Waterfront and town centre and will transform the Waterfront into a vibrant and climate resilient urban neighbourhood.

The Visionary Framework was shortlisted in the 'Future Place' category in 'The Developer's Pineapple Awards' in partnership with Design Council.

The outline planning application will be reviewed by a Planning Inspector and the subject of a Public Planning Inquiry that is set to open on 15th May 2023.

Key Metrics

11.8 HA
Site Area

984
Homes
(of which 15% affordable)

31,125 Sq M (GFA)
Non-residential uses

40,590 Sq M
Green Space

1,830 Sq M
Required Minimum Play Provision

13,392 Sq M
Approx. Private & Communal Accessible Open Space

Net Zero
Carbon Dioxide Emissions Target For Development

575
New Trees

Biodiversity Net Gain

1704 Spaces
Private Residential Cycle Parking

388 Spaces
Public Cycle Hub

384 spaces
Public Short Stay

384 Spaces
Private Residential Car Parking

335 Spaces
Public Car Parking

85 Spaces
Private Commercial Car Parking

283 Spaces
Public Motorbike Parking

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CONSOLIDATED FINANCIAL STATEMENTS

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Directors, Officers and Professional Advisers

Non-Executive Directors

Paul Masterton (Chair)
Ann Santry CBE (retired 20 December 2022)
Tom Quigley
Richard Barnes
Nicholas Winsor MBE
Carolyn Dwyer
Belinda Crosby (appointed 22 September 2022)

Executive Directors

Lee Henry (Chief Executive Officer)
Simon Neal (Deputy Chief Executive Officer and Commercial Director)

Company Secretary

Judy Greenwood (appointed 23 March 2022)
Simon Neal (resigned 23 March 2022)

Registered Office

First Floor
Dialogue House
2-6 Anley Street
St Helier
JE2 3QE

Place of Incorporation

The States of Jersey Development Company Limited ('the Company') and all of its subsidiaries (together 'the Group') are incorporated in Jersey

Independent Auditors

BDO Limited
Windward House
La Route de la Liberation
St Helier
Jersey
Channel Islands
JE1 1BG

01

Strategy and Performance Reports

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- CEO's Review pg 10-13
- Finance Director's Report pg 14-17
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Strategy and Performance

Summary of Benefits from the Company

Since 2012, when the operating model was changed to allow the Company to develop directly rather than just facilitate development with third party developers, the Company has provided a net positive financial benefit to the Government of Jersey of £53.7m.

As a Company wholly owned by the Government of Jersey, the Company supports the delivery of the Government's strategic objectives by delivering development projects identified by the Government of Jersey. By investing in direct development, we retain control over the design and quality and ensure returns are maximised wholistically considering social and environmental matters as well as financial. Benefits have included the delivery of much needed residential accommodation - both open market and Affordable (subsidised) homes and the creation of a flagship office district for the Island's leading financial services industry.

The retention of returns from the direct development model, as opposed to sale to a third party development, has also allowed the payment of £7.3 million of cash dividends since 2012 and £3.5 million of dividend returned via the transfer of assets to the Government of Jersey, a total of £10.8 million. The Company has provided £3.3 million of investments in Jersey infrastructure and public realm improvements as well as well as supporting social and community projects to a value of £3.2 million.

£53.7m of net positive financial benefit represents a 126% return on Shareholder equity and 11.5% annual return from the transition point of the Company in 2012.

Summary of Benefits from the Company
(continued)

Financial, Social and Environmental returns of £53.7m since 2012 from a Shareholder capital base of £42.5m (126% return on equity)

£47.2m
Profits generated

£3.3m
Invested in public infrastructure & public realm

£10.8m
Dividends paid

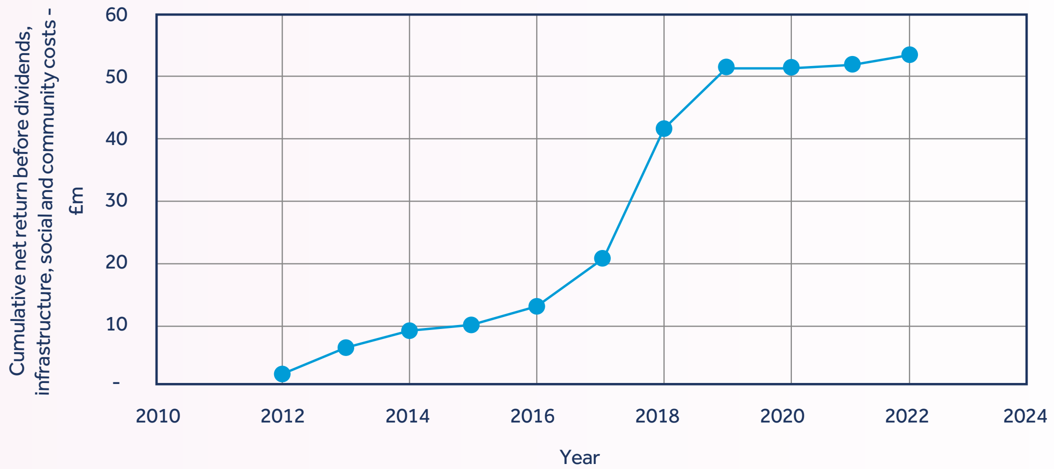
Detailed Benefit Analysis	£'m
• Dividends paid since 2012	7.3
• Dividend in specie (asset transfers) since 2012	3.5
• Public infrastructure investments since 2012	3.3
• Social Benefits provided	3.2
• Net assets at 31 December 2022	78.9
• Initial GOJ Shareholder Equity at 31 December 2011	(42.5)
Total benefits from the Company	**53.7**

Due to the nature of the Company's operations, profits are volatile and fluctuate between years.

Financial Return is not the Company's sole focus. It seeks to always balance social and environmental returns as part of its deliveries.

Since 2012, the Company's average total return on equity employed, before dividends (including environmental and social benefits) equates to 11.5% per annum. The table illustrates JDC's net returns.

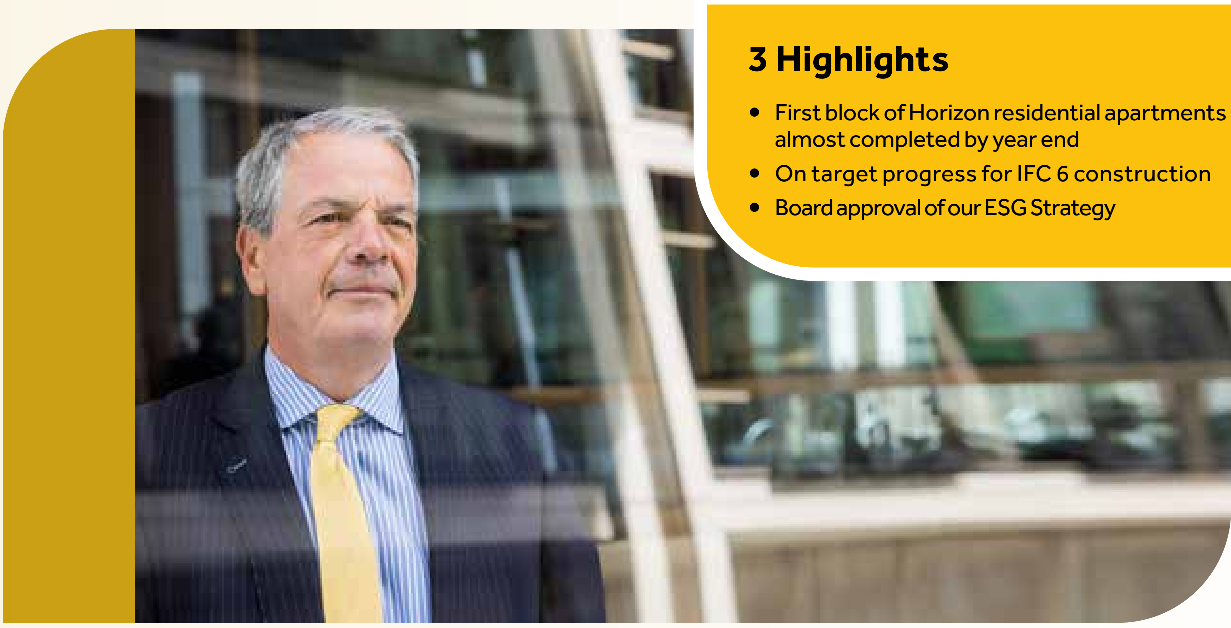
Cumulative Net Return



JDC is committed to assisting the Government of Jersey in the delivery of its Strategic priorities in the following ways:

GoJ Strategic Priority	JDC supports by:
Housing and Cost of Living	• Targeting to deliver 1500 new homes over the next 10 years. • Focusing on Owner Occupiers going forward, as well as a proportion of Shared Equity units.
Economy and Skills	• Continuing the provision of Grade A office space at the International Finance Centre for the Island's financial services and digital industries. • Focusing on Placemaking to provide for leisure, culture and hospitality, together with associated new jobs. • Actively promoting careers within the construction industry.
Children and Families	• Enhancing open spaces that already exist and providing inclusive amenities. • Ensuring children's activities feature highly in our new developments and on our land • Sponsoring the Child of the Year awards at the Pride of Jersey Awards.
Ageing Population	• Providing alternative living accommodation for 'empty nesters', with extensive amenities. • Promoting 'right sizing' to free up family homes for the next generation.
Health and Wellbeing	• Incorporating areas for leisure and sports into the Waterfront proposals • Delivering future art and cultural venues. • Offering well maintained public space and trees at the Waterfront.
Environment	• Optimising developments on brown-field regeneration sites to avoid green-field development. • Commitment to thought leadership in the local construction industry for sustainable development and reduced carbon builds.
Community	• Designing inclusive developments and public realm with space available to all. • Creating a mix of uses, accessible at ground floor level, to deliver a vibrant new Waterfront. • Offering the land we own or administer at the Waterfront for many community and sporting events.

Chair's Statement



3 Highlights

- First block of Horizon residential apartments almost completed by year end
- On target progress for IFC 6 construction
- Board approval of our ESG Strategy

Jersey Development Company fulfils a critical role in the development of the built environment in the island. Our vision is 'To build a better Jersey' and, in achieving this, our Mission includes delivering sustainable financial, social and environmental contributions to Jersey and to its people. The Company made demonstrable and substantial progress towards these objectives in the year.

Owned by the Government of Jersey, JDC operates as an independent company, acting as the Government's partner for regeneration of land and property and supporting the Government in the delivery of its strategic objectives. In this critical role, JDC holds itself responsible and accountable to multiple stakeholders and, ultimately, to the public of Jersey. In developing our strategies and plans, we actively seek input from all stakeholders and consider this as an essential factor in our decision making. JDC's strategic planning process reflects the long-term nature of property development with the Company following a 10-year strategic plan, agreed with the Government. This plan established long term aims and key milestones in the mid-term and an annual operating plan, with annual targets and key performance indicators. Our performance against these objectives is detailed in this report.

In our property portfolio substantial progress was made in key areas, most critically with the South West St Helier Waterfront development which is underpinned by significant and ongoing consultation with the public and key stakeholders. Encompassing what is arguably the most valuable real estate in the island, effective engagement and public input is vital to the long-term success and delivery of the project. Spanning a 10-year construction period, the outline design is being undertaken by Gillespies, who bring extensive experience in 'place making' and sustainability to the project. The plans, which have been developed through a landscape focus, include major public realm, facilities for sports and social activities, sea defence investment and 984 homes, which will play a major role in addressing the Island's housing crisis.

The next stage in this vital project for the island is for a public inquiry, an essential step in the planning process for a development of this scale. Regrettably and for reasons outside of the Company's control, this process has been delayed by 12 months and the inquiry is now scheduled to open on 15th May 2023.

The International Finance Centre, the island's premier business district, saw further progress with the 'topping out' ceremony for IFC 6, which is on schedule for the Aztec Group to move into their new headquarters in December 2023. Similar success was also achieved with the progress of the Horizon development, with the first building completing and purchasers moving in from mid-January 2023. This is the first of three apartment buildings providing 280 units in total, of which 86 are being purchased by first time buyers, facilitated by JDC's deposit scheme. This allows first time buyers to secure an apartment with a payment of £2,000, and then paying the balance of the deposit during the construction period.

It was disappointing that we did not secure planning consent for South Hill on the first application. While the plans were supported by the Planning Department, the Planning Committee expressed concerns regarding height and massing, leading to a rejection of the proposal and a significant delay in delivering 153 new homes that would have helped to address the island's housing crisis, including opportunities for new buyers to get onto the property ladder. Revised plans were prepared and submitted to address the Committee's objections, though this resulted in a reduced number of units. The Planning Committee recently refused this scheme also, citing new concerns. The future of this project is to be determined.

In addition to our property strategy, JDC heightened its focus on how the Company is performing, seeking operational efficiencies to improve management of risk, more effective engagement with stakeholders, strengthening corporate governance and organisational development of the executive and broader team. Additionally, the Board and the Executive invested significant time and resources in developing an effective ESG strategy for the business.

The 2022 operating environment was highly challenging. With the world and Jersey economies beginning the recovery from the pandemic, further negative impacts arrived with the energy crisis, the related cost of living crisis, rampant inflation, interest rate hikes and the war in Ukraine. The combination of economic and geopolitical forces impacted at all levels of society and will continue to do so for the foreseeable future.

For JDC in 2022 this meant we were operating in a far riskier environment, seeing impacts on construction costs, dependability of our supply chain, availability of labour and the cost of debt financing.

In response to this increase in operating risk the Company intensified its oversight of our risk register processes with actions taken to address and minimise risks wherever possible. We performed detailed stress testing of our live projects, thought and acted creatively around supply chain issues by forward buying and storing materials in advance of requirement on both our current developments, to ensure material supply and worked closely with our contractors to ensure additional labour was secured in order to meet our completion targets.

During this period the Company has benefitted from our position in the development cycle. Those projects underway at IFC 6 and Horizon are being constructed under fixed price contracts and, for Horizon, only 4 units out of 280 remain unsold. This is a beneficial position to be in. Looking towards future projects it is probable that the level of risk and uncertainty will have abated to some degree, however the Board will be mindful of the increased level of risk before commencing construction.

Financially, JDC continues to create significant value and return on investment for our Shareholder. This value is returned to Jersey as a dividend to Government, through investment in public infrastructure and to support future development. Since inception in 2012, the organisation has delivered a total cumulative return of £53.7m representing a 126% return on opening equity, equivalent to a 11.5% annual return. This compares to the FTSE100 average annual return of 7.38% for the last ten years.

"...JDC continues to create significant value and return on investment for our Shareholder"

Chair's Statement
(continued)

The Company has also made dividend payments during that period to wider infrastructure projects to benefit the island, of which in 2022, £1.2m was distributed, primarily to contribute to funding of the Midvale Road project (£730k), making a safer route for residents to walk to work, school and home, as well as £425k towards the Skate Park at Les Quennevais, which has delighted so many upon its recent opening to the public.

As a company wholly owned by the Government of Jersey, we work in concert with Government on their strategic priorities and take our strategic direction on development from the Regeneration Steering Group, now the Future Places Ministerial Group. This body sets the strategic development direction for Jersey, determining how the surplus Government owned property and land assets should be used.

In addition to strategic development, JDC actively considers how it can assist the Government and islanders more broadly and we are acutely conscious of housing pressures in the island. While Jersey's social housing needs are the remit of Andium, there is much that JDC can offer in the open market to assist buyers on to the property ladder. We provide first time buyers the opportunity to pay their 10% deposit over time, through a deposit instalment scheme. We are now also providing shared equity programmes and a minimum of 15% of new residential units will be made available on this basis to eligible buyers.

"...there is much that JDC can offer in the open market to assist buyers on to the property ladder"

We continue to explore other options to alleviate the housing challenge, including possible incentives to 'empty nesters' to downsize to free up family housing stock. From the last reported Census (2021), 42% of owner-occupied homes were under-occupied by two or more bedrooms, reflecting significant under utilisation.

There are challenges with this strategy but, if successful, it would facilitate movement in the family home sector by releasing larger units into the market.

As mentioned above, the Company is investing significant resources into our sustainability strategy, with ESG requirements being considered at all levels. We are making this commitment based on the environmental imperative and the global implications of climate change which pose an increasing threat to humanity. The implications for Jersey are equally grave and the island's need to become net zero carbon is clear. It is impossible to conceive of Jersey succeeding in this unless the construction sector develops effective low and net zero carbon capabilities. The buildings that JDC are delivering today will have a lifespan of many decades and therefore, we are strongly motivated to develop lower carbon buildings now, knowing that these buildings will be more valuable and attractive as carbon taxes come into force and sustainable expectations intensify.

With this backdrop, JDC approved its first ESG strategy during the year, concentrating our attention over the three spheres of influence we have: the Company, the Supply Chain and the Community. Our increasing knowledge of carbon emissions in the construction industry and our commitment made in our strategy to meeting Net Zero targets will see us become a local industry leader in environmental construction, both in terms of design, specification and delivery. Our professional partners are sharing their national and international expertise with us to ensure that our developments can set and deliver against carbon targets, both in the initial construction and in ongoing operation. This is very much a work in progress but already our projects submitted for planning approval have developed a fabric first approach that will significantly reduce the carbon in use by minimising the energy and water usage of the occupied building once completed.

Given the critically important role that JDC plays for Jersey we are keenly focussed on how the Company is led and governed. We take a continuous improvement approach to our governance, updating our approach in accordance with international best practice. During the year Altair, a leading provider of independent governance review, undertook an external review of the Board's effectiveness, including its corporate governance and have developed action points to continually enhance and improve our performance.

We are very mindful of the need to maintain continuity and succession planning has been a key focus of the Board during the year. We strengthened the Board, welcoming Belinda Crosby as a Non-Executive Director in September 2022. Belinda is a Chartered Accountant and Jersey resident who successfully managed a global brand and highly respected regulated Jersey fund services business for over 10 years. She brings extensive experience in the management, governance and compliance requirements of commercial real estate, which, together with her financial background will greatly benefit the Company.

"Our plans will make a significant contribution to much needed housing stock, while leading the critically important development for South West St Helier"

Looking to 2023 and beyond, JDC has an exciting portfolio of projects and key developments for Jersey. Our plans will make a significant contribution to much needed housing stock, while leading the critically important development for South West St Helier, focused on community and placemaking. Our strengthened organisation, together with our growing track record of successful developments, position Jersey Development Company to play a more ambitious role in the future of our Island.

However, given the strong economic headwinds the Company will be cautious in its approach to ensure the public's finances are not put at risk while we continue to make critically important investments in housing, commercial and public realm.

On behalf of the Board, I would like to express my thanks to the Executive and to our dedicated team for their performance and commitment in what has been another challenging but ultimately successful year. I would also like to thank the Board for their hard work and commitment during the year and to our Shareholder for their continued support.

In line with best practice and the Principals of the UK Corporate Governance Code, I shall be retiring as Chair and non-Executive Director of JDC at the end of 2023 and as such this is my final report. The organisation has transformed over the past decade and has delivered a number of highly successful projects throughout that time. JDC has also matured and developed as an organisation and now has the capacity and the capability to make a profound contribution to the future of our island. It has been an honour and privilege to serve as Chair.

