Annual Report

and Consolidated Financial Statements

2021

JERSEY DEVELOPMENT COMPANY

Our Business

100%
owned by you

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 regeneration developments.

> 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

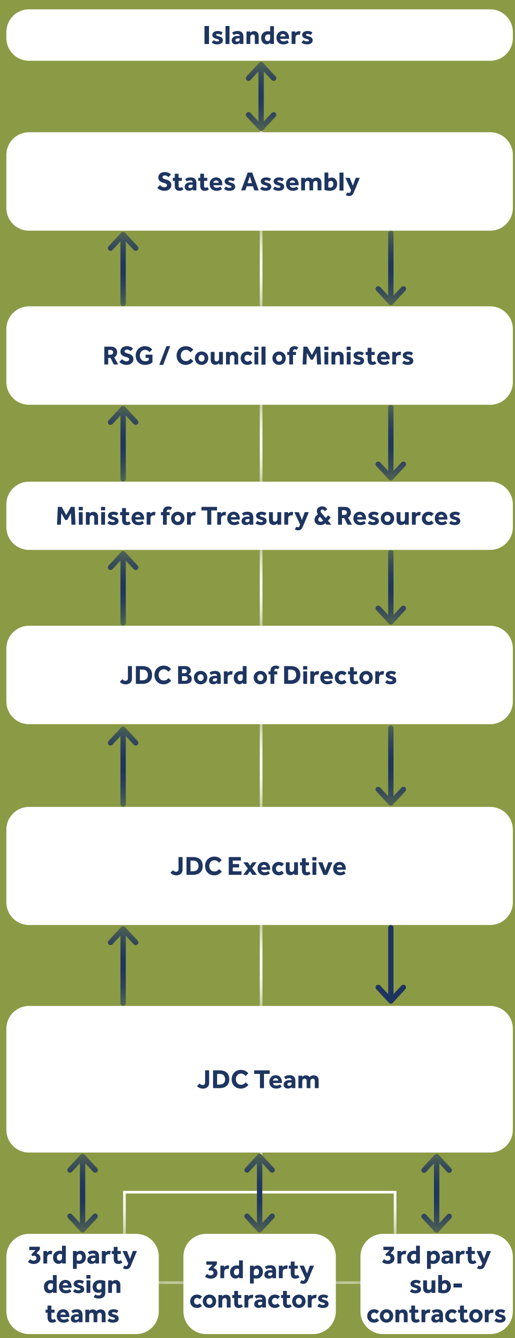
> Protecting and valuing our environment. We maintain the Weighbridge, Marina Gardens, Les Jardins de la Mer and Trenton Square.

> 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's reputation and reinforcing continuation & growth in the global 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 master plans 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 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

£45.5m
States of Jersey
£45.5m 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

£9.5m
States of Jersey
£9.5m of dividends paid to the States of Jersey since 2012

29,224m²
Island Community
29,224m² of public realm maintained by JDC

£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

An overview of our current developments

IFC 6 - COMMERCIAL / PUBLIC REALM

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

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

IFC 6 will also include a 5,000 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 remaining space within the building will be marketed during the construction process.

Horizon - RESIDENTIAL / PUBLIC REALM

This 280 apartment development is being delivered through a joint venture with French construction company Groupe Legendre. The neighbourhood will also 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.

Due to the COVID-19 pandemic, the construction programme has been delayed, with a revised completion date of November 2022 for Horizon East, January 2023 for Horizon South and May 2023 for Horizon West.

South Hill - RESIDENTIAL/ PUBLIC REALM

Designs for an environmentally focussed residential scheme at the former Planning Offices at South Hill were submitted to the Planning Department in October 2021. The proposals will create a new community of 153 apartments within this unique landscape setting, maximising views over the harbours and St Aubin's Bay, whilst giving prominence to the granite landform.

The scheme will include 70 one bed, 56 two beds and 27 three bedroom units. Also proposed is a courtyard garden, basement car park, cycle storage facilities, a café and public toilets. In addition, the children's play park will be regenerated, as well as improvements to the pedestrian and cycle routes to the area.

The buildings are designed to Passivhaus principles, to support the Island's low energy and carbon in use target and will set a new standard in building low energy apartments in Jersey.

These units will be specifically for owner-occupiers, targeting First Time Buyers, either by Shared Equity or full market price, with support via the JDC deposit payment scheme, as well as down-sizers and upsizers.

An overview of our current developments
(continued)

South West St Helier Waterfront - REGENERATION / RESIDENTIAL / PUBLIC REALM

This ambitious project includes 1,001 new homes, a new sport and leisure complex, arts and cultural facilities as well as food and beverage outlets, providing a wealth of benefits to the Community.

During the year, the second and third stage of the public consultation took place. Key findings from the first two stages called for lowering the proposed height of buildings, the design, style and amount of open space and public realm.

The design team responded to comments by reducing the height of the taller corner buildings by three storeys, to a maximum of eight, and bringing the gateway building down from 16 storeys to a maximum of 12.

JDC was very encouraged to receive support from young people. More than 20 per cent of those who took part in the third stage consultation were under the age of 25. Significantly, 84 per cent of the under 25s supported the updated proposals, which will ensure the design, style and content of the Southwest St Helier site meet their aspirations.

It is envisaged that the Outline Planning Application, which was submitted in December 2021, will be determined in Summer 2022 and assuming a favourable determination, JDC will then commission the detailed designs for the first phase of residential development (approximately 500 units) in the area known as KOS 2.

Snow Hill / Fort Regent - REGENERATION / PUBLIC REALM

Snow Hill regeneration and new public access to Fort Regent

A new passenger lift and bridge connection from Snow Hill Car Park to Fort Regent is being designed by the Company. If approved, this will be one of the early phases of works in the regeneration of Fort Regent as part of the Government of Jersey's re-development proposals for this major site.

The project will also include significant improvements to the Public Realm in Hill Street and Snow Hill Car Park, providing an enhanced experience for pedestrians and cyclists transiting through the Snow Hill area and benefiting the local area as a result.

A detailed planning application was submitted at the end of January 2022 and subject to securing a permit, JDC will continue with detailed designs to secure Building Control permission, enabling tendering for construction works by the end of the year, on behalf of the Government.

Contents

Directors, Officers and Professional Advisers

Non-Executive Directors

Paul Masterton (Chair)
Ann Santry CBE
Tom Quigley
Richard Barnes
Nicholas Winsor MBE
Carolyn Dwyer

Executive Directors

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

Company Secretary

Judy Greenwood

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

Auditors

Ernst & Young LLP
Liberation House
Castle Street
St Helier
Jersey
JE1 1EY

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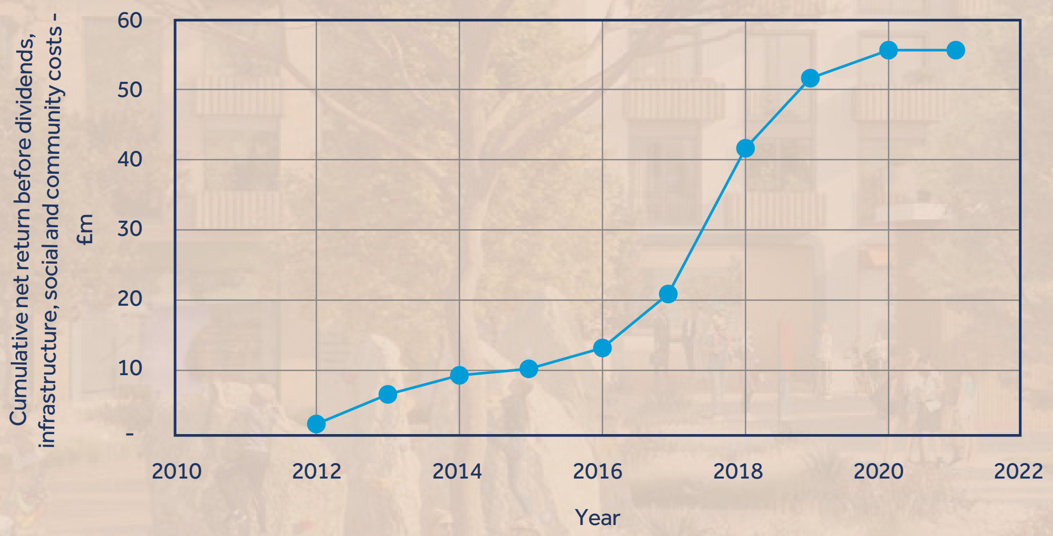
Strategy and Performance Reports

Cumulative Net Return

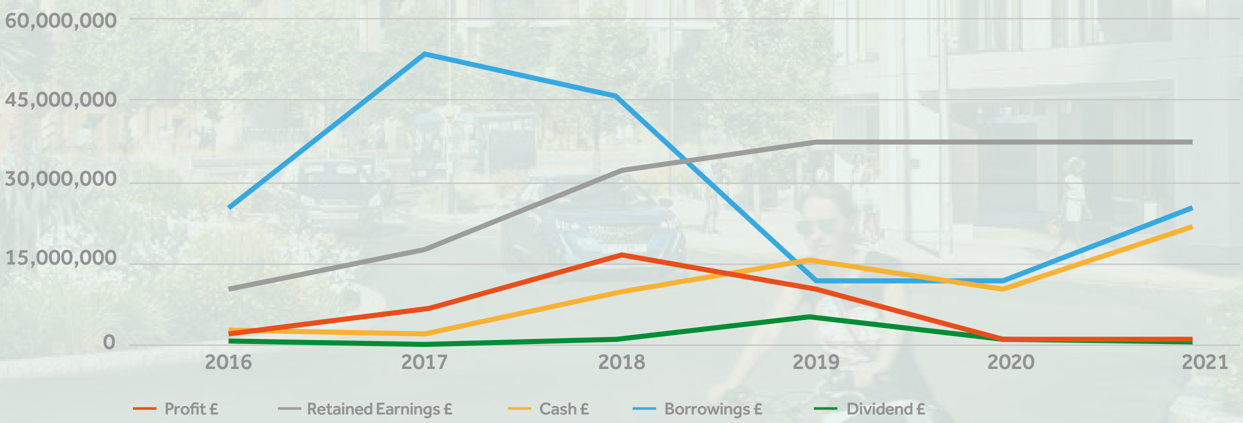


Strategy and Performance

Since 2012, JDC has generated profits of £45.5m and out of which has paid dividends totalling £9.5m. The Company has also invested £3.3m in public infrastructure and supported social and community projects to the value of £3.2m.

In presenting our Strategy and Performance section of the Annual Report, we have reviewed the year's accomplishments against our budgeted expectations, our Strategic Business Plan objectives, as well as the risks facing the Company.

Headlines from 2016 - 2021 (£ '000s)



Chair's Statement

3 Highlights

- 1,434 Residential Units in development or Planning
- Outline Planning submission for SWSH delivered
- IFC 6 development received Ministerial approval

Jersey Development Company fulfils a critical role in the development of the built environment in the island. Our mission is 'To build a better Jersey' and, in achieving this, our purpose is to deliver sustainable financial, social and environmental contributions to Jersey and to its people.

JDC is fully owned by the Government of Jersey, operating as an independent company as the Government's partner for regeneration of land and property, supporting the Government in the delivery of its strategic objectives.

In 2021 we made excellent progress in meeting our objectives and in delivering on our commitments.

Financially we continue to create significant value and return on investment for our shareholders. This value is returned to Jersey as a dividend to Government, through investment in public infrastructure and to support future development. By the end of 2021, JDC had delivered a total return of £52.3m.

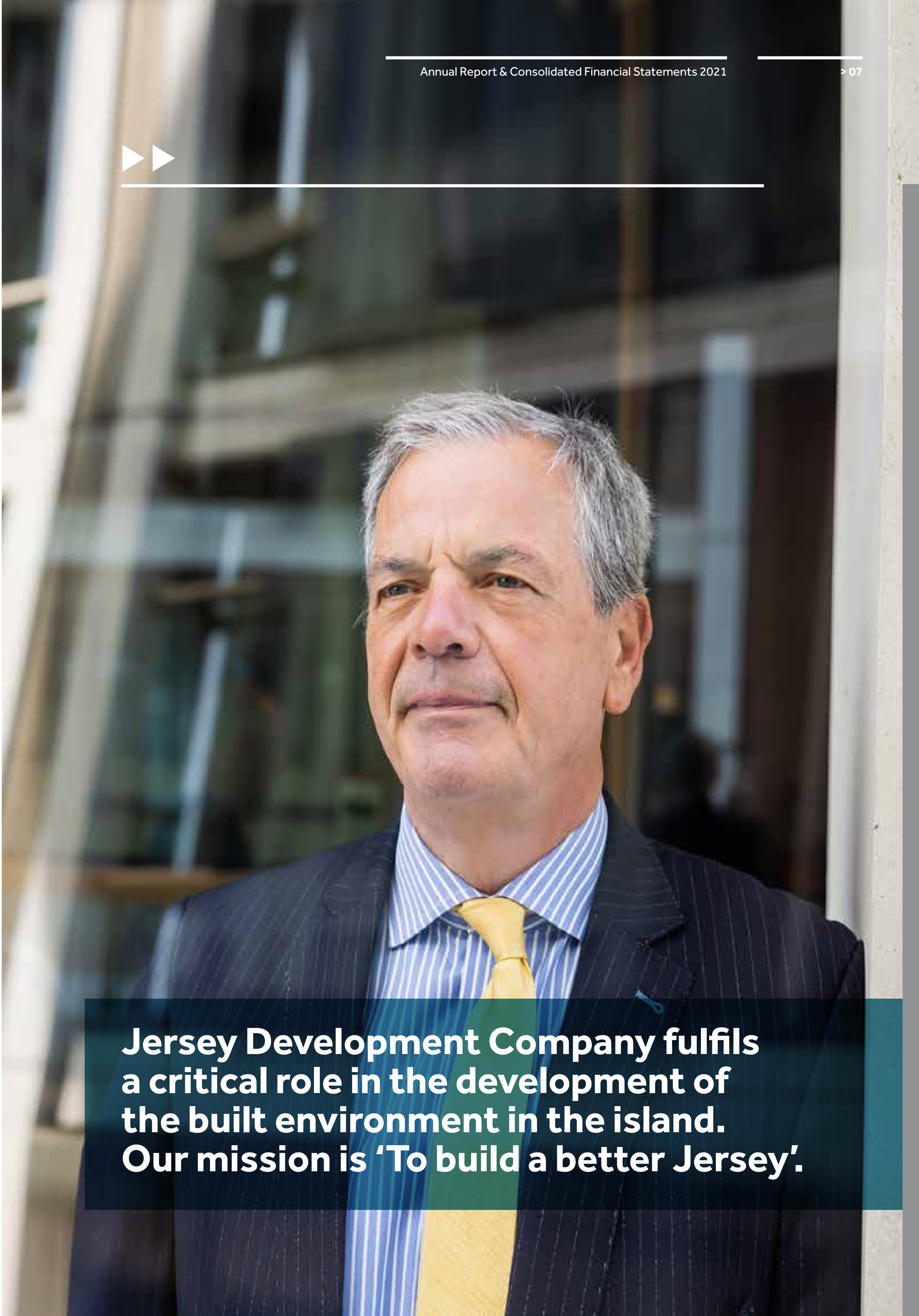
Our Strategic Business Plan for 2021 focused on three property developments:

- The continued successful advancement of Horizon delivering 280 new homes and ground floor commercial and retail space;
- Progressing the design and public engagement on Southwest St. Helier (SWSH) Waterfront to an outline Planning application and;
- Advancing the design on South Hill to a detailed Planning application.

Highlights from these developments include:

- Progress with the hugely important SWSH Waterfront was underpinned by significant 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 design is being undertaken by Gillespies, whose leading international reputation and experience in 'place making' and sustainability is making a major contribution to the project. The plans, which are being developed through a landscape focus, include 1001 homes, forming a major component of the Government's housing strategy. The next stage in this process is to secure an Outline Planning consent, following which the detailed design of the first phase will commence.
- While timing has been delayed through the impacts of the pandemic, progress continued with the Horizon development. At the year end only 6 units remained to be sold and sales included 86 first time buyers, whose purchase was facilitated by JDC's new buyer programme, which allows deposits to be paid overtime.
- The South Hill development, to be named Westward, includes 153 new homes overlooking the harbour. In this development JDC is enabling more first-time buyers through a shared equity programme, in addition to the deposit programme. A minimum of 15% of the units, equating to 23 homes will qualify for this.

In addition to these strategic developments, I am delighted to report that terms were agreed for the construction of IFC 6, the third building at the International Finance Centre, Jersey's world class business district. Our anchor tenant, Aztec Group, will move into their new headquarters in December 2023, with construction being undertaken by Rok Regal Construction.



Jersey Development Company fulfils a critical role in the development of the built environment in the island. Our mission is 'To build a better Jersey'.

Chair's Statement
(continued)

This was a significant achievement for JDC and we are delighted to see the advancement of the next building in what is the flagship office development for the Island. This is also a significant vote of confidence in the Island's financial services industry by one of the industry's largest employers, as well as a vote of confidence for the future of office accommodation in Jersey.

In addition to our property strategy, our 2021 Strategic Business Plan included and increased focus on sustainability, with a substantial programme of Environmental, Social and Governance objectives.

Social

JDC is 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. As already mentioned, 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 provided to on this basis to eligible buyers.

We continue to explore other options to alleviate the housing challenge, including possible incentives to 'empty nesters' to downsize to free up housing stock. From the last reported Census (2011), 42% of owner-occupied homes were under-occupied by two or more bedrooms, reflecting significant underutilisation. There are significant challenges with this strategy but, if successful, it would facilitate movement in the family home sector by releasing larger units into the market. Discussions with Government are on-going.

Over the long term, our plans include the delivery of more than 1,400 new residential units, which represents 19% of the total supply of 7,500 estimated by the 'Objective Assessment of Housing Needs' as being required by 2030.

Environmental

The environmental imperative and the global implications of climate change pose an existential threat to humanity. The implications for Jersey and the island's need to become to net zero carbon are clear. It is impossible to conceive of Jersey succeeding in this unless the construction sector develops effective low and zero carbon capabilities. All industrial sectors will increasingly have to face the full cost of carbon in the near future, including the strong possibility of carbon taxes. With this perspective, carbon efficiency is a growing priority for corporations. 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.

With this backdrop, JDC is developing an ambitious carbon strategy that will see us become an 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 in 2021 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.

We are also very proud that the SWSH Waterfront proposals met the Urban Greening Factor (a tool outlined in The London Plan 2021 and now viewed as an international best practice) that evaluates and quantifies the amount and quality of greening in an urban context. It seeks to ensure that new developments meaningfully contribute to urban green infrastructure. Benefits include improved air and water quality, reduced urban heat island effect and ecological resilience, as well as a more vibrant and greener public realm.

JDC is acutely conscious of housing pressures in the Island.

Chair's Statement
(continued)

We take a continuous improvement approach to our governance, updating our approach in accordance with international best practice.

The SWSH Waterfront meets these criteria by including extensive green roof areas, planting embedded to each public realm space and streetscape and rain gardens which collect and clean surface runoff. The proposals ensure that new trees have ample soil allowances to ensure they can grow to maturity; providing habitat, carbon sequestration and urban cooling.

I am pleased to announce that the Company has established a 'Sustainability Working Group' during the year and will be developing a roadmap in 2022 to achieve carbon neutrality by 2030 and net zero by 2050.

Governance

Given the critically important role that JDC plays for Jersey we are acutely 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 we completed a comparison against the UK Code of Corporate Governance, which has enhanced our approach.

We have taken important steps to strengthen the organisation. At the executive level, we welcomed Judy Greenwood as our new Finance Director, with Simon Neal becoming our Deputy CEO and Commercial Director. Completing our senior team Warren Roberts, will join the organisation early in 2022, as Project Director, bringing key experience in major mixed-use project procurement and delivery.

We have also strengthened the Board, welcoming Carolyn Dwyer as a Non-Executive Director. Carolyn's most recent executive role was Director of Built Environment for the City of London and she brings a wealth of experience, which will particularly benefit the Company in its development of SWSH Waterfront and future regeneration projects.

As part of our Governance, the Board has a thorough, robust and dynamic approach to risk management, with risk registers run at both the individual project level and at the strategic level. Risks to the company are closely and constantly monitored, with effective mitigations implemented so that residual risks are kept at acceptable levels. This approach played a key role in JDC's effective response to Covid-19 and, while we are still dealing with the economic and social after effects, the Company is emerging well from the pandemic.