Paul Masterton
Chair, 5th May 2023

CEO's Review 2022

3 Highlights

- 108 apartments at Horizon almost completed for occupation
- IFC 6 superstructure complete and project on target
- Interest rate risk management decision delivered rewards

With the strains of Covid-19 diminishing, a cost of living crisis, soaring inflation, significantly increased interest rates, labour shortages and heightened geo-political risk were not envisaged in the business plan for 2022. Pre-empting issues and collaboration with our stakeholders to find solutions was vital to successfully meeting our live project objectives for the year at Horizon and IFC 6. Mitigating the impact of rising finance costs was a concern that we acted upon swiftly, securing an interest rate swap agreement in January, to protect interest expenditure on £22m of development loans for the medium term.

The advancement of the Company's projects and maintaining programmes as closely as possible would not have been possible without a dedicated and experienced team and a supportive Board. I would like to take this opportunity to thank the Board and Team, our Joint Venture Partner, Groupe Legendre and our commercial site main contractor Rok-Regal Construction Limited, as well as our professional design teams, that have all pulled together to ensure delivery of these important projects for Jersey.

The key future pipeline projects which we had aimed for significant progress on in 2022 were delayed by external factors, but we have listened, engaged and responded accordingly, resulting in revised plans for the South Hill development and an Addendum for SWSH Waterfront, submitted to the Planning Department.

Communication and stakeholder management was a key focus area on our 2022 Strategic Business Plan and we have held regular meetings with our Shareholder representatives, increased our media communications, met with many newly elected members of the States Assembly and engaged with the public, whether during our consultation over revised South Hill plans or through the hosting of so many public events on our land in St Helier. We are committed to authentic public engagement where feedback can genuinely influence the end design or use.

Horizon Joint Venture project

We were hopeful at the start of the year that the first of the three blocks at Horizon, providing 108 units of much needed accommodation, would complete before the end of the year, realising an initial share of positive returns from this project.

However, due to the heightened risk environment, with geo-political impacts causing soaring inflation and a cost of living crisis, we experienced supply chain issues and most significantly labour shortages locally. This meant the achievement of this objective was under severe pressure. We worked closely and proactively with our Joint Venture partner and main contractor, Groupe Legendre who secured additional labour from outside the island to minimise further delays. Although we were not able to issue practical completion before the year end, the building works were substantially completed by mid-January 2023 and handed over to purchasers.

Our next challenge was increasing interest rates, but again we worked with purchasers and mortgage providers to find solutions and all purchasers affected have still been able to complete. With significant demand for residential accommodation in the local market, only 4 of the 280 units in the development remained not pre-sold at year end.

"We are focused on placemaking however and are working on solutions to make more attractive arrangements to help businesses to be able to invest"

Whilst we had previously seen substantial interest in the ground floor commercial and retail units available as part of the development, which will offer convenience retail amenities to the residents and food and beverage outlets to the wider community, the current economic conditions, including labour shortages and the cost of living crisis have resulted in caution and reluctance to commit. We are focused on placemaking however and are working on solutions to make more attractive arrangements to help businesses to be able to invest.

Residential projects

The Government is focused on housing, both in terms of affordability and supply. We recognise that accessibility to quality housing is vital both for retaining our current islanders and to enable recruitment from off-island. To support this, we advanced and refined two planning applications during the year for a total of 1,123 new units of accommodation. These applications followed extensive public and stakeholder engagement over the previous 30-month period.

Planning refusal on our proposed redevelopment of South Hill came as a surprise to us, as we had worked closely with the Planning Department and the Jersey Architects Commission to ensure the design was in line with policy as well as offering an exemplar sustainable development for the island, with provision for affordable housing, facilities for children and thoughtful consideration of the natural environment.

Going back to the drawing board resulted in a wider range of unit sizes and allowed for its construction to be modular, a construction method that may become essential for some future developments if the island is to meet the delivery of the targets set out in the Island Plan.

The detailed Planning application for 139 new homes at South Hill, to be known as Westward, was resubmitted in December and this development incorporated the regeneration of the Parish of St. Helier children's playpark. Had it been approved, South Hill would have been the most sustainable residential apartment development in Jersey, having been designed to Passivhaus low energy principles and BREEAM 'Outstanding' rating. Structured as Flying Freehold as opposed to Shared Transfer, thereby ensuring that only locally qualified individuals could purchase, sales would have been focused on Owner Occupiers only; with a minimum of 15% of the units to be made available as Shared Equity to eligible First Time Buyers.

CEO's Review 2022
(continued)

Residential projects (continued)

"We are committed to delivering an exemplary development and supporting the Island's pressing need for new homes"

Environmental features of the development had included: triple glazing, air source heat pumps, whole house ventilation systems, grey water harvesting, PV panels and an electric car club to promote reduced private car ownership.

We are committed to delivering an exemplary development and supporting the Island's pressing need for new homes. The Board is considering its next steps.

Following consultation with the Planning Department, the Southwest St. Helier Waterfront outline planning application had an Addendum worked up to slightly amend the application. The proposals align with public feedback for a landscape led, mixed-use, vibrant and 'destination' Waterfront, with a focus on residential accommodation. The Addendum reduces the heights on some of the buildings to a maximum of eight storeys, adjusts the proposed new pedestrian crossing on La Route de la Liberation and retains the newly listed La Frégate Café in an alternative location.

The proposals provide for up to 984 residential units, a new sport and leisure complex, a new art and cultural hub as well as ground floor activation with food and beverage and community uses. They include significant public realm and public infrastructure, and the development will support a £150m investment in these public infrastructure elements. We are committed to balancing community and commercial aims in each of our developments, with a focus on purpose over profit, and in so doing we always aim to support and assist the Government of Jersey in delivering its own strategic objectives.

Commercial Projects

The second of the Government of Jersey's seven interlinked priorities is 'Economy and Skills' and in support of the aim of a prosperous economy, JDC has continued its commitment to infrastructure support for the Finance Industry, the largest sector of the Island's economy. Construction of the new IFC 6 office building, a Super-Prime Grade A office, built to BREEAM 'Excellent' environmental standards, has progressed very well during 2022, with a topping out ceremony held in November attended by many future occupants of this exciting new addition to IFC Jersey.

Project viability in times of economic turmoil is a major concern, however the Company always enters into fixed price contracts on its development projects, following its risk minimisation strategy, and in adherence to our risk mitigation policies. In addition, the substantial pre-let of 84% of the building provides future revenues and value comfort. Labour availability and the supply of materials were key risks to the progress of the building contract, which was awarded to local main contractor ROK-Regal Construction Limited. Materials were forward purchased and stored on site to mitigate against supply chain issues and regular dialogue and good collaboration has ensured the project has remained on schedule throughout the year.

JDC's in-house project management team have been monitoring the build and co-ordinating with Aztec Group on their Category B fit-out. IFC 6 is programmed, and on schedule, for practical completion and handover at the end of 2023.

In accordance with our holding strategy for this building in the medium term, interest rate increases risked negatively affect our debt financing for the completed building. Early pre-emptive measures to address this risk were shown to be very effective and the £3.1m unrealised gain recognised in our financial statements this year relates to a £22m interest rate swap to fix future interest payments. This reflects the benefit of thinking ahead and taking remedial action to protect future finances.

Other Organisational activities

The Company continues to take responsibility for, and directly funds, the maintenance and upkeep of extensive areas of community space on the St. Helier Waterfront, as well as Weighbridge Square. We ensure that these areas are well maintained, cost effectively, for the benefit of the public. The Company also promotes and supports the use of these areas for public events. This year we hosted the Park Run Juniors weekly meet, the Standard Chartered Jersey Marathon, the Marathon Mile and the Jersey Triathlon.

The Company helped lift Christmas spirits by providing Christmas lights and trees on Weighbridge Square, Trenton Square, the Waterfront Leisure Centre and Route du Port Elizabeth. Whilst weather thwarted our collaboration with Parish of St Helier for the 'switch on' this year, we successfully welcomed the Christmas Tree Maze on Weighbridge Square and the Speigeltent on Les Jardins de la Mer, supporting Arts and entertainment for the wider community.

Further contributions to island life were the sponsorship of Variety, the Children's Charity of Jersey, the 'Child of the Year' award, as part of the Pride of Jersey Awards and the 'Health and Safety' award at the Jersey Construction Council Awards. The Company's Estate Manager also supported Government with once again assisting the organisation of the Festival commemorating the 1769 Corn Riots.

Coming years

2023 will see the completion and handover of 280 apartments at Horizon and the IFC 6 office building. Subject to securing Planning consent, we will be advancing detailed designs on South Hill ready for pre-sales and tendering for construction early in 2024. We will also be preparing detailed designs for the first phase of development of St. Helier Waterfront, again subject to outline planning consent. This phase (located between Les Jardins de la Mer and the Radisson Hotel) will be predominantly residential, and we estimate accommodating 500 new units of accommodation, as well as ground floor sport activation with leisure, arts and culture uses being proposed. We are committed to carrying out extensive further engagement with the community as part of the detailed design process to ensure that the development aligns with the needs of Islanders.

Protecting the planet through reducing carbon emissions is one of the Company's main strategic objectives. Environmental protection and enhancement is also one of the Government's seven strategic priorities. JDC strives to be the local exemplar on environmental sustainability in our development projects. Our ESG Strategy adopted during the year provides a clear plan to achieve carbon neutrality in advance of 2030 and net zero before 2050 and provides for us to monitor our performance and progress. Sustainability is also a focus for our social considerations and placemaking and building communities are a key part of our ESG Strategy, ensuring that the company provides a total value in terms far wider than profits.

We will be working closely with the Future Places Ministerial Group (FPMG) to extend our development pipeline, to ensure that our reach is extended and we have a number of significant projects for the island. We will be carrying out extensive community engagement as we prepare for these future projects. Working closely with Government and listening to the needs of the island will ensure that we play our part in the shared ambition of the Government 'for Jersey to be a place where everyone can thrive'.

"Protecting the planet through reducing carbon emissions is one of the Company's main strategic objectives"

Lee Henry
CEO, 5th May 2023

Finance Director's Report 2022

3 Highlights

- Total assets - £109m (2021: £107.7m)
- Total liabilities - £30.2m (2021: £29.2m)
- Total comprehensive income - £1.6m (2021: £508k)

Overview

2022 will be remembered as a year for needing to remain stoic, pre-empt issues, collaborate and find solutions. Following a period with no developments completing, therefore no significant cash injections or weighty returns, the Company was focused on ensuring the first phase of Horizon completed, with apartments handed over to purchasers, to realise the first slice of profits from this development by the year end.

As the significant impact felt on the Horizon project from Covid 19 receded, a new wave of pressures from rising inflation, labour shortages, high interest rates and the cost of living crisis all presented challenges to overcome, causing availability pressure on both labour and supplies, as well as concern over purchasers' ability to complete on their pre-sales contracts with significant increases in mortgage rates.

Despite all best efforts, including forward buying and storage of construction materials and securing labour from off island to supplement constraints in the local labour supply, we narrowly missed our target of Horizon East Block completion pre year end, and therefore our budgeted initial share of net income from this phase of the development project was deferred to January 2023.

The economic backdrop and poor outlook had an unavoidable impact on our inventory, resulting in an impairment on IFC 6 of £1.4m as a result of weakening yields and rising interest costs during construction. However, the need to protect finances from interest rate exposure was discussed early on and due to an interest rate swap entered into in January with a low interest rate, the value of the swap of £3.15m created an unrealised gain which is recognised in the Consolidated Statement of Comprehensive income for the year.

Total comprehensive income before dividend was £1.6m, against a comparative position of £508k in 2021 and a budgeted profit for 2022 of £2.28m. Despite increased returns on the previous year, we are disappointed to return a below budget result, but given the economic downturn and significant commercial and operational pressures facing the Company, the contained expenditure and opportune gains made are very pleasing.

Development profits not realised this year are not lost and have already been realised in 2023. Unlike a retail industry, as a developer we inherently have periods of high and low profitability depending on the stage and mix of projects being undertaken and delivered and 2023 will see a healthy year of profits.

Overview (continued)

The Company's Net Asset Value lifted by £0.4m, due to retained earnings, after dividend distributions to the Government of Jersey of £1.2m.

Total assets increased by £1.4m due to further investment in inventories and the capitalisation of the swap derivative. Cash balances were lower as a result of the £15.5m Revolving Credit Facility drawn down at the end of 2021 being expended on construction works on IFC 6, that correspondingly increased inventories.

Total liabilities increased only marginally as retention liabilities for the construction contract built up and the construction debt financing for IFC 6 starting to be drawn.

The year end cash position was broadly as budgeted, ending higher than anticipated, with £13.7m total cash at bank and short-term deposits.

This leaves the Company in a strong position to finance recurring operational activities over the coming year, as well as to progress with our future development projects, namely at South Hill, to be known as Westward, and South West St Helier Waterfront, planning determination for which we are hoping for in 2023 so that we can make the next steps in moving these projects forward.

"This leaves the Company in a strong position to finance recurring operational activities over the coming year"

Income and Expenditure review

Total comprehensive income for the year of £1.6m reflects an improvement of £1.1m on 2021 results, despite a £651k shortfall on the budgeted 2022 position.

Income

Compared to 2021, car park income increased by £191k and whilst income from investment properties and inventory fell compared to the prior year, due to backdated rent review boosts in 2021, actual was slightly up on budget levels, indicating the full opening up of life and return to work post Pandemic.

Revenue from contracts with customers fell due to a drop in service charge income, in direct and equal proportion to the fall in service charge expenditure, due to fewer significant work costs to be recovered during the year.

The increase in finance costs and yield slippage on IFC 6 was also reflected in the impairment of inventory in 2022, compared to an upward revaluation of Investment properties in 2021, when a total fair value increase of £745k was reflected in income for the year. See Note 5 on pages 79-81 for more details. The impact of soaring inflation and predicted economic decline contrasts sharply with the confidence felt at the end of 2021, before the Ukraine War and energy crisis. Fair value adjustments, both increases and impairments, are not accounted for in the budget, and this year is a good example of how it is difficult to foresee macro-economic impacts.

Expenditure

Turning to costs, total salary costs were significantly lower than budget, by £561k, partly due to some expenses capitalised to development projects in inventories and partly due to delayed recruitment of new staff members required to support the increasing activities of the Company.

Overall total salary costs increased by 28% compared to 2021, representing the full year impact of two additional team members in September and October 2021 and the recruit at Director level in April 2022, further strengthening the Executive team in preparation for the significant pipeline of developments over the next decade.

The other main variance in expenses related to costs incurred in management of the Estate, which were £217k higher than 2021, and £269k lower than budget. Some previously planned projects delayed due to Covid 19 restrictions were carried out, however expenditure on other planned works were delayed until 2023 to line up with the increased revenues in the Company.

Finance Director's Report 2022
(continued)

Income and Expenditure review
(continued)

Unrealised gain

On all developments the Board carefully assesses the risks to the development and the Company and prior to IFC 6 construction commencing, the Board decided that its strategy was to retain IFC 6 for a period of time as an investment property. Following this decision and a review of the debt profile of the Company, the Board agreed to put in place an interest rate swap to protect the Company against interest rate increases.

At the time of putting the swap in place, modest increases were expected compared to the increases the market is now experiencing and expecting and consequently, the swap has increased significantly in value. Accounting standards require companies to recognise the full impact of the rate hedge in the year of entering into the agreement, with subsequent adjustments each year and accordingly, £3.15m of unrealised gain resulting from the cashflow hedge was recognised in the Consolidated Statement of Comprehensive income for the year.

> *"Total assets increased by £1.4m in 2022, mainly due to the recognition of the valuation of the beneficial swap derivative on the balance sheet"*

Consolidated statement of Financial Position Review

Total assets increased by £1.38m in 2022, mainly due to the recognition of the valuation of the beneficial swap derivative on the balance sheet.

The total carrying value of investment property fell by £17.9m due to a reclassification from investment property to inventory of the development area known as KOS3, on which the Waterfront Leisure Centre sits. Given that plans are proceeding to develop the whole of the SWSH Waterfront area,
it was deemed appropriate to reclassify this asset, and this reclassification was given Board approval during the year.

The carrying value of inventories, land holdings for future developments, which are stated at lower of cost and net realisable value, increased by £34.5m in 2022, reflecting both £17.9m transferred in from investment property, £17m expenditure incurred during the year on the IFC 6 building under construction, less £1.4m impairment thereon recognised, as well as further pre-development expenditure capitalised on other inventories.

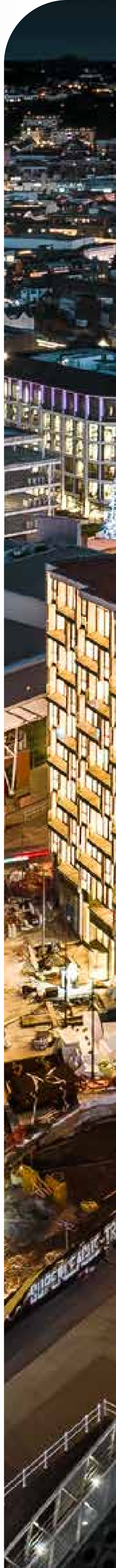
An impairment review of the carrying value of investment property and inventories supports the costs carried. Note 8 on pages 84-85 gives further details.

Pre-development expenditure on South Hill of £2.6m remains capitalised as Other Current Assets. Whilst title to the land had not transferred to the Group at the year end, a Ministerial Decision approving the transfer of the land to the Group was signed before the year end and the legal title was transferred on 5 May 2023.

As the Horizon development is being delivered by a 50:50 Joint Venture, the net position is reflected as 'Investment in Joint Venture' in the Consolidated Statement of Financial Position. Full details of the current net assets and liabilities can be found at Note 16 on pages 90-91.

The year end cash position was broadly as budgeted, ending higher than anticipated, with £13.7m total cash at bank and short-term deposits and a further loan finance approved and initially drawn upon via a development loan for the completion of IFC 6 over the coming year. £15.5m of the total cash at bank and short-term deposits of £32.8m as at 31 December 2021 directly related to the Revolving Credit Facility for part financing IFC 6, which had to be fully drawn down upfront. This has now been fully expended within the project.

Total liabilities increased only marginally. An additional funding agreement of £28.5m to complete the construction of IFC6 was agreed in November 2021, £1m of which was drawn before the year end. Note 13 on page 88 provides more information. Capital commitments are disclosed in Note 17 on page 91.



Consolidated statement of Cash flow Review

The budget anticipated year end closing operating bank balances of £10.7m, and actual total cash at bank and short-term deposits at 31 December 2022 was £13.7m, reflecting continued assurance in the Company's prudent financial planning.
The share of profits in the first block of Horizon would not have resulted in a cashflow movement until the end of the development, nor is cashflow impacted by the recognition of the unrealised gains on the Swap agreement, therefore the difference to budget reflects careful management of cash and prudent expenditure. Cash and cash equivalents stated within the cashflow statement do not take account of funds on short term deposit.