However, the Company is facing increased strategic risks, primarily impacts to the global supply chain, energy costs and the increased impacts of inflation and an uncertain economic outlook. These very apparent risks have been greatly magnified by the war in Ukraine.
The approach to the Board includes increased scrutiny over future timing and costs of major investments, while ensuring security of our supply chains for existing projects.

Looking to 2022 and beyond, JDC has an exciting portfolio of projects and key developments for Jersey. Our plans will make a significant contribution to providing much needed housing stock while leading the critically important development for South West St Helier. Our strengthened organisation, together with our growing track record of successful developments positions Jersey Development Company to play a more ambitious role in the future of our Island.

On behalf of the Board, I would like to express my thanks to the Executive and to our dedicated team for their outstanding performance and commitment in what has been a 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.

Paul Masterton
Chair, 29 April 2022

CEO's Review 2021

3 Highlights

- Outline Planning Application submitted for Southwest St. Helier Waterfront
- Passivhaus design incorporated on South Hill
- IFC 6 unlocked via pre-let to Aztec for 50,000 sq.ft.

Another year living with and operating around Covid-19 was not what any of us could have anticipated. Nonetheless, we built on the strategies developed in 2020 to ensure all activities continued as effectively as possible and, other than a delay to the completion dates on the Horizon development, we delivered on all our key objectives.

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 professional design teams that have all pulled together to advance these important projects for Jersey.

The result being that the Company has a project nearing completion for 280 new units of residential accommodation and has planning applications submitted for a further 1,154 residential units. If approved, these developments will be built out over the next decade.

Horizon Joint Venture project

Thankfully, border restrictions continued to ease this year for the Horizon development workers, many of whom travel over to site from France on a weekly basis. However, due to revised operating arrangements and infection rates within staff, further unavoidable delays to the timing of the development completion have resulted. With significant demand for residential accommodation in the local market, only 6 of the 280 units remained not pre-sold at year end.

We have also 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.

Residential projects

To address challenges in the local housing market, a key element of our activity is the supply of new residential accommodation. To support this, we advanced and submitted two planning applications during the year for a total of 1,154 new units of accommodation. These applications followed extensive public and stakeholder engagement over the previous 12-month period.

During the year, the States Assembly debated the mix of tenure on these new residential units and concluded that these developments should be:

i) Structured as Flying Freehold as opposed to Shared Transfer thereby ensuring that only locally qualified individuals can purchase;

ii) Sales should be focused on Owner Occupiers only;

iii) A minimum of 15% of the units should be made available as Shared Equity to eligible First Time Buyers (with the Minister for Housing and Communities setting the eligibility criteria)

Importantly, the debate and subsequent guidance recognised the key requirement that these projects must remain viable and fundable.

A detailed Planning application for 153 new homes at South Hill was submitted in the year and this development incorporates the regeneration of the Parish of St. Helier children's playpark. If approved, South Hill will be the most sustainable residential apartment development in Jersey, having been designed to achieve Passivhaus low energy and BREEAM 'Outstanding'.

Environmental features of the development will include: triple glazing, air source heat pumps, whole house ventilation systems, PV panels and will promote reduced private car ownership with an electric car club for residents use.

The second application to Planning made during the year was an Outline Application on the Southwest St. Helier Waterfront. The proposals align with public feedback for a landscape led, mixed-use, vibrant and 'destination' Waterfront, with a focus on residential accommodation.

...we delivered on all our key objectives.

CEO's Review 2021
(continued)

Residential projects (continued)

The proposals provide for 1,001 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.

The proposals include significant public realm and public infrastructure, and the proposals will support a £150m investment in these public 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 GOJ in delivering its own strategic objectives.

As a leading regeneration company, we constantly aim to provide significant returns to Jersey, whilst balancing financial, environmental and social objectives, to create long lasting positive impacts for future generations. We believe that the Southwest St. Helier Waterfront application delivers on this aim. This is a significantly different approach from outsourcing to private developers that purely seek to maximise their profit.

Commercial Projects

In November, we were delighted to announce the successful pre-let to Aztec Group of the new IFC 6 office building, a Super-Prime Grade A office, built to BREEAM 'Excellent' environmental standards. In adherence to our risk mitigation policies, the substantial pre-let of 72% of the building provided the necessary comfort for a building contract to be signed off at the same time. JDC always enters into fixed price contracts on its development projects, following its careful risk minimisation strategy.

Worldwide economic issues, caused by Covid-19, resulted in significant price increases and supply chain pressures, which meant the decision to progress with IFC 6 was thoroughly considered during the year, requiring rework of the project appraisal, detailed sensitivity analysis and alleviation of the risks, before concluding to proceed.

Following a competitive tender process, the building contract was awarded to local main contractor ROK Regal Construction. JDC's in-house project management team will be monitoring the build and coordinating with Aztec on their Category B fit-out which will be varied into the main contract and delivered as a turn-key to Aztec. IFC 6 is programmed for practical completion and handover at the end of 2023.

CEO's Review 2021
(continued)

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. We ensure that these areas are well maintained, as cost effectively as possible, for the benefit of the public. The Company also promotes and supports the use of these areas for public events.

This year we welcomed back the Waterfront Junior Park Run weekly meet, the Standard Chartered Jersey Marathon and the Marathon Mile, the Jersey Triathlon and the Super League Triathlon. To promote the Christmas spirit and support the town centre, the Company jointly funded the Christmas Light Switch-On with the Parish of St. Helier and provided Christmas lights and trees on Weighbridge Square, Trenton Square, the Waterfront Leisure Centre and Route du Port Elizabeth.

Further contributions to island life were the sponsorship of Variety, the Children's Charity of Jersey's annual bonfire and firework display, 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 assisting the organisation of the Festival commemorating the 1769 Corn Riots.

As a leading regeneration company, we constantly aim to provide significant returns to Jersey, whilst balancing financial, environmental and social objectives...

Looking ahead

There will be significant activity in 2022 and 2023 with the completion and handover of Horizon and IFC 6 and subject to securing Planning consent, we will be commencing construction on South Hill (in 2023).

We will also be submitting detailed designs to Planning for the first phase of development of St. Helier Waterfront. 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.

Sustainability is one of our key focuses in our development projects and JDC strives to be the local exemplar on environmental sustainability. Our newly formed 'Sustainability Working Group' will be establishing our own initial roadmap during 2022, to ensure we have a clear plan to achieve carbon neutrality in advance of 2030 and net zero before 2050 and are able to monitor our performance and progress.

We will also be working closely with the Regeneration Steering Group to extend our development pipeline, in accordance with 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".

Exciting and busy times ahead!

Lee Henry
CEO, 29 April 2022

Finance Director's Report 2021

3 Highlights

- Total income - £4.97m (2020: £4.23m)
- Total Assets - £107.7m (2020: £91.3m)
- Profit for the year - £508k (2020: 3k)

Overview

It has been another busy year, not only progressing current projects and ensuring recurring activities remain within budget, but also securing an anchor tenant and funding for our latest development.

Whilst 2021 was the second year of a period with no developments completing, therefore no significant cash injections or weighty returns, and with the continuing impact of COVID-19, causing fluctuations in demand, price pressure and supply chain disruption, the Company still operated efficiently and effectively.

Operations resulted in a profit of £508k before dividend, against a comparative position of just £3k in 2020 and a budgeted loss for 2021 of £473k, which is very pleasing to report.

The Group's Net Asset Value moved by £0.25m, due to retained earnings, after dividend distribution to the Government of Jersey of £259k.

Total assets increased due to further investment in Inventories and higher cash balances, as a result of the drawdown of a £15.5m Revolving Credit Facility, in preparation for the commencement of construction works on IFC 6.

Total liabilities increased as planned, due to additional bank borrowings and higher short term liabilities, both relating to the commencement of works on the new IFC 6 office development.

The year end cash position was broadly as budgeted, ending slightly higher than anticipated, with £32.8m total cash at bank and short-term deposits and a further approved loan ready to draw on, as required, for the completion of IFC 6 over the next 2 years. £15.5m of the total cash at bank and short-term deposits amount directly relates to the new Revolving Credit Facility for part financing IFC 6, which had to be fully drawn down upfront.

This leaves the Company in a strong position to finance recurring operational activities over the coming year, as well as to progress with our current development projects, namely construction works on IFC 6 and continued pre-construction costs on South Hill and South West St Helier, as well as our joint venture construction of the Horizon apartments, which will begin to yield development returns in 2022.

Income and Expenditure review

Profit for the year of £508k reflects an increase of £505k on 2020 results and a £981k improvement on the budgeted 2021 loss.

Income

Compared to 2020, both car park income and income from investment properties increased by £302k and £148k respectively, indicating an abatement of the COVID-19 impact on the variable element of the company's income, as well as more confidence from Waterfront Leisure Centre tenants.

This increase in car park revenue had been anticipated by the budget, although Waterfront Car Park income was still down 6.5%, given extended work from home guidance and restrictions on leisure activities. The conclusion of two backdated rent reviews of Waterfront Leisure Centre tenants had prudently not been budgeted for, resulting in £152k increased revenue.

Market confidence was also reflected in the revaluation of Investment properties, a total fair value increase of £745k. See Note 5 on pages 71-72 for more details. This compares to a revaluation of just £115k in 2020. Fair value adjustments are not pre-empted in the budget.

Expenditure

Turning to costs, total salary costs were significantly lower than budget, 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 only £42k compared to 2020, despite recruiting two additional team members in September and October.

The other main variance in expenses related to costs incurred in management of the Estate, which were £54k higher than 2020, but significantly lower than budget. Planned projects have been delayed due to COVID-19 restrictions, however all are still due to be carried out in the coming year.

Service charge expense also fell compared to 2020 by an equal and opposite amount to revenue from contracts with customers. Recoverable expenditure required on the Group's investment property fluctuates annually depending on the nature of maintenance works required.

Finance Director's Report 2021
(continued)

Consolidated statement of Financial Position Review

Total assets increased by £16.4m in 2021, mainly due to increases in inventories, as construction costs and pre-development costs are capitalised, and in cash balances.

The carrying value of inventories, land holdings for future developments, which is stated at lower of cost and NRV, increased by £3.9m in 2021, reflecting pre-development expenditure capitalised on all inventories, as well as the expenditure incurred to date on the IFC 6 building currently under construction. An impairment review of the carrying value, endorsed this year by independent professional valuers, supports the costs carried. Note 8 on pages 76-77 gives further details.

Pre-development expenditure on South Hill of £2m was capitalised as other current assets, as title to the land had not transferred to the Group at the year end.

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 15.

Cash balances, including short term deposits, increased by £10.2m over the year, due to funding secured for IFC 6, less cash outflow in the year on operational and development activities.

Total liabilities increased by £16.1m, of which £15.5m represents the draw down in full of a revolving credit facility agreed in the year to part fund the construction of IFC 6. An additional funding agreement of £28.5m to complete the construction of the building was also agreed in November 2021 but is yet to be drawn. Note 12 on page 80 provides more information.

Consolidated statement of Cash flow Review

The budget anticipated year end closing operating bank balances of £16.9m, excluding the required new credit facilities of £15.5m for IFC 6. Actual total cash at bank and short-term deposits at 31 December 2021 was £32.8m, being the £15.5m Revolving Credit Facility drawn down, plus £17.3m relating to non-construction finance balances, reflecting assurance in the Company's accuracy of financial planning.

Dividend

Finally, once again, we have been able to declare a dividend. This year the amount provided to the States of Jersey was £259k. In future years returns to our Shareholder will increase further, 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, 29 April 2022

Principal and Emerging Risks Facing the Group

Like all businesses, the Group 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 Group's operations, performance and future prospects. The Board recognises that it is essential for the Company to manage risk effectively, in order to achieve its objectives.

Risks

The following pages identify the principal risks and uncertainties included within the Group's risk register. The risk register is designed to manage and mitigate risk, rather than to eliminate it. The risk register includes identification and scoring of risks. Unknown risks and those that the Directors believe are less significant may also have a material impact on the operations and performance of the Company.

We have not provided a separate assessment of the impact of COVID-19 on our risk profile this year, as risks previously identified are now incorporated into our main company risk register if still present, as we learn to live with COVID-19.

Principal and Emerging Risks Facing the Group (continued)

Area	Risk	Risk Management Measures Taken
Build cost inflation.	Construction industry inflation in Jersey has exceeded RPI in recent years, particularly due to the current lack of available labour, as well as materials price rises. The risk is two fold: 1. Existing projects could have profits eroded, or make a financial loss; 2. Future projects become financially unviable, which slow the pace of delivery of new residential apartments & office blocks unless sales prices & rents increase to compensate.	The group enters into: • Fixed price contracts to mitigate against any increase during the course of construction, and; • Legally binding pre-sales, covering the construction costs, are secured before entering into any construction contract.
Transport of materials / Supply chain issues.	There is the risk that events outside of the Company's control, including Brexit, COVID-19, worldwide supply chain pressures, adverse weather and corporate failure could result in disruption to the Group's supply chain.	• JCT Design & Build fixed price contracts are used, to pass the risk of supply chain issues to the main contractor. • The Company has provided the main contractors with extra storage space on both current development sites, enabling deliveries to be made earlier, to avoid materials supply delays hampering construction progress.
Decline in Island's economy.	COVID-19 causes a worldwide recession. The risk that there could be a negative impact on the Island's economy as a result of Brexit. This could result in falling property prices / lower demand to buy the residential apartments / rent office blocks with a consequential effect on the Group's current and future project development plans.	• Maintain oversight, up to date market information and monitor market developments to delay or phase construction of new homes / offices as required by market circumstances. • Proceed with construction plans only once substantial pre-lets or pre-sales are secured. • Maintain regular overview of local and UK marketplace.
Legal, Political & Regulatory risk.	There is the risk that legislation or regulation may be introduced that has a material effect on the activities of the Group, by introducing additional cost or placing additional compliance requirements, rendering projects financially unviable.	• Close engagement and communication with Government / Shareholder and RSG. • Active participation in public consultations on law. • Engagement with politicians to confirm they have the requisite industry detail to make an informed vote. • Communication of the successful outputs of JDC to highlight benefits. • Board oversight on regular basis.
Planning.	The key dependency on Planning approval risk, resulting in non-delivery of residential units planned, following submission of two major planning applications during 2021.	• Extensive pre-application processes and public consultation. • Monitoring of public comments to provide supportive material for the Planning Office to recommend approval of the plans. • Investment of appropriate time and resource to the Public Enquiry process.
Health & Safety.	There is the risk of failure by the Company to prevent injuries and accidents to our people and the Public, resulting in legal, financial and reputational issues for the Company.	• Robust Health and Safety Policy for employees & projects. • Regular independent review. • Regular training and updates. • Standing Board agenda item.

Principal and Emerging Risks Facing the Group (continued)

Area	Risk	Risk Management Measures Taken
Skills & Succession.	There is the risk of over reliance on individuals with critical skills, knowledge or experience and failure to plan adequately for their succession could disrupt the activities of the Group upon their departure, adversely affecting the quality of service provided and preventing business objectives from being achieved.	• Recruitment of additional senior management team. • Training and employee development commitment. • Competitive remuneration and benefits package.
Inventory / Investment Property valuation.	Risk of inventories investments being wrongly valued due to the use of inappropriate inputs and assumptions in deriving net realisable values (NRV), including the risk of management override in relation to relevant journal entries, recession / Brexit / stamp duty being introduced on enveloped property.	• External valuation is obtained from a professional valuer at least once every 5 years for property over £500k. • At least twice a year, impairment valuations are prepared by managements and reviewed by the Audit & Risk Committee and the Board discusses the valuation in detail.
Liquidity & Funding.	• Risk that construction projects and cash flow forecasts do not adhere to plan. • Risk of non-compliance with bank loan covenants. • Risk that lack of equity will prohibit scale of future activities.	• Robust controls in place before incurring costs. Budget to actual reviewed every month. • Forecast cashflow projections prepared monthly. • Banking covenants checked monthly. • Support from GoJ secured to permit reinvestment of profits from completing projects.
Climate Change.	• There is clear evidence that global temperatures are rising rapidly and that climate change poses a number of risks. • Given the wide range of outcomes, it is difficult to predict the exact impact of global warming, however studies are underway to understand changes that are likely to be experienced in Jersey. • It is likely that climate change will bring about changes to both the weather (such as storms and heatwaves) and regulatory obligations (new or strengthened carbon net zero commitments).	• The Company is focused on constructing sustainable buildings and sustainable communities. • The Company encourages the benefits of electric vehicles in reducing harmful emissions, improving local air quality and lowering carbon levels, all of which helps to move towards the Government of Jersey's target of carbon neutrality by 2030. • The Company is to monitor the political and legislative developments (e.g. Carbon Neutrality by 2030) and assess the opportunities and threats to enable us to respond effectively.
IT Risks.	There is a risk of unauthorised access to the Group's systems, potentially resulting in disruption to the business and/or a significant data breach.	• Controlled access to Group's systems. • Multiple layer physical and cyber security in place. • Employee awareness and training • Regular testing and enhancement of security arrangements.

Performance against 2021 Objectives

Business Objective	Performance Progress	RAG at Y/E
1. Horizon		
To continue to actively manage the successful delivery of the project, within its approved budget, ensuring the design development is well co-ordinated, the build is of high quality and the JV relationship remains positive. Additionally, to continue to pre-sell the remaining units (target for 95% of value by 2021 year end) and to ensure pre-sale contracts remain valid and purchasers are kept updated.	The project has been actively managed by JDC's Directors and in-house project management team and remains on budget, with a positive JV relationship. Only 6 out of the 280 units remained available at year end and all purchases have been kept well informed of progress.	
2. South West St Helier (SWSH) Planning Framework		
To continue the design development, public consultation & pre-application process, submit an Outline Planning application and prepare for a Public Planning Inquiry. In tandem, to devise a strategy for the financing and resourcing required to deliver the project.	The design development and public consultation was successfully completed during the year, leading to an Outline Planning application submission in December 2021. Strategy and options for the financing and resourcing progressed well, with positive discussions held with third party funders.	
	Unfortunately, due to the delay in the application submission and the forthcoming elections, the Public Planning Inquiry will take place in the second half of 2022.	
3. South Hill		
To commence the design, public consultation & pre-application process and subsequently submit a Detailed Planning application.	The design of the scheme was completed to RIBA Stage 3 and the Detailed Planning application as submitted in October 2021.	
4. Snow Hill		
To secure RSG approval to continue the design development & pre-application process, leading to the submission of a Detailed Planning application.	RSG approval was received. An extensive pre-application process with Planning resulted in several locations being assessed, which resulted in a small delay to the Detailed Planning application, which was submitted in January 2022.	
5. IFC 6		
To continue to promote the IFC to prospective tenants and, subject to sufficient pre-let, commence construction of IFC 6.	A pre-let deal was negotiated and signed with Aztec for 72% of the building. Shareholder approval was then secured and the ATL, Funding Agreement and Build Contract were entered into in November 2021, with construction starting shortly thereafter.	

Financial

Business Objective	Performance Progress	RAG at Y/E
6. Financial and Risk		
To manage all business risks in line with the risk mitigation measures contained within P.73/2010, the MoU and the Company's Risk Policy Standard. Further, to maintain costs and revenues within budget, ensure cashflow is actively managed and ensure policies and internal controls are appropriate.	Risks are continually assessed and projects advanced in line with risk mitigation measures. Revenues and costs were within budget, cashflow managed and the positive Internal audit report reflected the strong level of internal controls.	

Performance against 2021 Objectives
(continued)

Business Objective	Performance Progress	RAG at Y/E
Organisational Development		
7. Review of JPH / JDC		
To jointly commission and conclude the review of JPH /JDC.	The final report was issued to GoJ in December 2021.	
8. Management structure / resourcing		
As a result of the increased project pipeline, to strengthen the management structure, with the appointment of a new Project Director and a new Finance Director, the incumbent Finance Director becoming Commercial Director / Deputy CEO.	A new FD was appointed in Q3 and a new Project Director was selected in Q4 and started in April 2022. A review of IT is being undertaken and will remain outsourced.	
Furthermore, to strengthen the HR and IT functions.	The HR function was also reviewed and whilst it remains outsourced, a 'health check' review was carried out during the year.	
Stakeholder Management		
9. Stakeholder Management		
To provide timely quarterly updates to the Shareholder and the RSG and six monthly updates to States Members. To support GoJ in its Strategic Objectives: to protect and value our environment, to put children first and to improve physical and mental health.	We delivered on updates and communication objectives. With regard to supporting GoJ's Strategic Objectives, our 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 well-being.	
ESG		
10.ESG		
To 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 review of 2020.	All aspects were successfully completed during the year.	
To 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 and become a thought leader and local exemplar on sustainable building, informing and influencing both GoJ and the local construction industry.	We progressed our knowledge of net zero carbon and in 2022 we will develop our Strategy and roadmap. South Hill has been designed to be the most sustainable apartment developed locally and is on target for 'BREEAM Outstanding' and 'Passivhaus' environmental ratings.	