"...actual total cash at bank and short-term deposits at 31 December 2022 was £13.7m"

Dividends

To end, and in line with our commitment to make a contribution to Jersey and its people, we have been able to declare a dividend again this year.
The amount paid to the Government of Jersey was £1.2m, representing £730k to the improvement to Midvale Road and pavements and £425k as a contribution for the much welcomed new Les Quennevais Skate Park.
In future years, total returns to our Shareholder will increase further, both in financial and in social and environmental benefit terms, reflecting the Company's continued positive employment of the assets entrusted to it and the overall benefit to the Island that the Company provides.

Judy Greenwood
Finance Director, 5th May 2023

Performance against 2022 Objectives

We have reviewed the year's accomplishments against our budgeted expectations, our Strategic Business Plan objectives, as well

The progress against our key business objectives for the year is detailed below, with RAG rating to show the relative success in me with a hatched red rating, where external factors have prevented progress.

Business Objective	Performance Progress	RAG at Y/E
1. Horizon		
Actively manage the successful delivery of the project, within budget and ensure Joint Venture (JV) relationship remains positive.	Contractor proactively managed. Additional required resources identified through extensive programming and resourcing analysis. JV relations remain positive and project remains within budget.	
Successfully complete and handover Horizon East to 108 purchasers and continue to pre-sell the remaining units.	Completion slipped to January 2023, due to on island labour constraints. Only 4 out of the 280 units remained available at year end.	
Commence letting of the ground floor commercial units.	Deterioration in market conditions. Negotiations continue.	
2. South West St Helier (SWSH) Planning Framework		
Prepare for the Public Planning Inquiry.	Minor redesigns required following feedback from Planning Department, submitted as an addendum in January 2023.	
Subject to securing outline planning consent, commence detailed design of the First Phase, with a focus on Placemaking.	Due to delayed feedback from the Planning Department on the initial application, Public Planning Inquiry to take place in May 2023. Detailed designs cannot commence until outline planning consent is received.	
3. South Hill		
Subject to securing Detailed Planning Consent, commence Building Control designs and submit and secure Building Control Consent. Thereafter, proceed with demolition of non-listed structures, carry out rock stabilisation works and commence pre-sales.	Planning Officers recommended approval and positive feedback from the JAC received. Application refused in April 2022 and redesigned scheme was submitted in December 2022 but refused again in March 2023. Without consent unable to proceed with Building Control application or pre-sales.	
Acquire the Freehold of the Site from Government of Jersey.	A Ministerial Decision to transfer the site to JDC was provided in December 2022. We anticipate the legal title to transfer during Q2 2023.	
4. IFC 6		
Continue to actively manage successful delivery of the project, including co-ordinating tenant's CAT B (fitout) design. Manage the project within its approved budget. Continue to promote and let the remaining office and commercial space.	Project on programme and tenant's CAT B design instructed and incorporated in construction programme. Construction budget managed within what is controllable, but finance costs have increased significantly due to increase in interest rates. Aztec exercised its option for additional space. Heads of Terms entered into and pre-let documentation being finalised for the remaining office space. The ground floor restaurant to be promoted during 2023.	

as the risks facing the Company.

eting those objectives. In some cases, achievement has a key dependency outside of the Company's control and these are identified

Business Objective	Performance Progress	RAG at Y/E
5. Fort Regent		
Continue to work collaboratively with Government on Fort Regent regeneration proposals. Be directly involved in the master-planning process to ensure proposals are fundable and viable as well as delivering placemaking.	Due to the increase in funding costs and construction costs, GoJ proposal for Fort Regent is not viable and requires reassessment.	
Perform high-level development appraisals to test various proposals.	Options for Fort Regent under review and new proposals to be presented to the FPMG in 2023.	
6. Financial and Risk		
Manage all business risks in line with risk mitigation measures contained within P.73/2010, the MoU and the Company's Risk Policy Standard. Maintain costs and revenues within budget, ensure cashflow is actively managed and ensure policies and internal controls are appropriate.	Risks continually assessed and projects advanced in line with risk mitigation measures. Costs within budget, and cashflow managed well. Deferred completion of Horizon East reduced budgeted net revenue by £3m, however the hedging interest rate swap entered into resulted in unrealised gains of £3.1m.	
7. Stakeholder Management		
Provide timely quarterly updates to the Shareholder and the FPMG and regular updates to States Members. Meet the emerging political parties. Communicate the Company's performance and activities to the public. Support Government of Jersey in its Strategic Objectives to protect and value our environment, put children first, and to improve physical and mental health.	Delivered on updates and communication objectives. Media campaign launched in September 2022 with a series of advertorials. Regular communication via social media throughout the year. Plans at both South Hill and SWSH Waterfront have a major focus on environment and sustainability, as well as extensive provisions for Children. The SWSH Waterfront design is focused on open spaces, sports and arts provisions, promoting both active lifestyle and wellbeing.	
8. ESG		
Review and update our programme for the adoption of the UK Code of Corporate Governance, resolve all findings raised in the C&AG report and all recommendations raised in the external Board Effectiveness review of 2019 and internal reviews of 2020 and 2021.	All aspects successfully completed during the year.	
Develop the Company's knowledge of, approach to and objectives for ESG, developing the Company's knowledge of net zero carbon, a strategy and set of environmental targets that JDC projects must achieve. Become a thought leader and local exemplar on sustainable building, informing and influencing both Government and the local construction industry	ESG Strategy approved by the Board in October 2022. Team is focused on reviewing options for reducing carbon in use and embodied carbon. The Company's ESG strategy recognises that project viability remains the overriding objective.	

Principal and Emerging Risks

Like all businesses, JDC faces a wide variety of business-related risks and its operations are subject to many risks and uncertainties that could, either individually or in combination, affect the Company's operations, performance and future prospects. The Board recognises that it is essential for the Company to manage risk effectively, to achieve its objectives.

The following pages identify the principal risks and uncertainties included within the Company's risk register. The risk register is designed to manage and mitigate risk, rather than to eliminate it and includes identification and scoring of risks.

The commercial environment within which JDC operates has become much riskier during 2022 and these risks will continue to persist and extend in 2023. Most notably are the viability challenges of new projects, with the expectation being reduction in property values, continued increases in build costs and significantly higher financing costs.

Risk category

Political

Description

The advancement of the Company's projects requires continued political support from the Future Places Ministerial Group and the Company's Shareholder, the Minister for Treasury and Resources.

Changes to government policies and strategies have significant implications on major and long term development projects.

The key dependency on securing Planning consent(s) and a refusal to application(s) can result in non-delivery of Government mandated development projects.

Key Risk Management Measures

- Regular engagement and communication with the Shareholder and FPMG.
- Expanded engagement with other States Members to communicate the successful outputs of JDC and future expected benefits from the pipeline of activity set out in the Company's Strategic Business Plan.
- Active participation in public consultations on legislation and engagement, where relevant, with politicians to provide requisite industry detail.
- Time invested in extensive pre-application processes and public consultation and monitor and respond as appropriate to comments.

Market

Description

Key macro risks could have a negative impact on the Island's economy such as the Ukraine war, the cost of living crisis and the continuing impacts from Covid-19 and Brexit creating an imbalance in the workforce and preventing the free movement of labour.

Key Risk Management Measures

- Regular overview of global events and market information maintained and market developments monitored.
- Regular review of development appraisals, sensitivity analysis and reverse stress testing prior to committing to any construction contract.
- Other risk mitigation measures such as interest rate hedging to preserve the financially viability of a project.
- New projects designed to provide a range of accommodation for all price brackets.

Operational

Description

Health and Safety

Failure by the Company to prevent injuries and accidents to those that work on our construction sites, employees and the public, would result in legal, financial and/or reputational issues for the Company.

Key Risk Management Measures

- A proactive health and safety culture throughout the Company including a robust Health and Safety Policy for employees and projects with regular training and updates.
- Employing competent main contactors and commission regular independent health and safety reviews of on-site performance.
- The Company supports the Jersey Safety Council Behavioural Safety Management Scheme.

Principal and Emerging Risks
(continued)

Risk category

Operational

Description

Climate Change and the Environment
Failure by the Company or its developments to take appropriate measures regarding climate change and the environment or meet satisfactory carbon targets could result in future regulatory, financial and reputational issues for the Company.

Key Risk Management Measures

- Established and will continue to develop ESG strategy, monitoring best practice, political and legislative developments.
- Focussed on constructing sustainable buildings and sustainable communities and ensuring our developments continue to improve in terms of reducing embodied carbon and carbon in-use.
- Proposed plans for the SWSH Waterfront include measures to overcome potential flooding.
- Encouraging alternative modes of transport through improved infrastructure and amenities.

Risk category

Operational

Description

Financial Viability

Build cost inflation in Jersey has exceeded RPI in recent years increasing the risk of profit erosion or loss on projects and making future projects financially unviable without increased sale prices or rents to compensate.

Falling property values also increase the risk of profit erosion or loss on existing projects making future projects unviable.

Key Risk Management Measures

- Enter into fixed price contracts to mitigate against increases during the course of construction, and only proceed with a development once it has secured an appropriate level of pre-let / pre-sale that has been agreed with the Shareholder.
- Covenant strength of the main contractor is a key and ongoing part of project due diligence.
- Alternative procurement routes reviewed, and projects continually value engineered. Includes consideration of modern methods of construction (MMC) to ensure the optimum design and most appropriate build solution.

Operational

Description

Liquidity & Funding

Liquidity or funding problems from construction projects or cash flow forecasts not adhering to plan could lead to non-compliance with bank loan covenants, events of default or the risk that lack of equity will limit future activities.

Key Risk Management Measures

- Sensitivity analysis and reverse stress testing for development appraisals prior to committing to construction or incurring costs.
- Budget to actual, cash flow projections and banking covenants reviewed every month.
- Maintain appropriate cash reserves based on prevailing and forecast market conditions.

Operational

Description

Labour shortages

The risk that on-island labour continues to reduce from outward migration and the high cost of living in Jersey.

Key Risk Management Measures

- Review MMC options that will reduce the level of on-island labour required to deliver projects.
- Consideration of the main contractor's ability to procure construction elements from off-island companies that bring their own labour to the island for the period of their build element.

02

Environmental Social Governance Reports

- Environmental Report pg 29-33
- Social Report pg 34-37
- Governance Section pg 38-49

Environmental Social Governance

ESG Overview

An essential underpinning of every Company decision is ESG. For many years the Company has had a strong approach to corporate governance and we are now extending that approach to the environmental and social aspects of ESG.

ESG Overview
(continued)

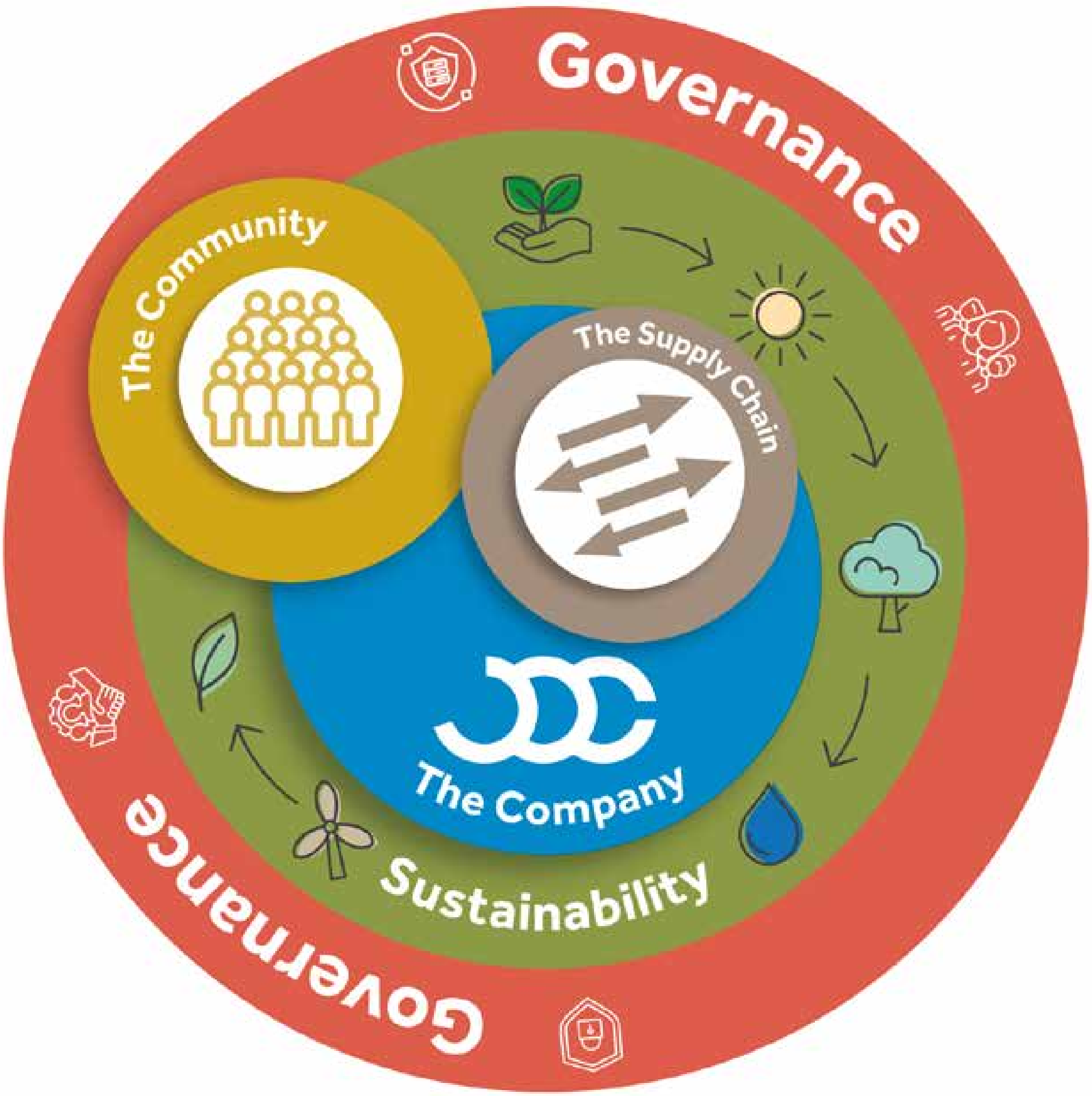
Governance is afforded significant focus within the Annual Report and our separate Governance Section continues on pages 38-49.

JDC is focused on balancing the environmental, social and financial elements of its regeneration projects and is committed to supporting the Government of Jersey with its long-term strategic goals.

In October 2022 the Board approved the Company's first ESG Strategy. As a public company, we recognise that our operations affect many people and more of the planet than the 45sq miles that our island covers.

We identified that we have three spheres of influence; the Company, the Supply Chain and the Community. We have most influence over Company decisions with respect to ESG, significant influence over Supply Chain, but lesser authority over the Community.

Targets and goals within each sphere were identified to align with the ESG strategy, ranging from green spaces, modern methods of construction, contemporary housing and safe working environments.



The Strategy considers and addresses the construction industry's significant impact on both the environment and society, aligns with the Government of Jersey's roadmap to achieve Net Zero by 2050 and considers the Jersey Performance Framework (the JPF), reflecting how JDC contributes to the 'outcome measures' of the Framework, particularly with reference to Environmental and Community considerations, to validate our contribution.

The JPF draws on the 17 UN Sustainable Development Goals. During the process of setting our ESG Strategy we conducted a double materiality assessment, which considers the Company's impact on the planet, as well as the planet's changing impact on the Company. This helped identify which of the goals are most relevant to JDC and mapped our strategy across those.

At the core of our strategy is a commitment to working towards Goal 11:

To make cities and human settlements inclusive, safe, resilient and sustainable

We also judged 3 further goals to be core:

Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

Ensure sustainable consumption and production patterns

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

ESG Overview
(continued)

9 Pillars of our ESG Strategy

Drawing the above aspects together, we have mapped the JPF with the SDGs and an ESG approach and specified in which pillar of influence the outcome falls.

Our social impact is further reported in our Social Report on pages 34-37.

Our separate Governance section continues on pages 38-49.

	E ENVIRONMENTAL	S SOCIAL	G GOVERNANCE
COMPANY	**Reducing Carbon In-Use** 9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities 12 Responsible Consumption and Production	**Health & Wellbeing** 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production	**Robust Governance & Transparent Reporting** 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production
CHAIN	**Reducing Embodied Carbon** 9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities 12 Responsible Consumption and Production	**Equitable Employment Practices** 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production	**Health & Safety Leadership** 9 Industry, Innovation and Infrastructure 12 Responsible Consumption and Production
COMMUNITY	**Urban Greening & Bio-Diversity** 11 Sustainable Cities and Communities 15 Life on Land	**Vibrant & Inclusive Communities** 9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities	**Modern Living** 9 Industry, Innovation and Infrastructure 11 Sustainable Cities and Communities

Environmental Report

The process of setting the Company's ESG Strategy started by establishing a 'Sustainability Working Group', which met for the first time at the end of 2021 and led the discovery phase of our journey to reduce our carbon footprint throughout the first half of 2022, using the assistance of the consultants we had enlisted.

This working group included participants from across the Company, including Board members, and the brainstorming and sharing of ideas resulted in a need for distinct working groups to separate environmental considerations from social considerations, and select main focus areas within each of these, before considering how they may interact, conflict and be prioritised, as the strategy became defined. The observations and ideas were shared with the wider team to ensure that the whole Company and Board played a part in developing the Strategy.

The Company considered what our environmental impact is, due to our operational and construction activities, as well as the impact climate change will have on the island and the Company, to appropriately direct our focus to target where best and how we could reduce our carbon emissions.

The resultant three-tiered structure of our ESG strategy: Company, Supply Chain and Community, reflects the level of influence over and therefore level of impact we believe we are able to make. A focused sustainability workshop for the whole Board, led by local sustainability consultancy True. ESG helped to ensure that the Strategy adopted was sufficiently bold and aspirational.

Our broad targets and goals for reducing operational emissions and achieving Carbon Neutral and Net Zero across operational emissions well in advance of the Government of Jersey's Carbon Roadmap are developing into measurable targets, as the next stage in ensuring the delivery of our ESG Strategy.

JDC's response to climate emergency is not a prescriptive plan, despite the adoption of our ESG Strategy this year. Targets and definable goals will flex as required and as technology improves. The Strategy commits us to consider sustainability in all our decisions and to assess how the Company's actions impact on ESG.

Our risk management processes now need to assess and mitigate those risks and our governance over the strategy is an extension of our strong existing governance. With full support from the Board, the Company is learning how to consider ESG as a part of daily decision making.

Environmental Report
(continued)

Reducing Carbon in use

To achieve Carbon Neutral and Net Zero as a Company and as a part of the island community, and collectively globally, we acknowledge that we must all play our part and make a commitment to carbon emission reduction in the areas which we can control and influence the most.

On an internal Company operational level, we considered what changes we could all make as individuals, as well as part of the Company, to change mindsets and influence change.

Notwithstanding our clear reduction objectives, we acknowledged last year that given most of our Scope 1 and 2 emissions cover energy usage, which for JDC is entirely electric, using JEC's decarbonised power supply which includes 33% renewable energy, further reductions here will unlikely be significant in the short term. We noted that a significant proportion of our energy usage is for lighting of public areas for community benefit, which we would not seek to restrict.

Last year we initially engaged with a local sustainability consultant to measure our current Scope 1 and Scope 2 Carbon emissions, as well as limited Scope 3 emissions, which we agreed to use as our baseline assessment going forward. We included within the calculation all areas of our Estate over which we have direct financial control, as well as our main and satellite offices.