02

Sustainability and Governance Reports

Sustainability and Governance

ESG Overview

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

In presenting ESG in our Annual Report, we have considered the Jersey Performance Framework (the JPF) as a reference point for our ESG reporting, reflecting how JDC contributes to the 'outcome measures' of the Framework, particularly with reference to Environmental and Community considerations, to validate our contribution.

Sustainability and Governance
(continued)

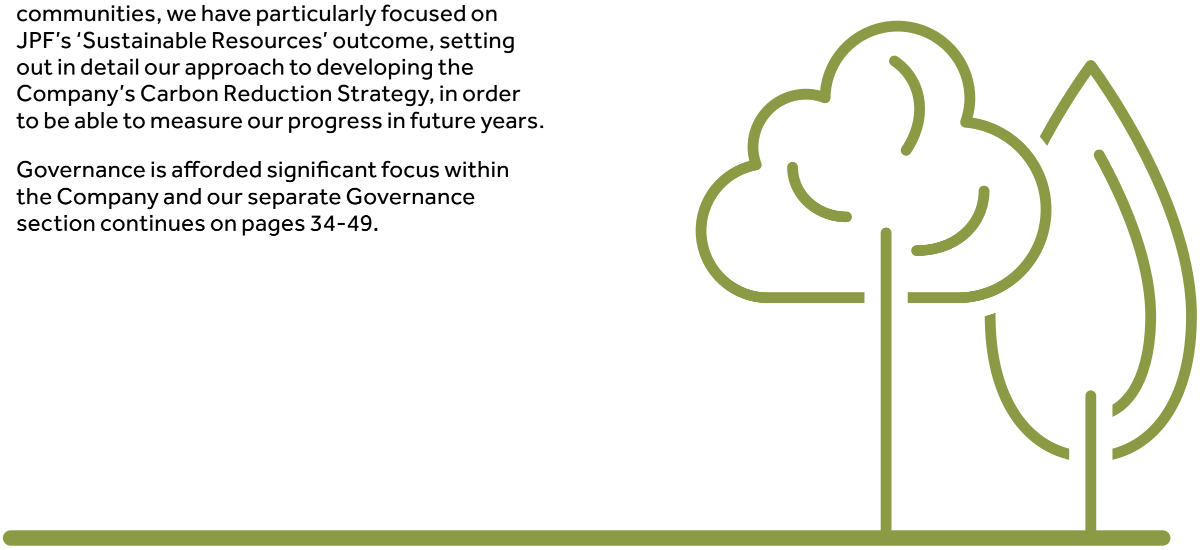
The JPF draws on the 17 UN Sustainable Development Goals, which we have also considered.

We have incorporated the 11 we judge to have an impact on within our reporting, the most relevant being **'11- Sustainable Cities and Communities'.**

ENVIRONMENTAL		SOCIAL		GOVERNANCE	
Natural Environment	15 LIFE ON LAND	**Vibrant & Inclusive Community**	1 NO POVERTY; 10 REDUCED INEQUALITIES	**Board Structure & Independence**	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Built Environment	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES	**Health & Wellbeing**	3 GOOD HEALTH AND WELL-BEING	**Board Effectiveness**	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Sustainable Resources	7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Children**	3 GOOD HEALTH AND WELL-BEING	**Risks & Mitigation**	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Carbon Neutral	13 CLIMATE ACTION	**Safety & Security**	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES	**Board Diversity**	5 GENDER EQUALITY; 10 REDUCED INEQUALITIES
Net Zero	13 CLIMATE ACTION	**Affordable Living**	10 REDUCED INEQUALITIES	**Staff & Wellbeing**	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY

In order to contribute to a truly sustainable island and community, with due consideration to global communities, we have particularly focused on JPF's 'Sustainable Resources' outcome, setting out in detail our approach to developing the Company's Carbon Reduction Strategy, in order to be able to measure our progress in future years.

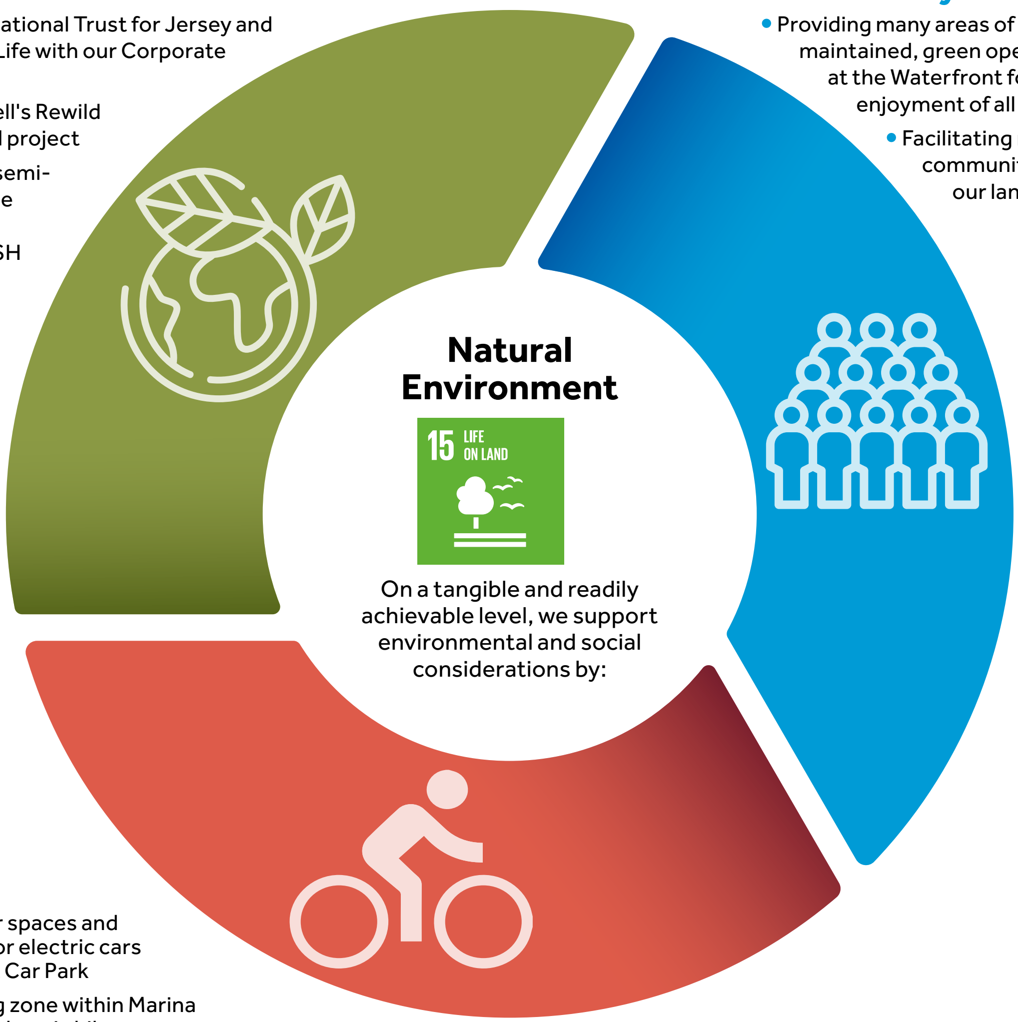
Governance is afforded significant focus within the Company and our separate Governance section continues on pages 34-49.



Environmental Report

Our current position

The Government of Jersey announced its draft Carbon Road Map in 2021. For JDC, the need to consider the social and environmental impacts of all the Company's activities has been embodied into the Company's thinking for many years. This ethos affects both everyday small changes we have made, as well as significant bold changes to the design of our developments.



Natural Resources

- Supporting the National Trust for Jersey and Jersey Trees for Life with our Corporate Sponsorship
- Supporting Durrell's Rewild Carbon impactful project
- Planning for 568 semi-mature trees to be planted on the redeveloped SWSH Waterfront area
- Hosting the SoJ Climate Wall to raise awareness and reinforce the Climate Emergency

Community

- Providing many areas of well maintained, green open spaces at the Waterfront for the enjoyment of all
- Facilitating more than 200 community events on our land since 2012

Travel & Transport

- 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
- Committing to convert our private car spaces to covered secure staff bike storage
- Planning for e-car and e-bike charging points in all our development projects

Environmental Report
(continued)

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 leading sustainability standard, for which certification reflects the buildings' environmental, social and economic sustainability performance assessment.

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

Sustainable Resources

The Bridging Island Plan (BIP) seeks to reduce emissions by introducing policies covering 'design to deconstruction' in the construction industry, it also focuses on protecting and improving the natural environment and biodiversity.

JDC addresses both these in its designs for IFC 6, South Hill and SWSH Waterfront, with focus on longevity, flexibility and 'flora and fauna' considerations throughout the planning and design phase of these projects. The BIP also covers the 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.

Our future position

Whilst taking pride in the steps we have made to date to reflect environmental and social considerations in the Company's operational decision making, we recognise that this approach is not sufficient, and we need to make further strides to play our part in the supporting the GoJ's commitment to Net Carbon Neutral by 2030 and Net Zero by 2050. JDC is committed to developing a Carbon Neutral strategy during 2022.

Environmental Report
(continued)

Focus on Sustainable Resources: JDC's Carbon Reduction Strategy

The development of the GoJ's Carbon Neutral Roadmap sets out the path as a 'people powered approach'. As a small but committed team, JDC have full support throughout the Company to reflect on and plan what more we need to do, if we are to achieve Carbon Neutral and next Net Zero as a Company and part of an Island community.

JDC is focused on ensuring that its developments contribute towards the GoJ's carbon neutral strategy, both in terms of optimising the design and specification, to reduce the in-built carbon, minimising the carbon in use and also minimise the energy and water usage of the building when completed.