Once again we have calculated annual emissions as tCO_2e. Understanding our operational carbon footprint has led to us considering where and how we can effect change and our renewal works planned for the Waterfront Car Park lighting system targets more efficient installations which use less energy, reduce lighting in areas that do not require constant illumination, whilst ensuring that minimum lux levels and on demand lighting is available at all times.

Going forward we will consider the energy efficiency of the public street lighting that we provide throughout the Estate and how we can reduce energy usage in this area.

Reducing Embodied Carbon

We acknowledge however that Scope 1 and 2 emissions, as well as those in controllable Scope 3, the extent of standard baseline carbon reports, do not reflect the key area of change that we, as a property development company, need to focus on if we are to achieve Net Zero; being Scope 3 emissions.

Concrete is a major contributor to global carbon emissions however its strength, longevity and flexibility in application make it the primary building material. The process that creates cement is energy intensive and our local concrete supplier has delivered a reduction in the amount of cement used by using alternative cement replacement products. This has resulted in a reduction in CO_2 across our projects to date. Further technological advancements are anticipated over the next decade as the global construction industry transitions to Net Zero and as Company we will be continually assessing alternative products and pressing for improvement.

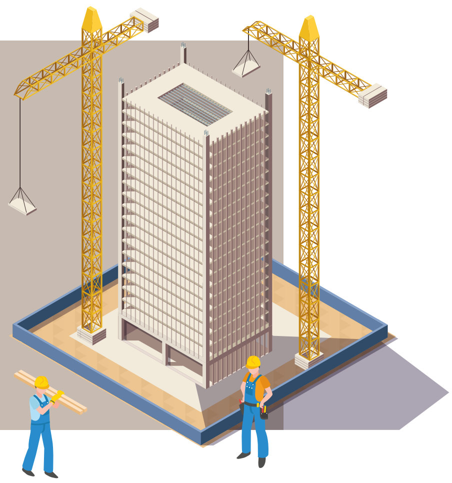
Do we include all emissions of raw material suppliers when creating our product? Or do we just calculate emissions from arrival in Jersey? An agreed scientific approach is required to present meaningful and comparable data.

We understand that failure to act is not an option, not least because future carbon taxes and changes in asset valuation methods would have a serious impact on our balance sheet and ability to remain financially viable if we do not adapt, but also because it is the right choice to make for the planet and our future generations.

We have and are exploring the risks posed to the Company by Climate Change impacts and which options are available to us for alternative construction materials and methods which may help reduce our impact. As both a major island and Government of Jersey developer, JDC seeks to be a leader in the local construction industry's approach to achieving net zero and also proposes to share its knowledge gained, for the benefit of the industry, and the wider community.

Supply Chain

- **Reduce Embodied Carbon** on all our future developments



JDC is focused on ensuring that its developments contribute towards the Government of Jersey's carbon reduction strategy, by both optimising the design and specification to minimise the carbon in use, the energy and water usage of the buildings when completed.

We have never installed fossil fuel boilers in our developments. The power source of all our developments is electricity and we are adopting a fabric first approach to our future residential buildings, ensuring we maximise the performance of the building through design, specification, materials and workmanship.

For further reduction in emissions, we recognise the need to plan for adaptation and to implement sustainable development goals to achieve our business strategy, both for us and for our suppliers and contractors to adhere to.

Understanding our sources of emissions will lead us to understanding and agreeing how to calculate them and, in some respects, industry calculations are still being defined.

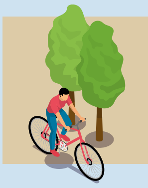
We did so during the year, sharing our increasing knowledge of Modern Methods of Construction with the Government.

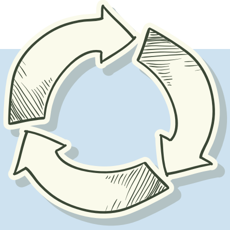
We are also mindful that the Company's future strategy in relation to sustainability will not simply encompass reducing emissions, but will cover other considerations, such as waste management and waste reduction policies, policies to avoid demolition, bio-diversity and well-being considerations and decisions around how much money to invest upfront in our buildings, both to protect against loss of future asset value and to respect our natural world.

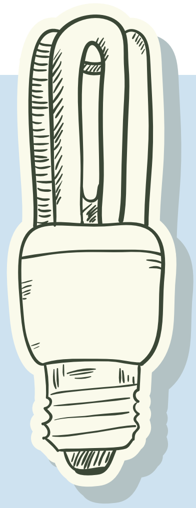
We do recognise that due to the nature of the industry the Company operates in, it is unlikely that we will be able to cut our own emissions to zero and therefore the Company will also consider which authentic greenhouse gas removal projects we would consider supporting, to eliminate our remaining emissions.

Environmental Report
(continued)

Urban Greening & Bio-Diversity



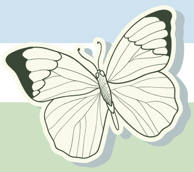




Built Environment

As a local industry leader in environmentally considered design, our commercial constructions to date on the International Finance Centre are all 'BREEAM Excellent' rated, the world's longest established sustainability certification method, for which certification reflects the buildings' environmental, social and economic sustainability performance assessment.

The Bridging Island Plan (BIP) seeks to reduce emissions by introducing policies covering 'design to deconstruction' in the construction industry. JDC addresses this in its designs for IFC 6, South Hill and SWSH Waterfront, with focus on durability and flexibility throughout the planning and design phase of these projects, to ensure that even though a building's use and outward appearance may change over time, the structure will have longevity.

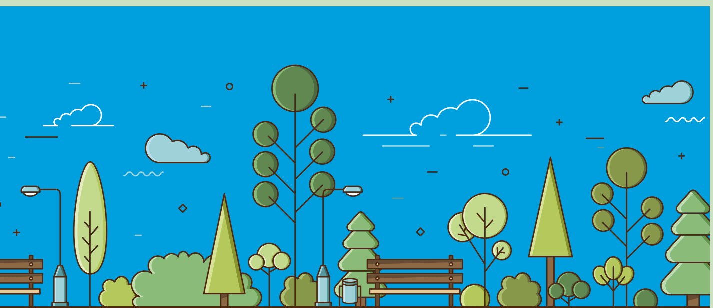


Natural Environment

We already provide many areas of well maintained green open spaces at the Waterfront for the enjoyment of all and this will continue within our plans for the development at South West St Helier Waterfront, in which 56% of the proposed area will be open space, with an aim to reduce the urban heat island effect and build ecological resistance.

During the year we also continued our support of the natural environment in the following ways:

- Supporting the National Trust for Jersey & Jersey Trees for Life with our Corporate Sponsorship;
- Supporting Durrell's Rewild Carbon impactful project;
- Hosting the Government of Jersey's Climate Wall to raise awareness and reinforce the Climate Emergency.



The BIP has a focus on protecting and improving the natural environment and biodiversity, which we support and are considering ways to evidence this throughout our new developments, from pollinator patches on our Estate, to green/ brown roofed buildings at Horizon. Our Horizon development has also achieved level 3 in the Code for Sustainable Homes and has a thoughtful landscaping scheme, including trees and plants suitable for the local environment.

Our commitment will take even greater strides at SWSH Waterfront, the proposals for which met the Urban Greening factor (a tool outlined in The London Plan 2021 and now viewed as an international best practice), which evaluates and quantifies the amount and quality of greening in an urban context, seeking to ensure that new developments meaningfully contribute to urban green infrastructure. Rain gardens will collect and clean surface water run off and new trees will have ample soil allowance to ensure they can grow to maturity, providing habitat, carbon sequestration and urban cooling.

56% of the proposed Waterfront will be open space

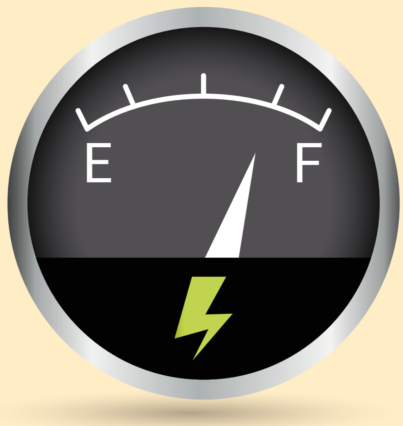
Sustainable Resources

The Government has set out a sustainable transport policy which JDC seeks to support, with its focus on infrastructure for alternative modes of transport in all of its developments, as well as electric car and bike charging points. Actions in this area to date include:

- Providing EVie Car spaces and charging points for electric cars at our Waterfront Car Park;
- Creating a parking zone within Marina Gardens for EVie electric bikes;
- Agreeing to continue virtual Board meetings for some of the scheduled meetings in the year, beyond Covid 19, to reduce unnecessary travel;
- Planning for e-car and e-bike charging points in all our future development projects.

JDC is committed to continual improvement, with the ambition that our future commercial buildings will achieve 'BREEAM Outstanding' standards and that our residential buildings will be built to 'PASSIVHAUS' principles, world leading energy efficiency and thermal performance standards.

As a developer, we do not act alone and we can influence and collaborate to build sustainable communities. We commit to engaging with likeminded partners right from the start.

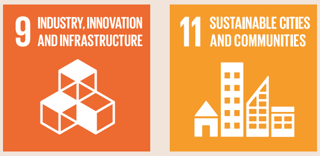


Social Report

The 'people' part of our ESG strategy focuses our targets and goals across our three spheres of influence: The Company, The Supply Chain and The Community and focuses on three pillars of: Health and Wellbeing, Equitable Employment Practices and Vibrant and Inclusive Communities, supporting our primary core commitment in our ESG Strategy 'Goal 11 - Sustainable Cities and Communities' of the UN Sustainable Development Goals.

The Community

Vibrant and Inclusive Communities



Prioritising Placemaking

Placemaking and creating sustainable new communities is at the heart of JDC and the Company's vision is "To build a better Jersey". It's the process of creating well designed and quality places where people want to live, work and play.

JDC's focus is on transforming public spaces to strengthen the connection between people and the places they share.

The Company has directly invested £3.3m to date in public infrastructure. The Company has delivered 55 car parking spaces at Janvrin School and a new public square at the IFC - Trenton Square, which will be extended, with expected completion in November 2023. The Company has also paid contributions for public transport initiatives.

During the year the Company contributed £425k towards the new skateboard park at Les Quennevais and £730k for road and pedestrian improvements to Midvale Road, making journeys to and from work and school far safer.

Modern Living

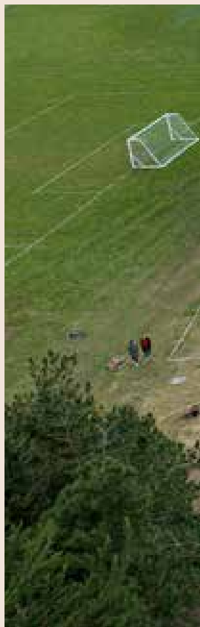
An inclusive community must be one in which everyone's right to shelter and a home is met. The design of our new residential buildings has increased the range of home sizes to ensure more budgets can be accommodated. Whilst JDC has no social housing remit, we do offer a phased deposit payment scheme to assist first time buyers in saving for and paying across deposit funds over the build period, enabling them to secure their home with a £2,000 reservation fee. To date, 35% of all our new residential units have been purchased by First Time Buyers and 117 buyers have been able to access their first home via our deposit payment scheme.

Going forward, the States Assembly has agreed that the Company's future residential developments will only be sold to owner occupiers - whether that be first time buyers or right-sizers. In addition, the Bridging Island Plan requires a minimum of 15% of new residential units on large developments to be made available via a Shared Equity Scheme to eligible First Time Buyers. We are also investigating incentive schemes to encourage 'right sizing'.

Community wellbeing

Vibrant and inclusive communities help to ensure everyone's wellbeing. This year we were delighted to sponsor and help facilitate CI Pride in September, to host the Creative Spaces event at Les Jardins de la Mer and the Weighbridge, to facilitate and help with the organisation of the Corn Riots Festival, following last year's inauguration, and to sponsor the Puffin Festival for the National Trust in April.

Providing inclusive assets & public realm



The Company continues to maintain the extensive public areas around the Waterfront, which include Les Jardins de La Mer, Marina Gardens, Weighbridge Square and Trenton Square. We try to ensure that activities feature highly on St Helier's Waterfront, transforming open spaces to bring the community together and promote health and wellbeing.

To date the Company has supported over 200 events on public land within its ownership or administration, including regular events such as The Waterfront Park Run Juniors, the Standard Chartered Jersey Marathon, for which we sponsor the Marathon Mile, The Triathlon, the Christmas lights as well as this year, the Tree Maze at Weighbridge Square and Spiegeltent at Les Jardins de la Mer.


START

Social Report
(continued)

The Supply Chain

Equitable Employment Practices

Safety and security

Health and Safety is a recurrent theme in all project meetings at JDC and a standing agenda item at all Board meetings. We consider the health and safety of our staff, our contractors and the public to be of the highest importance

We are pleased to note that the Jersey Safety Council's Behavioural Safety Leadership Programme launched in 2021 for contractors was extended during the year to establish a programme for developers, which JDC is helping to develop together with Andium.

We were delighted that our main contractor on IFC 6, ROK Regal Construction was awarded a score of 100% under the Considerate Contractors Scheme.

Living Wage

In September 2021 the Company was accredited as one of Jersey's Living Wage employers and the first in the property development industry. The Living Wage takes into account the cost of living, taxes and the value of benefits available to working people on low incomes. Its aim is "to make sure that, on average, a worker receiving the Living Wage rate, topped up by in-work benefits, earn enough to be able to live with dignity and to thrive, not just survive within our Jersey community".

JDC prides itself on being a responsible employer and this demonstrates our commitment to paying the 'Living Wage' to staff that are employed directly by the Company, and also to local staff employed indirectly through our sub-contractor partners. We believe that all employees should be fairly compensated and this accreditation helps demonstrate JDC's commitment.

We hope this encourages other employers in Jersey to follow suit and become part of the growing movement towards fair wages for all.

Jersey Construction Council Awards 2022

JDC was delighted to support the Jersey Construction Council (JeCC) awards once again, as the sponsor of the Health & Safety Award. We were very pleased to congratulate 'Phoenix Construction' as winner of this award, which recognises the huge importance of health & safety on all construction sites. It was very pleasing to be part of a body which referenced health and safety as well as sustainability in every award.

The Company

Health and well-being

Equality, Diversity and Inclusion

JDC is committed to the principles of equality, diversity and inclusion, because we believe that it is the right thing to do to support our business, our staff, our customers and the people of Jersey. Our EDI Policy promotes a working environment where all colleagues are treated fairly and able to give of their best.

Project Trident - Skills Jersey

During 2022, the Company accepted two student placements on the Project Trident Work Experience scheme as a Project Manager's Assistant. Students were introduced to all aspects of the Company, including Construction, Estate Management, Sales & Marketing, Accounts and Office administration.

"Thank you so much for the opportunity to shadow and work with JDC. It was a really varied experience and I learnt a lot while I was there. There was so much I did not know about the construction and development industry; it has been useful to learn about it." (Johnny Wright)

Pride of Jersey Awards

We were delighted to support the Pride of Jersey Awards, once again. The Awards, now in its seventh year, celebrates the remarkable achievements of some truly special people. With 14 categories this year, we were proud to sponsor 'Child of the Year'. Of our three fantastic finalist, Tallulah Baudains was celebrated as our award winner, with Oscar Brown and Aarya Patil as runner ups. The award recognises young people under 17 years who rarely receive the recognition they deserve.

Secondary School and student collaboration

In our commitment to supporting children and the construction industry, the two combine in our liaison with schools and colleges offering the Design, Engineer, Construct! (DEC!) qualification and indeed any school wishing to have a hands on tour of a live building site or presentation from one of our professional team.

This year we welcomed visits to Horizon construction site from DEC! students from Les Quennevais School in February, as well as some students undertaking a construction module in November. In September we hosted Hautlieu Geography year 11 students at the Waterfront and during the year we also visited Les Quennevais School to assist with a DEC! project.

Governance

Corporate Governance Report

THE BOARD

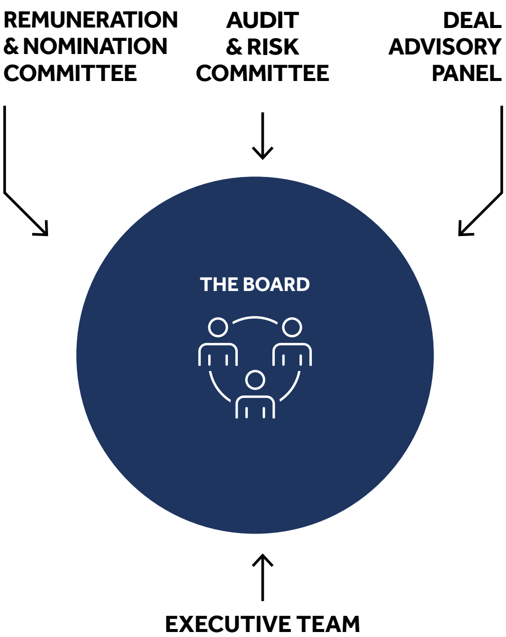
Setting the overall strategy, approving the Strategic Business Plan and continually monitoring performance

Chair

Senior Independent Board Member / Ministerial Appointee

Independent Non-Executive Board Members

Executive Board Members



The Company is committed to maintaining a high standard of Corporate Governance and follows its own Corporate Governance Handbook, which draws on the best practice principles of the UK Corporate Governance Code 2018, issued by the Financial Reporting Council (the Code).

The Company entered into a Memorandum of Understanding (MoU) with its Shareholder, a revised version of which was approved by the Shareholder signed in May 2022. The MoU emphasises transparency and accountability and specifies those strategic and other issues for which there is an obligation to inform, to consult, or to seek approval of the Shareholder's representative.

The revised MoU states that the Company and its Board shall adhere to the 'Principles of Good Governance' in the Code.

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

The Board is of the opinion that the Company has complied with the provisions of the Company's Corporate Governance Handbook and therefore adhered to the Principles of Good Governance of the Code throughout the year under review.

The Board

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

The Board of Directors' responsibility for the governance of the Company specifically extends to:

- promoting the long-term sustainable success of the Company, generating value for the Shareholder and contributing to Jersey's wider society;
- setting the Company's strategic aims;
- providing the leadership necessary to deliver these aims and associated objectives;
- establishing the purpose, values, strategy and behaviours of the Company and ensuring its culture is aligned with these;
- ensuring all directors act with integrity, lead by example and promote the desired culture;
- establishing a framework of prudent and effective controls enabling risk to be assessed and managed;
- supervising the management of the business;
- ensuring that the necessary resources are in place for the Company to meet its objectives and measuring performance against them;
- ensuring the Company complies with relevant laws and regulations;
- ensuring effective engagement with and participation from the Shareholder and stakeholders; and
- reporting to the Shareholder on its stewardship, in accordance with the requirements of the MoU.

Overall, the Board is aware that while it is responsible for the operation of a commercial development company, the Company operates in a multi-stakeholder environment and the public of Jersey is its ultimate stakeholder.