Having herewith publicly noted our commitment to formulating a plan to enable us to achieve Carbon Neutral and next, Net Zero, we have engaged with a local sustainability consultant to measure our current Scope 1 and Scope 2 Carbon emissions, as well as limited Scope 3 emissions. We include within the calculation all areas of our Estate over which we have direct financial control, as well as our main and satellite offices.

Our calculated operational emissions in 2021 were 19.9 tCO^2e, which we will use as our baseline assessment going forward.

We will set a reduction objective for these emissions during the first part of 2022, but acknowledge that given most of our Scope 1 and 2 emissions cover energy usage, which for JDC is entirely electric, using JEC's de-carbonised power supply which includes 33% renewable energy, further reductions here will unlikely be significant in the short term. A significant proportion of our energy usage is for lighting of public areas for community benefit, which we would not seek to restrict, but Scope 3 emissions we do have control over will be a focus.

We acknowledge however that Scope 1 and 2 emissions, the extent of relevance for Carbon Neutrality, 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, those from our value chain that we don't have immediate direct control over.

For the required reduction in these emissions, we recognise the need to plan for adaptation and to implement sustainable development goals in our business strategy, both for us and for our suppliers and contractors to adhere to. In order to develop these goals, we have engaged with industry leaders Watermans to assist us in understanding how we can replace current carbon emitting materials for our construction developments with lower carbon components.

Understanding our sources of emissions then leads to understanding and agreeing how to calculate them and in some respects, industry calculations are still being defined. Do we include all emissions of raw material suppliers when creating our raw material, or do we just calculate emissions from arrival in Jersey. An agreed scientific approach is required in order to present any meaningful and comparable data.

We also understand that failure to act is not an option, not least because looming 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.

In order to ensure the necessary focus required, JDC has established a 'Sustainability Working Group', which met for the first time in 2021 and will lead the discovery phase of our journey to reduce our carbon footprint, using the assistance of the advisors we have enlisted.

We need to understand the risks posed to the Company by Climate Change impacts and which options are available to us for alternative construction materials and methods. With this insight we can then establish a feasible and viable roadmap for change, supported by internal policies, to set our long term desired outcomes for our strategy to aim for and to achieve our goals.

This is clearly an involved task and requires input throughout the Company, as setting strategy will impact on supply chain management for sustainable procurement, may have significant cost implications and for some inputs new technology is only just being developed.

Environmental Report
(continued)

JDC seeks to be a leader in the local construction industry's approach to achieving net zero...

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, 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.

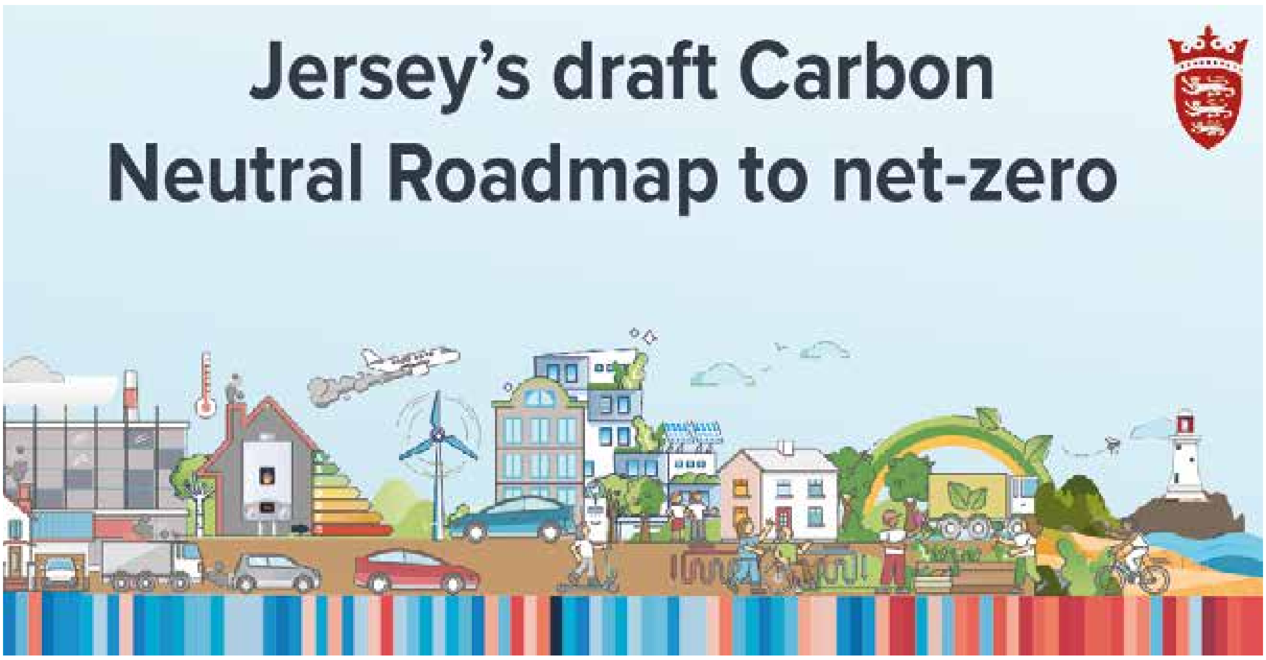
We do recognise that due to the nature of the industry the Company is in, it is unlikely that we will be able to cut our own emissions to zero and therefore the group will also consider which authentic greenhouse gas removal projects we would consider supporting, to eliminate our remaining emissions.

JDC's response to climate emergency will not emerge as a prescribed route over the next 12 months, but we do aim to set a broad strategic plan with clear objectives and definable goals, that will flex as required and as technology improves.

Our reporting will reflect how well our risk management processes assess and mitigate those risks and our governance over the strategy and the risks, with full support from the Board, using clear metrics and targets to report against, mindful of TCFD (Task Force on Climate Related Financial Disclosures) recommendations.

We will also support the GoJ in the proposed introduction of new legislation to make energy efficiency and carbon emissions assessments and minimum standards mandatory at the point of sale and rental of all buildings.

As both a major island and GoJ 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.



The climate stripes and Carbon Neutral Roadmap are reproduced with kind permission of the States of Jersey.

Social Report

Vibrant and Inclusive Community

3 GOOD HEALTH AND WELL-BEING

Supporting Housing for All

10 REDUCED INEQUALITIES

An inclusive community must be one in which everyone's right to shelter and a home is met. Whilst JDC has no social housing remit, we do offer a phased deposit payment scheme to assist purchasers 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 them via our deposit payment scheme.

Going forward, the States Assembly has agreed that a minimum of 15% of JDC's new residential units will be made available via a Shared Equity Scheme to eligible First Time Buyers. We are also investigating incentive schemes to encourage 'right sizing'.

Placemaking

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

3 GOOD HEALTH AND WELL-BEING

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.

To date the Company has committed to £425k contribution for the new skateboard park, £465k for Fort Regent Feasibility work, £730k for road and pedestrian improvements to Midvale Road and £3.4m towards landscaping Snow Hill and providing lift access to Fort Regent.

Social Report
(continued)

Living Wage Accreditation

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.

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. During the year we refreshed our EDI Policy, extending it Company wide, to create a working environment where all colleagues are treated fairly and able to give of their best.

Board Apprentice Scheme

In May 2021 we welcomed our first Board Apprentice, having agreed to participate in a Government of Jersey initiative to offer woman working within the Government of Jersey the opportunity to experience working with an external board of directors.

The opportunity has proved beneficial for both parties and JDC hope to renew participation in the scheme to share the opportunity with other women in future years.

Health and well-being

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 well-being.

In 2020, COVID-19 restrictions forced many events to be postponed. This year we were delighted to see events return to the Waterfront.

Social Report
(continued)

Standard Chartered Jersey Marathon - Marathon Mile

2021 was the Company's third year sponsoring the 'Marathon Mile' forming part of the Standard Chartered Jersey Marathon weekend, promoting the island's children to 'move more' and live a healthy and active lifestyle.

The Marathon Mile is a special one lap course around the streets of St Helier and open to anyone to participate, from the age of 6 years old. The event took place at the Weighbridge on Sunday 3 October with over 450 participants (mainly children), a record number of attendees, with particular numbers from schools and sporting clubs.

Triathlon & Super League Triathlon

We also assisted with the facilitation of the Triathlon and Super League Triathlon on our Estate, the Triathlon at Les Jardins de la Mer on 9 July and the Super League Triathlon at St Helier's Waterfront on 18 September.

We actively encourage and promote the Waterfront estate to be used for a variety of community and charity events. The public open spaces we have created around the Waterfront are an essential ingredient to meet the community's recreational, sporting and social needs and provide the perfect arena for events.

Children

3 GOOD HEALTH AND WELL-BEING

The Company supports the Government of Jersey's strategic objective of 'putting children first' in the following ways:

South Hill Playground Competition

In partnership with the Parish of St Helier, during the year we held a competition to redesign the children's park at South Hill. The competition was part of the public consultation process on the South Hill development proposals, which include transformation of the Children's Public Park. Children aged twelve and under were invited to get involved with the park design process and submit ideas of what their dream park would look like. The team at Gillespies, the landscape architects working on the scheme, set the brief and judged the competition. They were so impressed with the three prize-winners that they suggested inviting them to become 'expert advisers' to the design team, joining a design workshop to view the emerging proposals.

The Waterfront Junior Park Run

The Company supports the Waterfront Junior Park Run, by providing a safe space at the Waterfront every Sunday morning. During the year the Company also helped with purchasing some much-needed equipment, which included 40m of plastic chains with posts and a folding wagon trolley to transport the equipment.

The Company has also provided an area on the Estate to store the equipment.

Social Report
(continued)

Pride of Jersey Awards

Following a difficult year for everyone, the Company decided to crown all three finalists as joint winners of Child of the Year, each receiving £1,000 prize money: Ocean Brown, Hamish Brodie and Amelia Grant - our youngest finalist ever.

Variety Club of Jersey's Bonfire and Firework Display

We were pleased to sponsor Variety, the Children's Charity of Jersey's annual bonfire and fireworks display. Variety is dedicated to helping disadvantaged and special needs children in Jersey and this year's bonfire and firework display made a welcome return after a break due to COVID-19.

Project Trident - Skills Jersey

During 2021, the Company accepted two student placements on the 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.

"My time with JDC was great, they are a lovely team to work with and made me feel very welcome. It was great seeing everyone's separate role, which gave me a good insight to the construction industry, so thank you JDC!" (Antony Vinrace)

Safety and security

Health and Safety is a recurrent theme in all project meetings at JDC and a standing agenda point at 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 during the year, the Jersey Safety Council launched a Behavioural Safety Leadership Programme, with all major contractors signing up.