The Chair is responsible for leadership of the Board and should demonstrate objective judgement, while promoting a culture of openness and debate where all contributions are encouraged and valued. A good Chair ensures that the Board is effective in all aspects of its role achieving the right balance of responsibility, challenge and scrutiny; with support for the Executive Team.

The non-Executive Directors constructively challenge and help develop proposals on strategy. They bring strong, independent judgement, knowledge, and experience to the Board's deliberations.

The day to day operation of the Company remains the responsibility of management and the Executive Team, led by the CEO. The performance of management and the Executive Team against agreed performance objectives is scrutinised and held to account by the Board. In fulfilling this function and in accordance with good corporate governance, the Board is supported by the Audit & Risk Committee and the Remuneration & Nomination Committee and, in view of our principal activities, the Deal Advisory Panel.

Board Structure

The Board comprises the Chair, the CEO, the Deputy CEO, a Non-Executive Director appointed by the Minister for Treasury & Resources and up to 5 Non-Executive Directors appointed by the States Assembly.

One of the Non-Executive Directors is appointed by the Board to undertake the role of Senior Independent Director (SID).

The principal role of the SID is:

- to support the Chair in their role;
- to act as an intermediary for other Non-Executive Directors when necessary;
- to lead the Non-Executive Directors in the oversight of the Chair; and
- to ensure a clear division of responsibility between the Chair and the CEO.

Appointments to the Board are subject to a formal, rigorous and transparent procedure, and an effective succession plan is maintained for the Board, following recommendations from the Remuneration & Nomination Committee. Succession planning and appointments are based on merit and objective criteria. It is the Board's continuing objective to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths recognising the benefits this brings. While the gender balance of the Board has improved, further diversity improvements are required.

Corporate Governance Report
(continued)

Board Independence

At the balance sheet date all Non-Executive Directors were considered independent. Prior to the appointment of a Director, the proposed appointee is required to disclose any other business interests that may result in a conflict of interest. In addition, the Board carries out a review of all current Directors' business interests annually to assess the continued independence of Non-Executive Directors.

The following appointments are held by the Executive Directors:

Simon Neal - Trustee of the St Matthieu's Trust, School Governor of FCJ Primary School and Director of Lola Investments Limited.

These are not considered to present a conflict of interest.

Membership of the Audit & Risk Committee and the Remuneration & Nomination Committee is comprised solely of Non-Executive Directors, to ensure independence from the Executive Team, who attend by invitation only. Committee members are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resource to carry out their duties. A report from the Chair of the Audit & Risk Committee is provided on pages 44-45 and a report from the Chair of the Remuneration & Nomination Committee is provided on page 46-49.

Meetings

The Board and its Committees meet regularly and are responsible for setting and monitoring strategy, reviewing performance and risk management, examining business plans, capital and revenue budgets, formulating policy on key issues, taking decisions on major development proposals, sales and acquisitions, reporting to the Shareholder and securing Shareholder approval where necessary prior to entering into legally binding commitments. Board papers are circulated prior to each meeting to ensure informed discussion on the matters at hand.

The Board met six times during 2022.

In addition to formal Board meetings, the Deal Advisory Panel meet when required, and regular communication is maintained between the Board members and the Executive Team. The Chair and Board members attend quarterly meetings with the Shareholder, and in July 2022 the annual Strategy Day was held.

	Board	Audit & Risk Committee	Remuneration & Nominations Committee
Number of meetings in 2022	6	3	3
Board attendee			
Paul Masterton (Chair)	6	N/A	N/A
Ann Santry (SID)*	6	3	3
Nicholas Winsor (SID)**	6	N/A	3
Tom Quigley	5	2/2	N/A
Richard Barnes	6	3	N/A
Carolyn Dwyer	6	3	3
Belinda Crosby***	2/2	1/1	N/A
Lee Henry	6	N/A	N/A
Simon Neal	6	N/A	N/A
In Attendance			
Fiona Smith****	2/2	1/1	1/1

* Retired as non-Executive Director and SID on 20 December 2022
** Appointed as SID on 20 December 2022
*** Appointed as non-Executive Director on 22 September 2022
**** The Board selected Fiona Smith as a "Board Apprentice" and approved her 12 month appointment on 13th May 2021. Fiona attended all Board, Audit & Risk Committee and Remuneration & Nomination Committee meetings as an observer until the end of her appointment.

Board Effectiveness

In accordance with the Board's Terms of Reference, an annual performance assessment of the Board, Committees and of the Chair is made, together with recommendations for areas of improvement.

This annual performance assessment considers Board composition, diversity and how effectively members work together to achieve objectives. It also considers whether each director continues to contribute effectively. The Board's policy is to carry out an externally facilitated evaluation every three years and an internal one on an annual basis. Altair Partners Limited (Altair) was appointed in 2022 to conduct an independent board effectiveness review in accordance with good governance practice.

During 2022 the Board considered and started to implement the recommendations of the Altair report, which it will continue to do in 2023. Recommendations generated by the 2021 internal evaluations were also implemented during 2022.

The external review undertaken by Altair involved each member of the Board, and other regular Board meeting attendees, completing a detailed questionnaire compiled by Altair, followed by individual interviews. Outcomes were collated and summarised, and a formal report of observations and recommendations was presented by Altair to the Board, following which actions were discussed and determined by the Board and Committees.

The findings of the assessment were that the Board is strong, professional and collaborative in approach and cohesive and inclusive, with a wide range of skills. It is considered an effective decision maker, which prioritises well and is prepared to challenge where required.

While the overall findings were positive, outcomes and actions were identified for the Board to consider as it consistently strives to improve and demonstrate high standards of corporate governance.
The outcomes fell into four broad areas of:
Board Transition, Board Purpose, ESG and Relationships.

The actions agreed were:

- To ensure a smooth transition as long-established members, including the Chair, transition off the Board;
- To review the purpose of the Board and its terms of reference;
- Building on our Strategy, to continue to develop the Company's approach to ESG, including determining how to embed ESG considerations in all Company decisions;
- To review and enhance the Company's relationship management approach.

Risks and Mitigations

The Board has overall responsibility for the maintenance of the Company's system of internal control, including its effective operation and for reviewing its appropriateness, following any change to business operation(s). 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 Audit and Risk Committee establishes procedures to manage risk, oversee the effectiveness of the Company's risk management systems, internal financial controls and internal control framework, to identify, assess, manage and monitor key financial and business risks.
The Committee determines the nature and extent of the principal risks the Company is willing to take, to achieve its long-term strategic objectives, and makes appropriate recommendations to the Board.

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

- Strategy & Management;
- Financial Reporting and Control;
- Staff performance and development;
- Major contract approval;
- Joint venture oversight;
- Communication;
- Stakeholder relations;
- ESG.

Corporate Governance Report
(continued)

Annual Reporting

The Board has considered the recommendations of the Comptroller and Auditor General (C&AG) published on 9th November 2022, following their review of prior year annual reports of States Owned Entities. The Board has further improved the performance reporting, providing transparency on the results for the year against expectation, and disclosing expected profits, for future year comparisons to actual.

A detailed explanation of the risks faced during the year and how they have changed has been presented, as well as a prediction of how risks are likely to change in the future, given the economic uncertainty.

The sustainability report introduced last year, details the change in our carbon footprint since our baseline calculation, given efforts made to reduce the Company's operating emissions, as well as the ESG strategy approved by the Board during the year, which outlines the focus the Company is giving to meeting its Carbon Neutral and Net Zero targets.

Relations with Shareholder

The Company is wholly owned by the Government of Jersey with the Minister for Treasury and Resources representing the Company's Shareholder. The Company seeks to comply in full with its governing statutes as the basis for the conduct of its relationship with its Shareholder, with whom it is in regular contact throughout the year.

Ministerial Decisions were made during the year in relation to the approvals of the appointments of Non-Executive Directors, the Ministerial Appointee and of land title transfer of South Hill Former Office Site to the Group.

By order of the Board

Nicholas Winsor
Senior Independent Director, 5th May 2023

Audit & Risk Committee Report

The Audit & Risk Committee operates under a Charter agreed by the Board.

The Audit & Risk Committee is responsible for:

(a) overseeing the financial reporting process to ensure the balance, transparency and integrity of published financial information;

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

(c) reviewing the independent audit process, including recommending the appointment of and assessing the performance of the auditor;

(d) overseeing the effectiveness of the Company's internal control framework and risk management systems;

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

(f) reviewing the effectiveness of the system for monitoring compliance with laws and regulations and identification of fraudulent acts or bribery, if any or non-compliance, if any;

(g) reviewing the Company's risk register that includes the highest assessed risks for the Company and its development projects; and

(h) monitoring the Company's risk profile and providing assurance that there are robust structures, processes and accountabilities for risk management within the organisation.

The Audit & Risk Committee is composed of the following Non-Executive Directors: Belinda Crosby (Chair with effect from 11 October 2022, formerly Tom Quigley), Richard Barnes, Carolyn Dwyer and until her retirement on 20 December 2022, Ann Santry. The meetings provide a forum for discussions with the external and internal auditors, both of which attended during the year. Meetings are also attended, by invitation, by the Chair, the CEO, the Deputy CEO and the Finance Director.

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

The Company has a Risk Register for itself and each project which details and assesses all the significant risks facing the Company. Management is responsible for identifying the principal and emerging risks to achieving the Company's business objectives and ensuring that there are adequate controls in place to manage these in line with the risk appetite set by the Board. The Executive Team are invited to attend the Audit & Risk Committee meetings to provide presentations on the principal and emerging risks and how these are managed.

A separate Panel has been set up to meet the need for a detailed review of the viability of development projects by Board members with appropriate skills. The DAP has no decision making remit but advises both the Audit and Risk Committee and the Board and makes recommendations. Due to the Horizon and IFC 6 development projects being at more advanced stages and the delay to receiving Planning Consent at South Hill, the DAP did not meet during the year.

The Audit & Risk Committee considers data protection risk and ensures that Management have adequately assessed and put controls in place against any loss of personal data. No data breaches were reported during the year.

The Audit & Risk Committee considers all significant issues relating to the financial statements. A key estimate and judgement is the valuation of inventory and property assets and the risk any impairment thereon, given the current economic climate, could be understated. Available market data as well as external professional advice was considered by the Committee when considering the valuations in the financial statements, with robust discussion and challenge given to the Executive to conclude upon the appropriateness of the valuation adopted.

The Audit & Risk Committee advises the Board on the appointment of the external auditor and on their remuneration, including monitoring any issues that could impact auditor independence. During the year the Committee recommended, and the Board approved, a tender of the position of external auditor.

Following a review of five tender proposals, including from the incumbent external auditor, three audit proposals were taken forward to interview and evaluated on a points based system. Based on the Committee's recommendation BDO Limited has been appointed as external auditor for the year ended 31 December 2022, following approval by the Board and the Shareholder. BDO Limited's appointment will be subject to annual approval but is expected to be for a maximum of 5 years.

The Audit & Risk Committee regularly reviews the scope and results of the work undertaken by both internal and external auditors.

The Committee evaluates its own performance on an annual basis, both collectively and of individual members, and reports the results to the Board. The performance review includes an assessment as to how the Committee has delivered its roles and responsibilities as set out in its Charter.

The terms of reference of the Audit & Risk Committee require it to meet at least three times a year. Additional meetings may be called where deemed necessary. The Committee met three times during 2022, as detailed in the Governance Report.

Committee Effectiveness

The Committee works with the Chair of the Board to lead the annual Committee evaluation process. Our policy is to carry out an externally facilitated evaluation every three years and an internal evaluation annually.

Three outcomes and actions were identified from the 2021 internal assessment and improvements continued to be progressed during 2022.

To improve the Committee's pro-activeness around risk and consideration of non-financial risks, increased focus has been given to geo-political risks, and current market risks such as material and labour shortages. Stress testing reviews and break even calculations have been implemented to assess the impact of market risk. To retain agility, fixed metrics for the Company have not been established but further work on flexible metrics is being progressed.

To provide a smooth succession I was delighted to join the Company as a non-Executive Director in September 2022 and take on the role of the Audit and Risk Committee Chair in October 2022.

The Committee intends to continue to improve its industry relevant training on company specific technical issues for property companies, including the impact of climate change on valuations. During the year a dedicated board session was completed with the Company's ESG consultant, and an associated training module offered to directors.

In line with our policy, an external evaluation by Altair Partners Limited (Altair) was undertaken of both the Board and its Committees, including the Audit and Risk Committee, in 2022. The evaluation comprised of a detailed questionnaire and interview process completed by each Committee member and attendance at a Committee meeting by the appointed reviewer.

There were no specific recommendations and actions for the Audit and Risk Committee given by Altair from the 2022 evaluation assessment. The evaluation concluded that the Committee was well connected to the Board, with a number of strengths. However, it is acknowledged that performance can be enhanced to become more effective and as applicable the Committee will support the four general Board recommendations and actions agreed by the Board, as described in the Governance report.

The Committee also agreed that during 2023 it would maintain a dynamic approach to risk, required within the current economic climate and continue to focus and learn about the impact of ESG on risks and on valuations.

By order of the Audit & Risk Committee

Belinda Crosby
Chair of the Audit & Risk Committee, 5th May 2023

Remuneration & Nomination Committee Report

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

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

(b) Considering and making recommendations to the Board on all new appointments of Directors having regard to the overall balance, composition and diversity of the Board;

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

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

(e) Assessing the performance of Non-Executive and Executive Directors; and

(f) Recommending the remuneration for the Non-Executive Directors and Executive Directors.

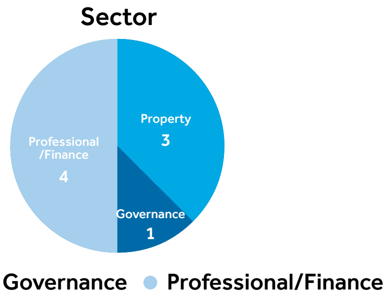
The terms of reference of the Remuneration & Nomination Committee require it to meet at least twice a year. During 2022 it met three times.

The Remuneration & Nomination Committee members are currently Non-Executive Directors Nicholas Winsor (Chair), Carolyn Dwyer and Richard Barnes, who was appointed on the retirement of Ann Santry in December 2022.

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

Before any appointment for new members or succession planning is made by the Board, the Committee evaluates the balance of diversity, skills, knowledge and experience on the Board, and based on the results of the evaluation, prepares a description of the role and capabilities required for a particular appointment.

The current Board sector profile is presented below:



In identifying suitable candidates, the Committee:

- uses open advertising or the services of external advisers to facilitate the search;
- considers candidates from a wide range of backgrounds;
- considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender; and
- complies with the Jersey Appointments Commission Guidelines.

Appointments

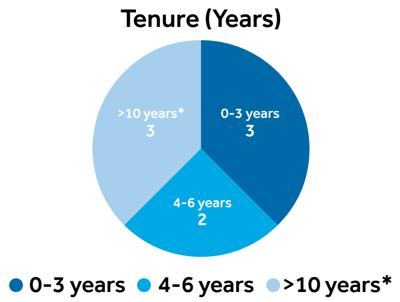
In 2020, the Company's Articles were changed to allow the Company to appoint up to two additional Non-Executive Directors and altered the term of appointment from a fixed three-year period to a period of up to three years.

In accordance with the Company's succession plan, and due to the retirement of Ann Santry during the year, as well as the anticipated retirement of the Audit and Risk Committee Chair, the Board reviewed proposals from a number of independent search firms before appointing Thomas & Dessain to lead the search for a new non-Executive Director who would also become the Audit and Risk Committee Chair. This resulted in 7 candidates being reviewed for the role, 3 of whom were interviewed by a panel as shortlisted candidates.

After interviews, Belinda Crosby was selected and recommended to the Shareholder for appointment by the Board on 8th March 2022. Following approval from the States Assembly, Belinda was formally appointed to the Board on 22 September 2022, the delay caused by States' business being paused due to the Jersey general election.

Appointments (continued)

The current tenure of Board members is as follows:



* relates to both Executive Directors and the Chair.

The Remuneration and Nominations Committee will continue with the Board's refreshment plans during 2023, in order to appoint a new Board Chair, due to the planned retirement of the incumbent and to appoint a new Non-Executive Director, in accordance with the Board's succession plan, which the Board and the Committee has been focused on during 2022.

Committee Effectiveness

The Committee works with the Chair of the Board and Senior Independent Director to lead the annual Committee evaluation process. During the year, an external evaluation was undertaken wherein each member of the Committee completed a detailed questionnaire and then discussed the findings and comments with the Board's selected external reviewer Altair. The outcomes and actions agreed from the 2022 evaluation assessment were as follows:

- Recruitment of new non-Executive Directors in line with the Succession Plan, with the required diversity of skills and behaviours, including a new Chair;
- Ensure a smooth transition to a new Board, review the induction process and ensure a continuing programme of training and development for Board Members; and
- Continue to seek additional external input on all matters considered necessary by the Committee.

As a result of last year's review, additional emphasis was placed on Succession Planning and the Board's skills matrix was updated. Assistance from an external HR provider was sought as planned, to advise the Committee on any gaps in staff related policies, following which a Bonus Policy, as well as a Recruitment and Selection Policy and Training and Development policy were considered and reviewed. The Pay Policy was approved in May 2022.

In 2023, the Committee's focus will be on Succession Planning for the Board, including a review of board behaviours sought, to ensure a smooth transition to a refreshed Board.

Staff Wellbeing

Non-Executive Director Remuneration

In accordance with the revised MoU, any changes to the level of remuneration paid to non-Executive Directors are to be agreed in advance by the Minister. An external review of non-Executive pay was undertaken in September 2022 by Thomas & Dessain, following which an increase in remuneration for 2023 was proposed to bring the remuneration in line with market levels and to ensure recruitment of new Non-Executive Directors attracts the appropriate calibre of candidate.

Executive Director Remuneration

The Company targets paying market median levels of remuneration. 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 similar experience, responsibility and skills in comparable industries. The Committee uses external remuneration surveys prepared by independent consultants to assist in establishing market levels. Determination of the Executive Directors remuneration is a Board decision taken by the Non-Executive Directors of the Company. Changes to the structure or quantum of remuneration paid to Executive Directors, including those related to bonus payments, are to be approved by the Shareholder in advance of their taking effect. The Shareholder also approves the Remuneration Report at the Annual General Meeting.

A benchmarking review of executive remuneration in 2021 was undertaken by Mercers and the results showed fixed pay to be slightly below market median and the variable pay incentive scheme significantly below this benchmark.

Remuneration & Nomination Committee Report (continued)

Incentive scheme for Executive Board Directors

A non-pensionable short-term discretionary incentive scheme was in place throughout the year. Awards under the scheme are discretionary and are assessed by the Committee and approved by the Board against specific performance criteria, directly linked to the objectives set out in the Strategic Business Plan, that is prepared annually and agreed with the Shareholder.

For 2022, the Balanced Scorecard approach adopted in the previous year was continued, to assess the level of Executive Board Director bonus payable, dependant on the progress made against the aforementioned objectives. The Shareholder has been consulted on the content and design of the Scorecard.