Jersey Construction Council Awards 2021

JDC was delighted to support the Jersey Construction Council (JeCC) awards, as the sponsor of the Health & Safety Award. We are delighted to congratulate 'Rok Regal' as winner of this award, which recognises the huge importance of health & safety on all construction sites.

St Helier Christmas Light Switch-On

In collaboration with the Parish of St Helier, the Company sponsors and facilitates the Christmas Light Switch-on event in St Helier, as well as providing festive lights and Christmas trees throughout the Waterfront areas.

With Covid restrictions lifted, we were delighted to help Santa Claus and friends, journey with his cavalcade, which included Le Petit Train of guests from Variety, the Children's Charity of Jersey.

Commencing from Millennium Park, then onwards to the Royal Square and Weighbridge Place, where the sound of carols and a display of fireworks took place in front of thousands.

Governance

Corporate Governance Report

THE BOARD

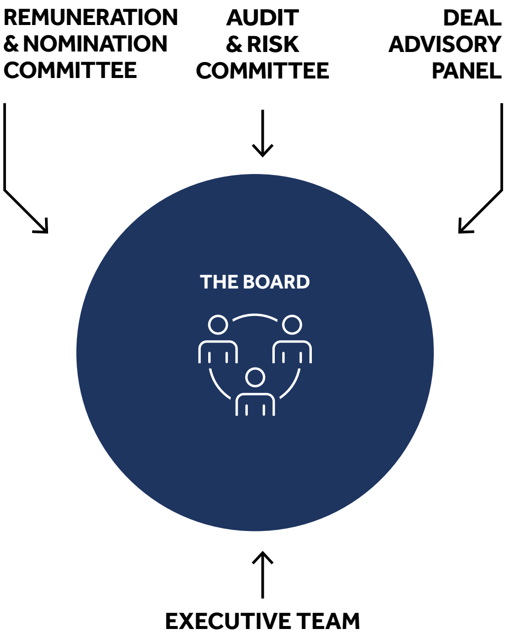
Setting the overall strategy, approving the Strategic Business Plan and continually monitoring performance

Chairman

Senior Independent Board Member

Independent Non-Executive Board Members

Executive Board Members



Corporate Governance

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 2018 UK Corporate Governance Code, issued by the Financial Reporting Council ("the Code").

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

During 2021, the Government of Jersey reviewed all the MoUs in place with States Owned Entities and the Company signed the revised MoU on 2 March 2022. The revised MoU states that the Company and Board will adhere to the "Principles of Good Governance" in the Code. The revised MoU is to be approved by the Shareholder in 2022.

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

The Board is of the opinion that the Company has adhered to the Principles of Good Governance of the Code throughout the year under review.

Corporate Governance Report
(continued)

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 is responsible for the governance of the Company and specifically for:

- promoting the long-term sustainable success of the Company, generating value for the Shareholder and contributing to wider society;
- setting the Company's strategic aims;
- providing the leadership necessary to deliver these aims and associated objectives;
- establishing the purpose, values and strategy of the Company and ensuring these are aligned with its culture;
- 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 measure performance against them;
- ensuring the Company complies with relevant laws and regulations;
- ensuring effective engagement with and participation from the Shareholder/other stakeholders; and
- reporting to the Shareholder on its stewardship, in accordance with the requirements of the MoU.

The Board remains cognisant that whilst it is responsible for the operation of a commercial regeneration company, the Company operates in a multi-stakeholder environment, with the public of Jersey as the ultimate stakeholder.

The Chair is responsible for leadership of the Board and is required to demonstrate objective judgement, whilst promoting a culture of openness and debate. The Chair should ensure that the Board is effective in all aspects of its role, including achieving the right balance of challenge, scrutiny and support with the Executive Team and ensuring that all Directors' contributions are encouraged and valued. The non-Executive directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The Board members also scrutinise and hold to account the performance of management and individual Executive directors against agreed performance objectives. In accordance with good corporate governance, the Board is supported by an Audit & Risk Committee and a Remuneration & Nomination Committee and in view of our principal activities, a Deal Advisory Panel.

Whilst maintaining oversight at regular meetings of the Board, the day-to-day operation of the Company is the responsibility of the CEO and the Executive Team.

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;
- to act as workforce liaison between staff and Board; 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. Both appointments and succession plans are based on merit and objective criteria and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Corporate Governance Report
(continued)

Board Independence

The Non-Executive Directors at the balance sheet date were all 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 for assessing the independence of Non-Executive Directors annually.

Details of other Directorships and appointments held by the Executive Directors of the Company, which are not considered to present a conflict of interest, are:

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

Membership of both Committees is comprised solely of Non-Executive Directors. These Committee members are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resource in order to carry out their duties. A report of the Audit & Risk Committee is provided on pages 38-39 and a report of the Remuneration & Nomination Committee is provided on pages 40-43.

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 also 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 was appointed in 2019 to conduct an independent board effectiveness review in accordance with good governance practice. During 2021 the Board continued to implement the recommendations of the Altair report.

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 and reporting to the Shareholder. Board papers are circulated prior to each meeting in order to facilitate informed discussion on the matters at hand.

The Board met eight times during 2021.

In addition to formal Board meetings, the Deal Advisory Panel meet as and when required, and regular communication is maintained between the Board members and the Executive Team. The Chair and Board members additionally attend regular meetings with the Shareholder, and in September 2021 a Strategy Day was also held.

	Board	Audit & Risk Committee	Remuneration & Nominations Committee
Number of meetings in 2021	8	3	3
Board attendee			
Paul Masterton (Chair)	8	N/A	N/A
Ann Santry (SID)	8	3	3
Tom Quigley	7	3	N/A
Richard Barnes	6/7	3	1/1
Nicholas Winsor	8	1/1	3
Carolyn Dwyer*	7/7	1/2	1/2
Lee Henry	8	N/A	N/A
Simon Neal	8	N/A	N/A
In Attendance			
Fiona Smith**	4/7	2/2	2/2

* appointed on 23 April 2021
** The Board selected Fiona Smith as a "Board Apprentice" who attends all Board and the Audit & Risk Committee and Remuneration & Nominations Committee meetings as an observer and approved her appointment on 13th May 2021.

Corporate Governance Report
(continued)

Board Effectiveness (continued)

At the end of 2020 and 2021, internal evaluations were undertaken. The process involves each member of the Board completing a detailed questionnaire and once complete, the results are collated and summarised, discussed at Committee and Board level and a list of outcomes and actions determined.

The outcomes from the 2021 evaluation assessment fell into three broad areas of: **Strategy, ESG and People.**

The actions agreed were:

- The continued focus on high level strategic planning, reflecting the organisation's growth ambitions;
- To review and refresh the Board's purpose and how it creates value;
- Refinement of KPIs for the organisation, including criteria and metrics for success;
- To ensure that the Board is intensely focused on ESG strategy, including development of JDC's strategy and planning to meet Carbon Neutral and Net Zero;
- To successfully develop and execute Board succession planning and skills development;
- To strengthen organisational culture, at all levels, ensuring resilience to challenge and change.

The findings of the assessment were that the Board is high performing, with a wide range of skills and experience, and consistently strives to improve and demonstrate high standards of corporate governance. The focus on improved performance and measurement of this is critically important, as JDC seeks to increase the value of its contribution to Jersey, financially, socially and environmentally.

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, in order 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, in order 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.

Annual Reporting

The Board has considered the recommendations of the Comptroller and Auditor General (C&AG) published on 3rd November 2021, following their review of prior year annual reports of States Owned Entities.

The Board has further improved the framing of its strategy and performance reporting, providing reference against expectations and transparent reporting on the extent to which objectives were met. A fuller explanation of the risks faced during the year and how they have changed has been presented, as well as a clearer picture on how the Company engages with its stakeholders. A sustainability report has also been introduced this year, noting the Company's commitment to carbon emissions reductions and plans for the development of a roadmap to achieve Carbon Neutrality and Net Zero and of an overall sustainability strategy.

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.

By order of the Board

Ann Santry
Senior Independent Director, 29 April 2022

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) The independent audit process, including recommending the appointment and assessing the performance of the auditor;

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

(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, if any or non-compliance, if any;

(g) Reviewing the Company's risk register that includes the highest assessed risks in the Company's development projects; and

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

The Audit & Risk Committee is composed of the following Non-Executive Directors: Tom Quigley (Chair), Richard Barnes, Carolyn Dwyer, Ann Santry and Nicholas Winsor. 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 each project and the Company as a whole which details and assesses all the significant risks facing the Company. Management is responsible for identifying the principal and emerging risks to achieving their business objectives and ensuring that there are adequate controls in place to manage these in line with the risk appetite set by the Board. The 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 Deal Advisory Panel (DAP) met several times during the year to re-evaluate the viability of the IFC 6 development in view of the impact on the project's risk profile caused by worldwide economic and supply chain issues as a result of the COVID-19 pandemic. The DAP has no decision making remit, but advises both the Audit and Risk Committee and the Board and makes recommendations.

The 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 also advises the Board on the appointment of the external auditor and on their remuneration, including monitoring any issues that could impact auditor independence.

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

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 2021, as detailed in the Governance Report.

Audit & Risk Committee Report
(continued)

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 one on an annual basis.

During the year, an internal evaluation was undertaken wherein each member of the Committee completed a detailed questionnaire and the outcomes and actions agreed from the 2021 evaluation assessment were as follows:

- To improve the Committee's pro-activeness around risk, with agreed metrics established and consideration given to non-financial risks also;
- To focus succession planning for the Committee around a new NED with accounting skills, as well as a real estate background;
- To arrange industry relevant technical training in relation to technical issues for property companies, including the impact of climate change on valuations.

Reflecting on the effectiveness of the Committee during the year, the evaluation concluded that the Committee had a good understanding of asset impairment reviews, giving comprehensive scrutiny and challenge and it communicated very well with the Board and external auditors.

However, there was agreement that more progress was needed on early identification and analysis of risk.

By order of the Audit & Risk Committee

T.K. Quigley

Tom Quigley
Chair of the Audit & Risk Committee, 29 April 2022

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 2021 it met three times.