Board Directors' Remuneration

	Salary / Fees £	Benefits £	Bonus £	Pension[1] £	2022Total £	2021 Total £
Executive Directors						
Lee Henry	191,800	1,885	56,773	28,770	279,228	266,728
Simon Neal	154,600	-	45,762	23,190	223,552	213,440
Non-Executive Directors						
Paul Masterton	40,000	-	-	-	40,000	40,000
Ann Santry*	21,342	-	-	-	21,342	22,000
Richard Barnes	22,000	-	-	-	22,000	22,000
Tom Quigley	24,332	-	-	-	24,332	25,000
Nicholas Winsor	22,000	-	-	-	22,000	22,000
Carolyn Dwyer**	22,000	-	-	-	22,000	15,170
Belinda Crosby***	6,706	-	-	-	6,706	-
Total	**504,780**	**1,885**	**102,535**	**51,960**	**661,160**	**626,338**

* Retired 22 December 2022
** Appointed 20 April 2021
*** Appointed 22 September 2022

[1]Since 2015 the Company has had no employees in the Public Employees Contributory Retirement Scheme (PECRS). The Company is no longer an Admitted Body of the PECRS and there is no ongoing future liability. Furthermore, the Company does not benefit from any other defined benefit scheme.

The Remuneration and Nomination Committee met three times during 2022, details of which are included in the Governance Report.

Company staff pay

The Company targets paying market median levels of remuneration to all staff levels. Employee salaries were also benchmarked locally and pay rises were approved for those with base salaries that were found to be below median levels. Changes to salaries and remuneration payments are effective from 1 January each year.

The 2022 average increase of all salary recommendations was 2.9%. The Committee has noted the inflationary pressures in the local market and this was reflected in the 2023 pay review, with an average increase of 6.9%.

Company staff policies

The Committee developed a revised Pay Policy during the year, to inform employees of how pay increases are determined, as part of our commitment to a transparent total reward philosophy.

The Committee also reviewed and recommended updates to the Employee Handbook, including those required by legislative changes, which were approved by the Board in December 2022.

The Committee also approved a Recruitment and Selection Policy and is finalising a Training and Development Policy and approved a Discretionary Bonus Policy shortly after the year end. In 2023 we will develop a Redundancy Policy, as broadening of our staff related policies, as well as an Anti-Slavery Policy, although our building contracts already have clearly stated requirements in this regard.

Workforce engagement

Following the retirement of Ann Santry on 22 December 2022, who was appointed as the workforce liaison with the Board on 13 May 2021 to facilitate improved communications, Belinda Crosby was appointed by the Board as her successor in December. It was agreed that the position should be regularly rotated with other Board members, in order for staff to get to know Board members, particularly given the planned Board refreshment.

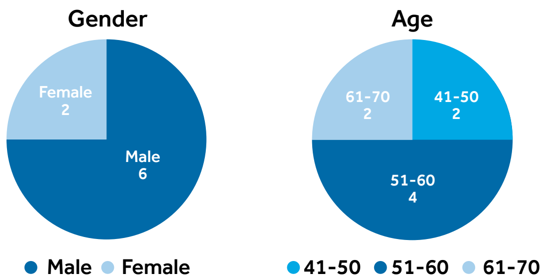
During 2022 the Company carried out its first Staff Engagement Survey, commissioned by Marbral Advisory, which all staff completed. Marbral confirmed that the results were positive and encouraging and comments were played back to the staff team, celebrating highlights and discussing actions for improvement.

Marbral also led a workshop with the whole staff team to identify and develop the organisational values of JDC. The proposed values were reviewed by a small working group composed from a cross-section of the Company, including the Board and the finalised values and associated behavioural statements will be concluded and agreed upon during 2023.

Board Diversity

The Committee recognises that the Company benefits from diversity both at Board level and in the Company as a whole, particularly in respect of gender-balance.

The current profile of the Board as at year end is as follows:



The Board is mindful of its own gender imbalance. The Succession Plan has identified that diversity in all senses must be sought when refreshing the Board over the coming years.

Company Diversity

The composition of our employees by gender is presented below. The Board is pleased to note that the Company's gender split is equitable.

	2022		2021	
	Male	Female	Male	Female
Company (excluding Board)	47%	53%	47%	53%
Executive Team	67%	33%	67%	33%
Senior management team (excluding Executive Team)	40%	60%	40%	60%
Board (excluding Executive Directors)	67%	33%	67%	33%

By order of the Remuneration & Nomination Committee

Nicholas Winsor
Chair of the Remuneration & Nomination Committee,
5th May 2023

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2022.

Incorporation

The States of Jersey Development Company Limited (the Company) was incorporated in Jersey, Channel Islands on 21 February 1996, under its original name of Waterfront Enterprise Board Limited.

On 20 June 2011, the Company's name was changed to The States of Jersey Development Company Limited and thereafter a new Board of Directors was appointed and the Memorandum and Articles of Association were revised.

The Company's registered business name is Jersey Development Company.

Principal Activities

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

Every initiative undertaken by the Company is Government-led and the building and property investments are raised on land that has, in most cases, been transferred to the Company by the Government of Jersey.

The Company's mission is 'to be the Government of Jersey's partner for regeneration and strategic property development in order to deliver a sustainable financial, social and environmental contribution to Jersey and its people'.
The Company creates new homes for residents and new Grade A office space for the Island's premier financial services industry. By investing in direct development, rather than selling land to developers, the Company ensures that returns to taxpayers are improved as well as retaining control over design and quality.

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

The principal place of business is Jersey, Channel Islands.

Results and Dividends

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 58. A dividend of £1,230,252 was declared and paid during the year (2021: £259,312) as detailed in note 19.

Directors

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

Executive Directors

Lee Henry (CEO)
Simon Neal (Deputy CEO)

Non-Executive Directors

Paul Masterton (Chair)
Ann Santry CBE (retired 20 December 2022)
Tom Quigley
Richard Barnes
Nicholas Winsor MBE
Carolyn Dwyer
Belinda Crosby (appointed 22 September 2022)

Company Secretary

The Company Secretary who held until 23 March 2022 was Simon Neal. On 23 March 2022 Simon Neal resigned and Judy Greenwood was appointed as Company Secretary.

Directors' and officers' insurance

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

Independent Auditor

BDO Limited was appointed as the auditor on 26 September 2022. A resolution to re-appoint BDO Limited as the auditor will be proposed at the next Annual General Meeting.

Statement of Directors' Responsibilities

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

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

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

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

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

The Directors have assessed the Group's financial stability and liquidity for the period up to 30 June 2024, being not less than 12 months from the date of the financial statements, which consider the Group's current obligations and commitments. The Group's financial statements are therefore prepared on a going concern basis. Further details of the Group's going concern review are provided in note 2.1 of the financial statements. 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 they ought to have taken, as a director in order to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors are of the opinion the Annual Report as a whole provides a true and fair view.

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,
5th May 2023

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

BDO

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2022 and of the Group's total comprehensive income and for the year then ended;
- have been properly prepared in accordance with IFRSs as issued by the International Accounting Standards Board; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the consolidated financial statements (the "financial statements") of The States of Jersey Development Company Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes 1 to 24 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We gained an understanding of the legal framework applicable to the Group and the industry in which it operates and, considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies (Jersey) Law 1991. We made enquiries of the Directors to obtain further understanding of risks of non-compliance.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management regarding known or suspected instances of non-compliance with laws and regulations;
- targeted testing of journals entries that have characteristics presenting a higher risk of fraud or error;
- review of minutes of Board meetings throughout the period; and
- obtaining an understanding of the control environment in place to prevent and detect irregularities.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Martin Child
For and on behalf of BDO Limited
Chartered Accountants
Jersey, Channel Islands
5 May 2023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Consolidated Financial Statements

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Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Rental Income	4.1	2,616	2,552
Revenue from contracts with customers	4.2	1,245	1,515
Net gain on investment property held at fair value through profit or loss	5	-	745
Other income		90	157
Income		**3,951**	**4,969**
Service charge expense		(318)	(588)
Pre-development expenses	4.7	(114)	72
Share of loss on joint venture	16	(311)	(732)
Employee benefits and other remuneration expenses	4.3	(1,605)	(1,251)
Premises and establishment expenses		(196)	(190)
Estate management expenses	4.4	(710)	(494)
Depreciation of property, plant and equipment	6	(31)	(50)
Depreciation of right-of-use assets	7	(95)	(152)
Expected credit losses of trade and other receivables	10	-	(190)
Impairment of inventory	8	(1,405)	(200)
Other expenses	4.5	(678)	(479)
Total expense before finance costs		**(5,463)**	**(4,254)**
Finance income		350	248
Finance costs	4.6	(357)	(455)
Finance costs - net		**(7)**	**(207)**
Operating (loss) / profit		**(1,519)**	**508**
(Loss) / profit for the year		**(1,519)**	**508**
Other comprehensive income:			
Items that will or may be reclassified to profit or loss:			
Cash flow hedge	11	**3,153**	-
Other comprehensive income for the year		**3,153**	**-**
Total comprehensive income		**1,634**	**508**

All results in the year have been derived from continuing operations.

The notes on pages 62 to 93 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 £'000	2021 £'000
Assets			
Non-Current assets			
Investment property	5	16,050	33,950
Property, plant and equipment	6	205	61
Right-of-use Asset	7	354	12
Trade and other receivables	10	-	7,499
Derivative financial assets	11	3,153	-
Investment in a Joint Venture	16	5,886	6,197
		25,648	**47,719**
Current Assets			
Inventories	8	58,464	23,942
Other Current assets	9	2,558	2,022
Trade and other receivables	10	8,708	1,180
Net Investment in the finance lease	7	-	9
Short-term deposits		6,500	9,793
Cash and cash equivalents		7,186	23,011
Total Current Assets		**83,416**	**59,957**
Total Assets		**109,064**	**107,676**
Equity			
Equity attributable to equity			
Share capital	12	20,000	20,000
Capital contribution		20,196	20,196
Cash Flow Hedge Reserve		3,153	-
Retained earnings		35,509	38,258
Total Equity		**78,858**	**78,454**
Liabilities			
Non-Current liabilities			
Borrowings	13	25,265	25,051
Lease Liabilities	7	235	-
Retention money payable	14	450	83
Trade and other payables	15	66	20
Total Non-Current liabilities		**26,016**	**25,154**
Current liabilities			
Borrowings	13	737	711
Lease Liabilities	7	82	22
Retention money payable	14	445	-
Trade and other payables	15	2,926	3,335
Total Current liabilities		**4,190**	**4,068**
Total liabilities		**30,206**	**29,222**
Total equity and liabilities		**109,064**	**107,676**

The consolidated financial statements were approved by the Board of Directors on 5th May 2023 and signed on their behalf

by Director.

The notes on pages 62 to 93 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Share Capital £'000	Capital Contribution £'000	Cash Flow Hedge Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2022		**20,000**	**20,196**	**-**	**38,258**	**78,454**
Comprehensive Income:						
Profit / (Loss) for the year		-	-	3,153	(1,519)	1,634
Dividend	19	-	-	-	(1,230)	(1,230)
At 31 December 2022		**20,000**	**20,196**	**3,153**	**35,509**	**78,858**

	Note	Share Capital £'000	Capital Contribution £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2021		**20,000**	**20,196**	**38,009**	**78,205**
Comprehensive Income:					
Profit for the year		-	-	508	508
Dividend	19	-	-	(259)	(259)
At 31 December 2021		**20,000**	**20,196**	**38,258**	**78,454**

The notes on pages 62 to 93 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
(Loss) / Profit for the year		(1,519)	508
Adjustment for:			
- Share of loss on joint venture	16	311	732
- Depreciation of property, plant and equipment	6	31	50
- Depreciation of right-of-use assets	7	95	152
- Net gain on investment property held at fair value through profit or loss	5	-	(745)
- Expected credit losses of trade and other receivables	10	-	190
- Impairment of inventory	8	1,405	200
- Finance expense (net)		7	207
- Pre-development expenses	4.7	114	(72)
Changes in working capital:			
- (Increase) in other current assets	9	(535)	(1,620)
- Decrease / (Increase) in trade and other receivables		192	(568)
- (Decrease) / Increase in trade and other payables		(1,817)	454
- Increase in retention payable	14	812	47
- (Increase) in inventories	8	(16,769)	(3,346)
		(17,673)	**(3,811)**
Interest received		128	68
Interest paid		(358)	(421)
Net cash used in operating activities		**(17,903)**	**(4,164)**
Cash flows from investing activities			
Acquisition of Property, plant & equipment	6	(175)	(30)
Receipt of rent from net investment in the finance lease	7	-	127
Short-term deposits matured		3,293	2,700
Net cash used in investing activities		**3,118**	**2,797**
Cash flows from financing activities			
Repayment of borrowings	13	(712)	(687)
Additional borrowings	13	1,000	15,500
Repayment of lease liabilities	7	(98)	(292)
Dividend paid		(1,230)	(259)
Net cash used in financing activities		**(1,040)**	**14,262**
Net (decrease) / increase in cash and cash equivalents		**(15,825)**	**12,895**
Cash and cash equivalents at the beginning of the year		23,011	10,116
Cash and Cash Equivalents at the end of the year		**7,186**	**23,011**

The notes on pages 62 to 93 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. General Information

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

Equity

In 1996 The Government of Jersey subscribed £20m of share capital in the Company to finance the infrastructure of the Waterfront. The Company was originally formed to manage the development of the St Helier Waterfront area on behalf of the Government of Jersey. In 2004, The Government of Jersey transferred land holdings to the Company at market value as a capital contribution totalling £20.2m. In 2010 the Government 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 Assembly. The Company carries out developments that are financed from third parties and capital receipts from the proceeds on the sale of inventory.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

Going concern

Management has assessed the Group's financial stability and liquidity for the period up to 30 June 2024, being not less than 12 months from the date of the financial statements, which consider the Group's current obligations and commitments.

Management determines that the Group has significant cash reserves and adequate liquidity to continue to trade without any investment property income and direct or indirect property sales for the foreseeable future, while continuing to invest in pre-development costs on its planned developments.

Therefore, the Directors have not identified any material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern and continue to adopt the going concern basis in preparing the consolidated financial statements.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee (IFRIC) and Companies (Jersey) Law 1991.

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

The Directors have considered all relevant amendments and interpretations that apply for the first time in 2021 and believe that they do not have a material impact on the consolidated financial statements of the Group.

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

The Directors have considered all relevant amendments and interpretations that apply for the first time in 2022 and believe that they do not have a material impact on the consolidated financial statements of the Group.

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

The Directors have considered all relevant accounting standards that are in issue, which are not yet effective for accounting periods beginning on 1 January 2022 and believe that early adopting these standards would not have a material impact on the financial statements of the Group.

2.2 Basis of Consolidation

Income and cash flow statement

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its return.

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 in which the entity operates (the functional currency). The consolidated financial statements are presented in pounds sterling (£), 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 held for long-term rental yields and/or for capital appreciation and that is not occupied by companies in the consolidated Group is classified as investment property.

Land is classified as investment property when the definition of investment property is met.

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 the investment property, the Group uses market valuations. Fair value is determined each year using recognised valuation techniques by the Deputy CEO. 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 for investments with a value over £500,000.

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

Transfers are made to (or from) investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property, and there is evidence of a change in use. For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the 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 before the sale is adjusted to the transaction price, with the adjustment recorded in the income statement as net gain on sale of investment property.

2.5 Property, plant and equipment

All property, plant and equipment (PPE) that is not Investment Property is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of an item of PPE includes its purchase price and any directly attributable costs. Cost includes 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.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

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:

Land	Not depreciated
Buildings	50 years/lease term
Fixtures, fittings and equipment	10 years
Computer equipment	3 years
Events installations and equipment	5 - 10 years
Estate Capital improvements	5 - 10 years

The asset's 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 at disposal date and are included in the Consolidated Statement of Comprehensive Income.

2.6 Leases

The Group assesses at contract inception whether a contract is, or contains a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on the reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at cost and comprise the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined using the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets carrying amount is written down immediately to its recoverable amount if there is an indication of impairment.

2.6 Leases (continued)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities which are initially measured at the present value of lease payments to be made over the lease term at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period, if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease, unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'rental income'.

2.7 Inventories

The Group's inventories comprise land and other property that is to be sold to developers or developed with a view to sell. Inventories are valued at the lower of cost and net realisable value. Cost represents the purchase price plus any directly attributable cost, including professional fees and expenses incurred directly associated with the land's development since acquisition. Directly attributable costs also include certain salaries and production-related expenses. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

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

Reductions in the carrying value of inventory to its NRV are recognised as impairments of inventory costs in the consolidated statement of comprehensive income. Impairments are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Other Current Assets

All costs, including certain pre-acquisition costs, related to land and property that are incurred before the Group acquires the land or property shall be capitalised as Other Current Assets if all of the following conditions are met and otherwise shall be charged to expense as incurred:

- the costs are directly identifiable with the specific land or property;

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.8 Other Current Assets (continued)

- the costs would be capitalised if the land or property were already acquired;
- acquisition of the land or property is probable. This condition requires that the Group is constantly engaged with the landowner to actively seek control of the land or property and that there is no indication that the land or property is not available for sale or transfer. Additionally, land has been specifically identified by the Government of Jersey as a development site.

Other Current Assets are valued at cost less impairment.

At the end of each reporting period, Other Current Assets are assessed for objective evidence of impairment, including consideration if the land or property acquisition remains probable. The impairment loss is recognised in the Statement of Comprehensive Income if the asset is impaired.

Other Current Assets are transferred upon acquiring the specific land or property and capitalised as part of the cost of the asset transferred, depending on its classification. In the current case, the classification is expected to be inventory for residential development.

2.9 Investment in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. An investment in a joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss after this date.

The consolidated statement of comprehensive income recognises the Group's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group.

After the application of equity method, the Group determines whether it is necessary to recognise an impairment loss on an investment in a joint venture. At each reporting date, the Group determines whether there is objective evidence that an investment in a joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit or loss of a joint venture' in the consolidated statement of comprehensive income.

Upon loss of control over the joint control of the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.10 Financial instruments

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the simplified approach, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows.

2.10 Financial instruments (continued)

Initial recognition and measurement (continued)

The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables and short-term deposits.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation; or
- To pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

  a) the Group has transferred substantially all the risks and rewards of the asset, or

  b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract, and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECLs).

For trade receivables and contract assets, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past the due date. However, in certain cases, the Group may also consider a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full, before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans, borrowings and payables, as appropriate.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.10 Financial instruments (continued)

Financial liabilities (continued)

Initial recognition and measurement (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and those designated upon initial recognition as at fair value through profit or loss.
- Financial liabilities are classified as held for trading if they are incurred to repurchase in the near term.
- Gains or losses on liabilities held for trading are recognised in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised and through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of comprehensive income. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 13.

Trade and other payables

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

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

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis to realise the assets and settle the liabilities simultaneously.

Derivative and hedge activities

Initial recognition and subsequent measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions. The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 11. Movements in the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity.

2.10 Financial instruments (continued)

Derivative and hedge activities (continued)

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within consolidated statement of changes in equity. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of comprehensive income, within other gains/(losses).

Where option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within consolidated statement of changes in equity. The changes in the time value of the options that relate to the hedged item (aligned time value) are recognised within consolidated statement of comprehensive income in the costs of hedging reserve within equity.

Amounts accumulated in consolidated statement of changes in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (e.g. through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in consolidated statement of changes in equity at that time remains in consolidated statement of changes in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in consolidated statement of comprehensive income and are included in other gains/(losses).

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks, with maturity dates of less than 90 days.

2.12 Deposits

Deposits include cash held with deposits takers with maturity dates of more than 90 days.

2.13 Equity

- **Share Capital**
  Shares are classified as equity when there is no obligation to transfer cash or other assets.
- **Capital Contribution**
  Capital contribution is a distributable reserve and represents assets, such as land, transferred to the Group by its ultimate shareholder at market value.
- **Retained Earnings**
  Retained Earnings represent distributable reserves.

2.14 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs that are not directly attributable to a qualifying asset are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred (on an accruals basis). Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.15 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 the passage of time is recognised as finance costs.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.16 Revenue Recognition

a) Revenue from contracts with customers

The Group recognises revenue from contracts with customers from the following major sources:

- Construction and sale of residential and commercial properties;
- Service charges and expenses recoverable from tenants; and
- Property management services.

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

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

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

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

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

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

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

Revenue from the sale of residential or commercial property

Revenue from the sale of residential or commercial property is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the completed property for use. The Group considers whether other promises in the contract are separate performance obligations to which a portion of the transaction price should be allocated. In determining the transaction price for the sale of property, the Group considers the effects of variable consideration, if any. Revenue is recognised over time when one or more of the following criteria are met:

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

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

Service charges and expenses recoverable from tenants

Income arising from cost recharged to tenants is recognised in the accounting period in which the services are rendered. If the services rendered by the Group exceed the payment, refund is issued to the tenants and if the payments exceed the services rendered, additional invoices are raised to the tenant. Service charges are included gross of the related costs in revenue as the Group acts as principal in this respect. Consideration charged to tenants for these services include fees charged based on costs incurred and the reimbursement of certain expenses. These services are specified in the lease agreements and are separately invoiced.

The Group has determined that these services constitute distinct non-lease components and represent services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided.

Property management charges

Income arising from the provision of property management services is recognised in the period in which the performance obligations are contractually provided. These services are specified in the agreement and separately charged. The Group recognises revenue from the management services over time when the customer simultaneously receives and consumes the benefits.

2.16 Revenue Recognition (continued)

a) Revenue from contracts with customers (continued)

Contract balances

Contract assets

A contract asset is a right to consideration in exchange for goods or services transferred to the customer. If the Group performs the contract by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Costs incurred to obtain a contract that would not have been incurred had the contract not been obtained are capitalised as contract assets, that are amortised on a systematic basis consistent with the pattern of transfer of the goods or services under the contract to which the asset relates.

Contract assets are assessed for impairment at each reporting date and an impairment is recognised in the consolidated statement of comprehensive income if the carrying amount of the asset exceeds the remaining consideration expected (in exchange for the goods and services), less the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Trade receivables

A receivable represents the Group's right to an amount of unconditional consideration (i.e. only the passage of time is required before payment of the consideration is due).

b) Car park income

Car park income is recognised on an accruals basis in the period the customer consumes the benefit of its use.

c) Other income

Other income is recognised on an accrual's basis.

2.17 Finance Income and costs

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

2.18 Expenses

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

2.19 Employee benefits

- **Pensions Contributions**

  Contributions made towards private pension plans and schemes are recognised as employee benefit expenses when they are due.

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

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

2.20 Dividend distribution

Dividend distributions to the Company's shareholder are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved, as per the Group's articles of association and only if the Group meet the solvency test requirements as per the Companies (Jersey) Law 1991. Dividends in-specie are recognised at fair value at the distribution date.

2.21 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of reported amounts in future periods.

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.21 Significant accounting judgements, estimates and assumptions (continued)

a) Determination of performance obligations

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day-to-day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

b) Other current assets

The Group's Other Current Assets include preacquisition costs comprising professional fees and directly attributable costs incurred on land development projects that are specifically identified, however that the Group does not yet own, where such costs would be capitalised if the land or other property relating to them had already been acquired and the acquisition is probable.

Judgement is applied in determining whether the land or other property transfer relating to the Other Current Assets is probable.

As of 31 December 2022, Other Current Assets include preacquisition costs directly identifiable with the South Hill land development site and would be capitalised if the Group had already acquired the land. The land acquisition was judged to be probable on the basis that procedures to transfer the land had already been initiated. Legal title was transferred to the Group post year end, see Note 24.

c) Transfer of Waterfront Leisure Complex from Investment Property to Inventories

During July 2022, the Group transferred Waterfront Leisure Complex from Investment property to inventories (Note 5, 8) at fair value due to change in use of the property i.e redevelopment of the Waterfront Leisure Complex with a view to sell.

Judgement is applied in the timing and definition of change in use. The group bought a lease break clause from one of the tenants whose lease did not have a coterminous break date with remaining tenants before the start of 2028. Further outline planning was submitted in December 2021, which evidences the clear intent to develop the site.

Significant accounting estimates and assumptions

In the process of applying the Group's accounting policies, management has made the following significant estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

a) Valuation of inventory

The Group's inventories comprise land and other property that is to be sold to developers or developed with a view to sale.

In determining the net realisable value of inventory property, the Group uses market valuations to determine the fair value and includes the construction cost to complete the ongoing projects. Fair value is determined at each reporting date using recognised valuation techniques using assumptions such as the expected rental income from future leases, macroeconomic data and comparable market transactions.

Fair value may also be assessed with reference to any pre-sale agreements and/or sales of similar properties by the Group.

The use of an independent external valuer in assisting the Group in assessing fair values is at the discretion of the Board.

Further information on the estimation of NRV is disclosed in Note 8.

b) Valuation of investment property

Fair value is determined at each reporting date, using recognised valuation techniques, by the Deputy CEO. Fair value may also be determined independently by professional individuals holding recognised and relevant professional qualifications at the discretion of the Board, but at least once every five years for those investment properties that have a value in value over £500,000.

A combination of valuation techniques is used in deriving fair value depending on the best available data. This may include the income capitalisation method, the residual method and/or comparable market transactions.

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

2.21 Significant accounting judgements, estimates and assumptions (continued)

b) Valuation of investment property (continued)

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 an 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."

Comparable analysis compares data from recent real estate transactions with similar characteristics and location to those of the Group assets when deriving fair values.

Fair value reflects, among other factors, 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.

Further information on the valuation of investment property is disclosed in Note 5.

c) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the IBR reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the IBR reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available, and no further adjustments are required to make it Group-specific.

The interest rate from the external bank borrowing by the Group is determined to be the IBR is disclosed in Note 13. No adjustment is made to the IBR since IBR is the market rate and the leases are in the functional currency.

d) Provision for expected credit losses (ECLs) of trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other receivables. Based on the information and discussion with customers, the Group has provided for losses where it is deemed a risk of those amounts not being received. The Group will calibrate the matrix based on the forward-looking information.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 10.

3. Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks. Financial risks arise from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises liquidity, capital, credit and market risk (including currency, interest rate 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. The Executive Directors identify and evaluate financial risk by taking into account the Group's expected activities and future commitments.

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

Prudent liquidity risk management implies maintaining sufficient cash and funding availability through an adequate amount of committed credit facilities which are available on demand.

Notes to the Consolidated Financial Statements (continued)

3. Financial Risk Management (continued)

The Group's liquidity position is monitored monthly by the management and is reviewed at least quarterly by the Board of Directors. A summary table with the maturity of liabilities presented below is used by key management personnel to manage liquidity risk and is derived from managerial reports at the 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.

a) Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities based on undiscounted contractual payments (including interest payments):

31 December 2022	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total £'000
Liabilities					
Trade and other payables:					
- Trade and other payables (excluding accruals)	608	-	66	-	**674**
- Accruals	2,318	-	-	-	**2,318**
Lease liabilities	82	81	168	-	**331**
Interest-bearing borrowings	3,088	19,579	5,589	3,991	**32,247**
Retention Payable	450	445	-	-	**895**

The obligations in respect of liabilities maturing in years 2 to 5 will be met from rental income and with borrowing arrangements to assist with financing development projects.

31 December 2021	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total £'000
Liabilities					
Trade and other payables:					
- Trade and other payables (excluding accruals)	1,761	-	20	-	**1,781**
- Accruals	1,575	-	-	-	**1,575**
Lease liabilities	22	-	-	-	**22**
Interest-bearing borrowings	2,297	2,077	50,335	5,323	**60,032**
Retention Payable	-	41	42	-	**83**

b) Capital Management

Capital comprises of share capital, capital contributions and retained earnings. When managing capital, the Group's objectives are to safeguard the Group's ability to continue as a going concern to provide returns to the shareholder. The Group aims to deliver these objectives by ensuring that:

- before commencing a commercial development, the Group has a sufficient level of legally binding pre-lets to create a value that exceeds the construction cost being committed to; and
- before commencing a residential development, the Group has legally binding pre-sale agreement whose total sales value exceeds the construction cost being committed to.

The general costs of the group are met through operating revenue.

3. Financial Risk Management (continued)

c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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 the credit risk it accepts by limiting its exposure to a single counterparty or groups of counterparties. Such risks are subject to a quarterly or more frequent review.

The Group has policies in place to ensure that rental and sale contracts are entered into only with lessees and buyers with an appropriate credit history, but the Group does not monitor the credit quality of receivables on an ongoing basis. The Group reviews the receivables on a regular basis to measure significant expected credit losses (ECLs). Generally, trade receivables are referred to Petty Debts court, as appropriate.

At 31 December 2022, the Group had one customer (2021: one) that owed more than £250,000 and accounted for approximately 37% (2021: 40%) of all the receivables outstanding. ECLs on the customer has arisen because of business disruption due to the Covid-19 pandemic. Based on the available information, the Group believes that it can recover at least 50% of the outstanding dues of the amount owed until 25 August 2021 and the balance 50% has been recorded as ECLs. Amounts invoiced since this date have been paid in full.

Set out below is the information about the credit risk exposure on the Group's trade receivables and other receivables using a provision matrix:

31 December 2022	Trade receivables Days past due					
	Current £'000	< 30 days £'000	30 - 60 days £'000	61 - 90 days £'000	> 91 days £'000	Total £'000
ECLs Rate		50%	50%	50%	50%	
Carrying amount at default	-	-	-	-	833	**833**
ECLs	-	-	-	-	417	**417**

31 December 2021	Trade receivables Days past due					
	Current £'000	< 30 days £'000	30 - 60 days £'000	61 - 90 days £'000	> 91 days £'000	Total £'000
ECLs Rate		50%	50%	50%	50%	
Carrying amount at default	-	-	-	-	833	**833**
ECLs	-	-	-	-	417	**417**

Cash and short-term deposits are held only with financial institutions with a Moody's credit rating of A or better. The loan to the joint venture does not have an external credit rating.

Notes to the Consolidated Financial Statements (continued)

3. Financial Risk Management (continued)

c) Credit risk (continued)

The Group's investment in the joint venture as 31 December 2022 included its loan to the joint venture and its equity interest. An impairment analysis is performed at each reporting date to measure ECLs arising from the loan to the joint venture. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Whilst the Group does not hold collateral as security over the loan, it assesses the level of equity interest in the joint venture and the quality of its real assets, such as the development land, as providing sufficient credit protection to conclude that the ECLs arising on the loan to joint venture is negligible.

For items subject to credit risk classified as trade / contract and / or lease receivables, the Group applies a simplified approach in calculating ECLs and concludes that generally, the respective ECLs arising on all the other assets are negligible as at 31 December 2022.

As at the 31 December 2022, the Group had the following credit risk exposures:

	2022 £'000	2021 £'000
Non-current assets		
- Loan to Joint Venture	-	7,361
- Other receivables	-	138
- Derivative Financial Assets	3,153	-
	3,153	**7,499**
Current assets		
- Loan to Joint Venture	7,582	-
- Trade receivables	901	831
- Other receivables	80	126
- GST Refund	94	33
- Deposits	6,500	9,793
- Net Investment in the finance lease	-	9
- Cash and cash equivalents	7,186	23,011
	22,343	**33,803**
	25,496	**41,302**

As at 31 December 2022, the Group's maximum exposure to credit risk was £25,496,292 (2021: £41,302,315), and it had a concentration of credit risk of £7,185,826 (2021: £23,010,599) with its bankers/brokers and a concentration of credit risk of £7,581,859 (2021: £7,361,026) with its Joint Venture.

d) Market risk

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

i) Cash flow and fair value interest rate risk

Any variable rate borrowings expose the Group to cash flow interest rate risk, and any fixed-rate borrowings expose it to fair value interest rate risk. The Group generally enters into long-term borrowings at floating rates. During the year, the Group entered into a swap agreement at fixed rate for future floating rate borrowing. The Group currently has both long-term variable-rate and fixed-rate borrowings (Note 13).

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

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

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

To manage the future interest rate risk, the Group entered into a interest rate swap agreement (which is effective from 31 March 2024), in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. Refer Note 13 for the interest rate sensitivity.

3. Financial Risk Management
(continued)

d) Market risk (continued)

i) Cash flow and fair value interest rate risk
(continued)

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swap. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the bank or the derivative counterparty. Hedge ineffectiveness for interest rate swaps is assessed using:

- the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness in relation to the interest rate swap was negligible for 2022.

ii) Price risk

The Group has no significant exposure to price risk other than property price risk and includes property rentals risk.

e) Fair value estimation

The carrying values of all financial assets and liabilities are a reasonable approximation of their fair values.

4. Revenue and Expenses

4.1 Rental Income

	2022 £'000	2021 £'000
Income from investment property	1,385	2,543
Income from inventories	1,231	-
Income from right-of use assets	-	9
	2,616	**2,552**

4.2 Revenue from contracts with customers

	2022 £'000	2021 £'000
Income from inventories	759	759
Service charge income	253	527
Property management charges	233	229
	1,245	**1,515**

Income from inventories relates to income received for the use of inventory as a temporary car park.

Service charge income relates to the recharging of tenants for the maintenance of the Waterfront Leisure Centre and Trenton Square.

Property management charges relate to property services provided by the Group to Trenton Square and to Waterfront Development (6C) Limited, which relate to the construction project known as Horizon, as disclosed in Note 16.

Notes to the Consolidated Financial Statements (continued)

4. Revenue and Expenses (continued)

4.3 Employee benefits and other remuneration expenses

	Note	2022 £'000	2021 £'000
Wages & salaries		1,384	1,029
Social security		52	40
Pension costs	23	129	102
Other staff-related expenses		40	80
		1,605	**1,251**

The average number of employees in 2022 was 15 (2021: 14).

4.4 Estate management expense

	2022 £'000	2021 £'000
Waterfront car park	433	220
Other	277	274
	710	**494**

Estate management expenses arising from the Waterfront car park include non-recurring expenses of £169,498 (2021: £66,973).

4.5 Other expenses

	2022 £'000	2021 £'000
Legal, consultancy and professional	372	271
Audit services	61	61
PR and Marketing	123	74
Community Engagements	63	41
Other	59	32
	678	**479**

4.6 Finance costs

	2022 £'000	2021 £'000
Interest on borrowings	350	416
Interest on lease liabilities	3	30
Interest on provision for dilaps	-	3
Total interest expense	353	449
Bank charges	4	6
	357	**455**

4.7 Pre-development expenses

Pre-development expenses include £113,665 (2021: £330,690) relating to ground investigations and professional fees incurred on the future development at Key Opportunity Site 3 (KOS) at Southwest St Helier prior to reclassification from investment property to inventory.

The fees were incurred on KOS 3 to progress development plans to Outline Planning submission stage. Although the NRV of the site is higher than cost, the fees were expensed as the site was classified as Investment Property (Waterfront Leisure Centre) measured at fair value through profit and loss.

Pre-development expenses for 2021 also included professional fees incurred on the South Hill development. Expenses included a credit of £402,902 relating to professional fees incurred on the South Hill development expensed in 2020, as the Group did not control the land or property. Even though the Group did not control the South Hill land at 31 December 2022 or 2021, the directors reconsidered the prior period costs and concluded that the transfer of the land was probable and the costs were eligible for capitalisation as Other Current Assets.

5. Investment property

	2022 Leasehold £'000	2021 Leasehold £'000
As at 1 January	33,950	33,205
Additions	-	-
Disposal	-	-
Transfer to inventories	(17,900)	-
Net gain in the fair value of investment properties	-	745
As at 31 December	**16,050**	**33,950**

The Group's investment property is measured at fair value. The Group held two classes of investment property as at 31 December 2022, all located in Jersey, being a car park and a public square (31 December 2021: car park, leisure centre and a public square).

Segment	Waterfront Car Park £'000	Waterfront Leisure Centre £'000	Public Square £'000	2022 Total £'000
Fair Value Hierarchy	3	3	3	
As at 1 January 2022	**15,550**	**17,900**	**500**	**33,950**
Additions during the year	-	-	-	-
Disposal during the year	-	-	-	-
Transfer to inventories - at fair value	-	(17,900)	-	(17,900)
Net gain / (loss) from fair value adjustments	-	-	-	-
As at 31 December 2022	**15,550**	**-**	**500**	**16,050**

During the year, commencement of the redevelopment of the area including the Waterfront Leisure Centre was initiated. Waterfront Leisure Centre was therefore reclassified from investment property to inventories, having met the change of use definition and the criteria for derecognition as investment property and recognition as inventory.

Segment	Waterfront Car Park £'000	Waterfront Leisure Centre £'000	Public Square £'000	2021 Total £'000
Fair Value Hierarchy	3	3	3	
As at 1 January 2021	**15,500**	**17,340**	**365**	**33,205**
Additions during the year	-	-	-	-
Disposal during the year	-	-	-	-
Net gain from fair value adjustments	50	560	135	745
As at 31 December 2021	**15,550**	**17,900**	**500**	**33,950**

Notes to the Consolidated Financial Statements (continued)

5. Investment property (continued)

Valuation processes

The Company's Deputy CEO performs valuations on the investment properties based on the latest independent valuations and considering recent market evidence, rental agreements, quality of covenant, yield comparisons and location of the asset. If available, information included in valuation reports prepared by independent valuation experts is taken into consideration. The Deputy CEO reports directly to the CEO and Finance Director, who report to the Audit & Risk Committee. Discussions of valuation processes and results are held between the Audit & Risk Committee, the CEO, Deputy CEO and Finance Director bi-annually and with independent valuers, at least once every five years for those investment properties that have a value over £500,000.

Independent professionally qualified valuers Jones Lang La Salle IP, Inc, who hold a recognised relevant professional qualification and have relevant experience in the locations and segments of the investment properties, valued the Waterfront Car Park on 31 December 2021.

At each financial year end, the Executive Directors:

- Verify all major inputs to the valuation report;
- Assess property valuation movements when compared to the prior year valuation report;
- Hold discussions with the internal valuer / independent valuer if an independent valuer has been appointed.

Description of valuation techniques used and key inputs to the valuation of investment properties (Level 3):

Investment Property	Valuation technique	Significant unobservable inputs	Net income £ 2022	Net Yield % 2021
Waterfront Car Park	"All risk yield comparison" (refer below)	Annual net rental revenue	£1,172,652	£1,080,108
		Net Yield p.a.	7.07%	6.84%
Waterfront Leisure Centre	"All risk yield comparison" (refer below)	Annual rental revenue	-	£1,229,220
		Net Yield p.a.	-%	6.76%
Public Square	"All risk yield comparison" (refer below)	Annual net rental revenue	45,224	£33,071
		Net Yield p.a.	8.84%	6.38%

The "All risk yield comparison" (ARY) is a conventional real estate metric that uses annual net rental revenue to determine the capital value of an investment. ARY comprises both gross and net yields. The net yield includes the deduction of certain expenses, such as surveyor's fees, stamp duty (where not held in a Special Purpose Vehicle), management fees, repairs and running costs, which are not deducted in the gross yield.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

All investment properties are assessed to be level 3 in the fair value hierarchy on the basis that unobservable market inputs are used to derive fair values. There have been no transfers between levels during the year.

5. Investment property (continued)

Valuation processes (continued)

Yield sensitivity analysis:

Investment Property	31 December 2022			31 December 2021		
	-0.5% £'000	0% £'000	+0.5% £'000	-0.5% £'000	0% £'000	+0.5% £'000
Waterfront Car Park	16,733	15,550	14,523	16,806	15,550	14,468
Waterfront Leisure Centre	-	-	-	19,184	17,900	16,778
Public Square	530	500	473	550	500	458

6. Property, plant and equipment

	Computer Equipment £'000	Office Equipment £'000	Estate Capital improvements £'000	Office Alterations £'000	Fixed Assets WIP £'000	Total £'000
Cost						
At 1 January 2022	42	6	58	70	8	184
Additions	-	-	132	20	23	175
Disposals / Write-offs	(8)	-	-	-	-	(8)
At 31 December 2022	**34**	**6**	**190**	**90**	**31**	**351**
Depreciation						
At 1 January 2022	20	3	32	68	-	123
Charge for year	14	1	14	2	-	31
Disposals / Write-offs	(8)	-	-	-	-	(8)
At 31 December 2022	**26**	**4**	**46**	**70**	**-**	**146**
Net Book Value						
At 31 December 2022	**8**	**2**	**144**	**20**	**31**	**205**
At 31 December 2021	**22**	**3**	**26**	**2**	**8**	**61**

7. Leases

Group as a lessee

The Group's lease contract for an office building expired on 22 January 2022. The Group had subleased part of the leased assets. There was no option to extend the termination date. The Group entered into a new lease contract that commenced on 23 January 2022.

The Group has no leased assets with lease terms of 12 months or less or any leases of office equipment with low value.

Notes to the Consolidated Financial Statements (continued)

7. Leases (continued)

Right-of-use assets

The Group had a lease contract for an office space that expired on 22 January 2022 and a new lease contract was entered into on 23 January 2022.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Building lease	2022 £'000	2021 £'000
As at 1 January	12	164
Additions	437	-
Remeasurement of restoration costs	-	-
Transfer to the net investment in the finance lease	-	-
Charge for year	(95)	(152)
Impairment for the year	-	-
As at 31 December	**354**	**12**

Lease liabilities

The movement in the lease liabilities during the year is as follows:

	2022 £'000	2021 £'000
As at 1 January	22	284
Additions	390	-
Lease payments	(98)	(292)
Finance costs	3	30
As at 31 December	**317**	**22**

The maturity analysis of lease liabilities is disclosed in Note 3.

	2022 £'000	2021 £'000
Non-Current		
Lease Liabilities	235	-
Current		
Lease Liabilities	82	22
As at 31 December	**317**	**22**

The following are the amounts recognised in profit or loss:

	2022 £'000	2021 £'000
Depreciation expense of right-of-use assets	95	152
Interest on lease liabilities	3	30
Income from sub-leasing right-of-use assets	-	9

The income from sub-leasing right-of-use assets is included in 'Rental Income'.

7. Leases (continued)

Amounts recognised in the statement of cash flows:

	2022 £'000	2021 £'000
Total cash outflow for leases	(98)	(292)
Total cash inflow for income from sub-leasing right-of-use assets	-	127

Group as a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2022 £'000	2021 £'000
Finance lease		
Finance Income on the net investment in the finance lease	-	7
Operating lease		
Lease income recognised during the year is disclosed in Note 4.1	-	-

Finance Lease

The Group sub-leased an office building that it leased in 2017. The Group had classified two of the sub-leases as a finance lease because they were for the remainder of the head lease term. One sub-lease was classified as a finance lease upon application, and another one during the year 2019. Both the sub-leases expired on 22 January 2022.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	2022 £'000	2021 £'000
Less than 1 year	-	10
One to two years	-	-
Two to three years	-	-
Three to four years	-	-
Four to five years	-	-
More than five years	-	-
Total undiscounted lease payments receivable	**-**	**10**
Unearned finance income	-	(1)
Net investment in the finance lease	**-**	**9**

	2022 £'000	2021 £'000
Non-current		
Net investment in the finance lease	-	-
Current		
Net investment in the finance lease	-	9
	-	**9**

Notes to the Consolidated Financial Statements (continued)

7. Leases (continued)

Operating lease

Group as a lessor:

The Group leases its investment property and inventory property. The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment property. These leases have terms of between 8 to 15 years. All leases include a clause to enable upward revision of the rental charge on a triennial basis according to prevailing market conditions.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

	2022 £'000	2021 £'000
Less than 1 year	1,261	1,211
One to two years	1,261	1,236
Two to three years	1,261	1,244
Three to four years	1,161	1,244
Four to five years	1,046	1,144
More than five years	-	1,029
Total undiscounted lease payments	**5,990**	**7,108**

8. Inventories

	2022 £'000	2021 £'000
Freehold land	1,823	1,823
Leasehold land & building	34,578	15,668
Property under construction	22,063	6,451
	58,464	**23,942**

'Freehold land' is land owned by the Group in perpetuity.

'Leasehold land' is land held on a 150-year lease with the Public of Jersey. 'Leasehold building' includes Waterfront Leisure Complex which was transferred from Investment Property during the year. Refer Note 5 for further details.

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

'Property under construction' relates to the construction costs, professional fees and directly attributable costs for construction of IFC 6.

8. Inventories (continued)

	Note	2021 £'000	2020 £'000
As at 1 January		23,942	20,075
Additions		18,027	4,067
Transfer from investment property	5	17,900	-
Impairment for the year		(1,405)	(200)
As at 31 December		**58,464**	**23,942**

Assessment of Net Realisable Value ("NRV")

Inventories are carried at the lower of cost and NRV. The NRV is the estimated selling price in the ordinary course of business less costs to complete the development and selling expenses. The valuation techniques used to determine the NRV are set out in Notes 2.7 and 3.

The Company's professional cost consultants provide cost information, and this information, together with other costs and the sales evidence, is appraised by the Deputy CEO and Finance Director, who report to the Audit & Risk Committee. Discussions of valuation processes and results are held between the Audit & Risk Committee and the Directors bi-annually.

Impairment of Inventory Costs

During the year 2022, inventory impairment amounted to £1,405,122 relating to IFC 6 due to a slippage of yield and rising finance costs during the build period.

In 2021, inventory impairment amounted to £200,769, relating to design fees for Key Opportunity Site 3 (KOS 3). KOS 3 represents 30% of the masterplan.

The Board concludes that the NRV of all other inventory is greater than its carrying value as at 31 December 2022.

Following the calculation of the NRV, the Directors undertake a sensitivity analysis to determine the associated risks to changes in market conditions. This process analyses changes to sales value for unsold residential units / unlet office space.

The Board concluded that the NRV of all inventory was greater than its carrying value as at 31 December 2021, and a sensitivity analysis is not presented as its carrying value is unaffected by reasonable changes in inputs and assumptions.

Notes to the Consolidated Financial Statements (continued)

9. Other current assets

	2022 £'000	2021 £'000
Preacquisition costs	2,558	2,022
	2,558	**2,022**

Preacquisition costs relate to the professional fees and directly attributable costs for pre-development costs incurred on South Hill.

	Note	2022 £'000	2021 £'000
As at 1 January	2.8	2,022	-
Additions		536	2,022
Impairment for the year		-	-
As at 31 December		**2,558**	**2,022**

Impairment of Preacquisition costs

As at 31 December 2022, the directors concluded that there were no indicators of impairment as the acquisition of the land remained probable.

10. Trade and other receivables

Trade and other receivables under one year	Note	2022 £'000	2021 £'000
Amount due from related parties	21	38	-
Trade receivables		1,280	1,248
Other receivables		80	126
GST Refund		94	33
Prepayments		51	190
Loan to Joint Venture		7,582	-
Allowance for expected credit losses		(417)	(417)
		8,708	**1,180**

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	Note	2022 £'000	2021 £'000
As at 1 January		417	227
Provision for expected credit losses	3c	-	190
As at 31 December		**417**	**417**

Trade and other receivables over one year	2022 £'000	2021 £'000
Loan to Joint Venture	-	7,361
Other receivables	-	138
	-	**7,499**

11. Derivative Financial Asset

The Group has the following derivative financial asset:

	2022 £'000	2021 £'000
Fair Value Hierarchy	**2**	**-**
Derivatives designated as hedging instruments	-	-
Interest rate swap - cash flow hedges	3,153	-
	3,153	**-**

	2022 £'000	2021 £'000
Non-current		
Interest rate swap - cash flow hedges	3,153	-
Non-current		
Interest rate swap - cash flow hedges	-	-
	3,153	**-**

At 31 December 2022, the Group had an interest rate swap agreement in place with a notional amount of £22m (2021: £Nil) whereby the Group receives a fixed rate of interest of 1.21% and pays interest at a variable rate equal to Compounded SONIA on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its floating rate secured loan.

Derivative Financial Asset is assessed to be level 2 in the fair value hierarchy on the basis of the counterparty's observable report. There have been no transfers between levels during the year.

12. Share Capital

Equity share capital	2022 £'000	2021 £'000
Authorised 20,000,000 ordinary shares of £1 each	**20,000**	**20,000**
Issued and fully paid 20,000,000 ordinary shares of £1 each	**20,000**	**20,000**

Notes to the Consolidated Financial Statements (continued)

13. Borrowings

The Group's fixed rate borrowings of £9.7m (2021: £10.41m) are at a fixed rate until 2028. Interest costs will not increase or decrease as a result of interest rate fluctuations. The Group's variable rate borrowings of £16.5m (2021: £15.5m) are at floating rates of interest. Interest costs may increase or decrease as a result of interest rate fluctuations.

	2022 £'000	2021 £'000
As at 1 January	25,762	11,095
Drawn down	1,000	15,500
Amortisation of the arrangement fees	(48)	(146)
Repayments	(712)	(687)
As at 31 December	**26,002**	**25,762**

	2022 £'000	2021 £'000
Non-current		
Bank borrowings	25,265	25,051
Current		
Bank borrowings	737	711
	26,002	**25,762**

The bank borrowings are secured on inventory and investment property to the value of £56.4m (2021: £56.4m) and bear an average interest rate of 3.33% (2021: 3.62%). The maturity analysis of the borrowings is included in Note 3.

All other variables held constant, there would have been no impact on the profit for the year due if interest rates had increased or decreased by 25 basis points on 31 December 2022 due to the capitalisation of the borrowing costs.

The fair value of borrowings approximated their carrying value at the date of the Consolidated Statement of Financial Position.

The Group has the following undrawn floating rate borrowing facilities:

	2022 £'000	2021 £'000
Expiring within one year	-	-
Expiring beyond one year	27,500	28,500
	27,500	**28,500**

14. Retention money payable

The retention money payable refers to a percentage of the contract price due to contractors responsible for the Group's developments.

Trade and other receivables over one year	2022 £'000	2021 £'000
Current		
Retentions payable within 12 months	445	-
Non-Current		
Retentions payable after 12 months	450	83
	895	**83**

15. Trade and other payables

Trade and other payables under one year	Note	2022 £'000	2021 £'000
Amounts due to related parties	21	10	30
Trade payables		187	1,218
Other liabilities		71	90
Provision for dilapidation		-	88
Accruals and deferred income		2,658	1,909
		2,926	**3,335**

Within accruals and deferred income is accrued interest amounting to £84,365 (2021: £60,783).

Trade and other payables over one year	2022 £'000	2021 £'000
Provision for dilapidation	46	-
Other liabilities	20	20
	66	**20**

Provision for dilapidation	2022 £'000	2021 £'000
As at 1 January	88	111
Additions	46	-
Utilised	(88)	(26)
Unwinding of discount	-	3
As at 31 December	**46**	**88**

The provision for dilapidation as a result of the Group's obligation to restore Dialogue House to a specific state under the terms of its expired lease with the landlord of Dialogue House has been fully utilised.

As a result of the new lease with the landlord of Dialogue House entered into in January 2022, a new provision for dilapidation has been made to reflect the Group's obligation to restore its Dialogue House office space to a specific state under the terms of its new lease.

Notes to the Consolidated Financial Statements (continued)

15. Trade and other payables (continued)

	2022 £'000	2021 £'000
Non-current		
Provision for dilapidation	46	-
Current		
Provision for dilapidation	-	88
	46	**111**

16. Investment in a Joint Venture

The Group has a 50% interest in Waterfront Development (6C) Limited, a joint venture involved in constructing residential apartments and ground floor commercial units in Jersey. The Group's interest in Waterfront Development (6C) Limited is accounted for using the equity method in the Consolidated Statement of Financial Position..

Summarised financial information of the joint venture, prepared in accordance with IFRS, and a reconciliation with the carrying amount of the Group's investment in the joint venture as at 31 December 2022 are set out below:

Summarised Consolidated Statement of Financial Position of Waterfront Development (6C) Limited:	2022 £'000	2021 £'000
Current assets, including cash and cash equivalents of £1,292,985 (2021: £2,885,235) and trade & other receivables of £110,974 (2021: £14,012)	103,051	70,967
Non-Current assets	139	1,051
Current liabilities including sales deposits £14,037,614 (2021: £9,433,076) and shareholder loan & borrowings of £74,418,714 (2021: £nil)	(92,380)	(13,022)
Non-Current liabilities including sales deposits £nil (2021: £4,085,985) and shareholder loan & borrowings of £nil (2021: £44,622,052)	(1,894)	(49,900)
Equity	**8,916**	**9,096**

	2022 £'000	2021 £'000
Group's share in equity - 50%	4,458	4,548
Consolidation adjustment for elimination of interest on loan	(872)	(651)
Fair value adjustment for gain upon initial recognition	2,300	2,300
Group's carrying amount	**5,886**	**6,197**

16. Investment in a Joint Venture (continued)

Summarised Consolidated Statement of Comprehensive Income of Waterfront Development (6C) Limited:	2022 £'000	2021 £'000
Revenue	5	3
Administrative expenses	(202)	(185)
Audit fees	(14)	(14)
Finance cost (net)	(2)	-
Loss before tax	**(213)**	**(196)**
Income Tax expense	-	-
Deferred Tax	33	33
Loss for the year (continuing operations)	(180)	(163)
Total comprehensive loss for the year (continuing operations)	**(180)**	**(163)**
Group's share of loss for the year	(90)	(81)
Consolidation adjustment for elimination of interest on loan	(221)	(651)
Group's share of total loss for the year	(311)	(732)

The Group's share of the loss for the year was £310,570 (2021: £732,425).

For the year ended 31 December 2022, all costs and expenses incurred by Waterfront Development (6C) Limited satisfied the criteria for capitalisation except for those recognised in administration expenses and finance costs, as presented. This included the capitalising the eligible property management expenses charged by the Group to Waterfront Development (6C) Limited.

The joint venture had commitments as at 31 December 2022 totalling £16.65m (2021: £44.72m). Waterfront Development (6C) Limited is prohibited from distributing its profits without the consent of its two shareholders.

17. Commitments and contingencies

The Group has no significant contingent liabilities.

The Group's undrawn commitment to the Joint Venture as at 31 December 2022 was £325,000 (2021: £325,000).

Other than those disclosed in Note 16 in relation to the joint venture, the Group has capital commitments of £20.77m (2021: £38.94m) in respect of developments under construction.

18. 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 Group are to be expended wholly and exclusively to improve and extend public infrastructure and works for the good of the public of the Island.

The joint venture will, however, be liable for Income Tax on its profits.

Goods & Services Tax

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

Notes to the Consolidated Financial Statements (continued)

19. Dividend

During the year, a cash dividend of £1,230,252 (2021: £259,312) was declared and was fully paid during the year.

20. Subsidiaries

The Company owns all the equity share capital of the following subsidiary companies, all of which are incorporated in Jersey:

	Principal activity	Holding
Waterfront (6D) Limited	Land holding	2 ordinary shares of £1 each
Waterfront (6E) Limited	Land holding	2 ordinary shares of £1 each
Waterfront (CP) Limited	Property holding	2 ordinary shares of £1 each
Waterfront (LC) Limited	Property holding	2 ordinary shares of £1 each
JIFC (1) Limited	Land holding	2 ordinary shares of £1 each
IFC 2 Limited	Land holding	2 ordinary shares of £1 each
IFC 3 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
EQ2 Limited	Land holding	1 ordinary shares of £1 each
College Properties Limited	Land holding	2 ordinary shares of £1 each
Westward Development Limited	Land holding	2 ordinary shares of £1 each

Incorporation and Disposal of subsidiaries

On 8 September 2022, Horizon (Manco) Limited and Horizon (Commercial) Limited were incorporated by the Company.

During November 2022, the Company sold its interest of 2 ordinary shares of £1 each in both Horizon (Manco) Limited and Horizon (Commercial) Limited to Waterfront Development (6C) Limited.

21. Related party transactions

Name of the related party	2022 (Income) / Expenses for the year £'000	2022 Outstanding at year end £'000	2021 (Income) / Expenses for the year £'000	2021 Outstanding at year end £'000
Key Management Personnel				
Key Management Personnel	**669**	**218**	632	104
Transactions with a Joint Venture				
Management fees /Re-imbursement of expenses	**(283)**	**38**	(265)	-
Government of Jersey				
Rental income and re-imbursement of various expenses	**(840)**	**-**	(835)	2
Planning fees	**199**	**-**	227	-
(Refund) / Re-imbursement of expenses, stamp duty, subscriptions and sponsorship	**(9)**	**10**	23	18
Ports of Jersey				
Rental income and re-imbursement of various expenses	**(137)**	**-**	(152)	-
Transactions with Government of Jersey related entities				
Utilities	**97**	**-**	101	10

The Company intermittently purchases services from various departments at the Government of Jersey on a commercial basis as explained above. The details regarding the dividend for the year are disclosed in Note 19.

The Group advanced additional loans amounting to £nil (2021: £nil) to Waterfront Development (6C) Limited during the year. As at 31 December 2022, the total of the loans advanced was £7.15m (2021: £7.15m).

22. Immediate and ultimate controlling party

The Company is wholly owned by the Government of Jersey, which the Directors consider to be the immediate and ultimate controlling party.

23. Pension costs

The Group pays contributions towards privately administered pension plans based on terms agreed in staff contracts. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefits expenses when they are due. Salaries and emoluments include pension contributions of £128,705 (2021: £101,662).

24. Events after the reporting period

There are no adjusting events after the reporting date. On 5 May 2023 the legal title of the land and buildings at South Hill was transferred to the Group. There are no further non-adjusting events after the reporting date.

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