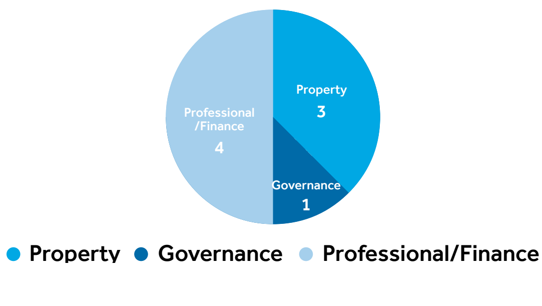
The Remuneration & Nomination Committee members are currently Non-Executive Directors Nicholas Winsor (Chair), Carolyn Dwyer and Ann Santry.

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:

Sector



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.

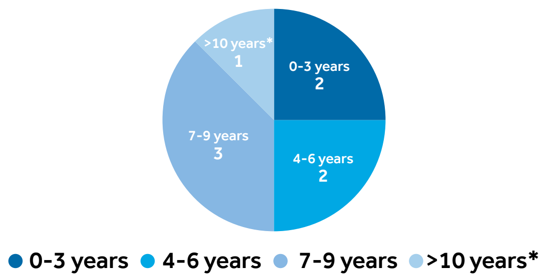
Appointments

In 2020, the 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.

Subsequently, the Board reviewed proposals from a number of independent search firms before appointing Berwick Partners to lead the search for one additional NED. This resulted in 46 candidates putting their names forward, 6 of whom were shortlisted. After interviews, Carolyn Dwyer was selected and following approval from the States Assembly was appointed to the Board on 23 April 2021.

The current tenure of Board members is as follows:

Tenure (Years)



* relates to an Executive Director.

In conjunction with the management team, the Committee also considered the organisational structure of the Company, and how this should evolve to support future growth envisaged under the approved 10 Year Business Plan. As a consequence, two new senior positions were recommended to, and approved by the Board: Finance Director and Project Director. In addition, the roles of the incumbent Managing Director and Finance Director were repositioned as Chief Executive Officer and Deputy Chief Executive Officer/Commercial Director. Remuneration of all these positions was externally benchmarked against market.

Remuneration & Nomination Committee Report (continued)

Appointments (continued)

On receipt of Shareholder approval for the new roles, the search began for the Project Director and Finance Director, using independent firms: Thomas and Dessain (Finance Director) and Berwick Partners (Project Director). Following a robust process, candidates were short-listed for interview and Judy Greenwood (Finance Director) was appointed in October 2021. Warren Roberts was appointed Project Director and will start with the company in April 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 internal evaluation was undertaken wherein each member of the Committee completed a detailed questionnaire and the outcomes and actions agreed from the 2021 evaluation assessment were as follows:

- To focus on succession planning for the Board.
- Seek additional external input on all matters considered by the Committee.
- Review all HR policies, including the Pay Policy, with external support.
- Review and update the Board's skills matrix.

As a result of last year's review, assistance from an external HR provider was sought this year, to advise the Committee on approach and areas of improvement. In 2022, additional emphasis will be placed on Succession Planning for both Executive and Non-Executive positions.

Staff Well-being

Non-Executive Director Remuneration

As per the MoU, any changes to the level of remuneration paid to Non-Executive Directors are to be agreed in advance by the Minister. The MoU also states that the Board will undertake a review and benchmarking of directors' remuneration and terms of employment at least every two years. An external review of non-executive pay was undertaken in 2020, following which no increase in remuneration for 2021 was proposed. A follow-up review is planned for 2022.

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 approves the Remuneration Report at the Annual General Meeting.

As referenced in last year's report, the 2019 review of executive remuneration identified that while fixed pay is broadly in line with market, the incentive scheme is materially below market median. A further benchmarking review in 2021 was undertaken by Mercers and the results showed fixed pay to be slightly below market median and variable pay significantly below this benchmark.

Incentive scheme for Executive Directors

A non-pensionable short-term discretionary incentive scheme was in place throughout the year.

Following the conclusions of the independent benchmark report and discussions with the Shareholder, the Shareholder agreed to increase the short-term variable pay for the two Executive Board Directors from 20% to 40%. 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.

Remuneration & Nomination Committee Report (continued)

Incentive scheme for Executive Directors (continued)

For 2021, a Balanced Scorecard approach was adopted, to assess the level of Executive bonus payable, dependant on the progress made against the aforementioned objectives. The Shareholder has been consulted on the content and design of the Scorecard.

As previously noted, during 2021 Executive Director pay was reviewed against external sources and while base pay was found to be below the market median, it was agreed to leave it unchanged but to increase the maximum short-term incentive bonus to 40% instead. While this increase is Short Term Incentive Plan (STIP) has partly addressed the gaps to benchmark, further work is underway to resolve the lack of Long-Term Incentive Plan (LTIP) for Executive Directors. Employee salaries were also benchmarked to comparator companies 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 2021 average increase of all salary recommendations was 1.4%. The Committee has noted the inflationary pressures building in the local market and this will be reflected in the 2022 pay review, with an average increase of 2.9%, excluding new hires and promotions.

Directors' Remuneration

	Salary / Fees £	Benefits £	Bonus £	Pension £	2021 Total £	2020 Total £
Executive Directors						
Lee Henry	182,650	1,885	54,795	27,398	266,728	234,585
Simon Neal	147,200	-	44,160	22,080	213,440	187,525
Non-Executive Directors						
Nicola Palios*	-	-	-	-	-	18,767
Paul Masterton	40,000	-	-	-	40,000	30,070
Ann Santry	22,000	-	-	-	22,000	22,000
Richard Barnes	22,000	-	-	-	22,000	22,000
Tom Quigley	25,000	-	-	-	25,000	25,000
Nicholas Winsor**	22,000	-	-	-	22,000	9,864
Carolyn Dwyer***	15,170	-	-	-	15,170	-
Total	**476,020**	**1,885**	**98,955**	**49,478**	**626,338**	**549,811**

*retired 19 June 2020
** appointed 20 July 2020
***appointed 23 April 2021

The Remuneration and Nomination Committee met three times during 2021, details of which are included in the Governance Report.

Company staff policies

The Committee refreshed the Company's Equality, Diversity and Inclusion policy during the year, to ensure that the policy extended Company wide, to provide a workplace where colleagues are treated fairly and able to give of their best. The Whistleblowing Policy was also revised to make reporting lines clearer and disclosure easier. Both policies were recommended to the Board for approval. The Committee is also developing a revised Pay Policy, to improve transparency, for approval in 2022.

Workforce engagement

Following a review of The Charter, it was updated to reflect the changes to the UK Corporate Governance Code, wherein the Committee is required to disclose more details on workforce engagement and wider remuneration considerations. Ann Santry was appointed as the workforce liaison with the Board on 13th May 2021, to facilitate improved communications.

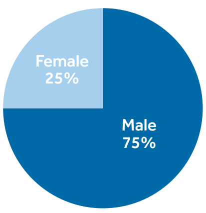
Remuneration & Nomination Committee Report (continued)

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.

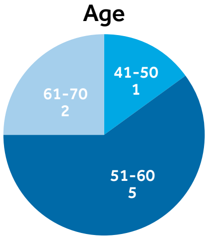
The current profile of the Board is as follows:

Gender



● Male ● Female

Age



● 41-50 ● 51-60 ● 61-70

In 2021 the Company agreed to participate in the Government of Jersey ("GoJ") I WILL ("Inspiring Women into Leadership") initiative offering women working within GoJ the opportunity to experience working with an external board of directors, to enhance and develop their leadership skills through observation and engagement with Non-Executive Directors. As a result, Fiona Smith, Head of Business Management and Governance for Economy within the GoJ was recruited as a board apprentice, with her appointment approved on 13th May 2021. She attends meetings as an observer.

The composition of our employees by gender is presented below:

	2021		2020	
	Male	Female	Male	Female
Company (excluding Board)	47%	53%	46%	54%
Executive Team	67%	33%	100%	0%
Senior management team (excluding Executive Team)	40%	60%	25%	75%
Board (excluding Executive Directors)	67%	33%	85%	15%

By order of the Remuneration & Nomination Committee

Nicholas Winsor
Chair of the Remuneration & Nomination Committee, 29 April 2022

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

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.

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 almost all cases, been entrusted to the Company by the Government of Jersey.

The Company's mission is to be the GoJ'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 52.

A dividend of £259,312 was declared and paid during the year (2020: £326,055) as detailed in note 17.

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
Tom Quigley
Richard Barnes
Nicholas Winsor MBE
Carolyn Dwyer (appointed 23 April 2021)

Company Secretary

The Company Secretary who held office for the whole of the year and subsequently 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

A resolution to re-appoint Ernst & Young LLP as the auditor will be proposed at the next Annual General Meeting.

Directors' Report (continued)

Statement of Directors' Responsibilities

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 2023, being not less than 12 months from the date of the financial statements, which consider the Group's current obligations and commitments, combined with a significant reduction in investment property income and direct or indirect property sales. 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 he, or she ought to have taken, as a director in order to make himself, or herself aware of, any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By order of the Board

For and on behalf of

The States of Jersey Development Company Limited,
29 April 2022

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

Opinion

We have audited the consolidated financial statements ('the financial statements') of The States of Jersey Development Company Limited (the "Group") for the year ended 31 December 2021, 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 the related notes 1 to 23, 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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 below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the UK 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 doubt on the Group's ability to continue as a going concern up to 30 June 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's opinion thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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:

- proper accounting records have not been kept by the Company, or proper 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 Company's 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 set out on page45, 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.

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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 or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

Our approach was as follows:

- We understood the legal and regulatory frameworks that are applicable to the Group and determined that the most significant to be the Companies (Jersey) Law 1991 and the International Financial Reporting Standards.
- We understood how the Group is complying with these frameworks by making inquiries with management and those charged with governance regarding:
  - their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
  - the Group's methods of enforcing and monitoring compliance with such policies;
  - management's process for identifying and responding to fraud risks in the Group, including programs and controls it has established to address risks identified by the Group, or that otherwise prevent, deter and detect fraud; and
  - how management monitors those programs and controls. Inquiries were also made with the directors and Group representatives regarding their views on business practices and ethical behaviour.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
(continued)

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by:
    - obtaining an understanding of entity-level controls and considering the influence of the control environment;
    - obtaining management's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessments;
    - making inquiries with those charged with governance as to how they exercise oversight of management's processes for identifying and responding to fraud risks and the controls established by management to mitigate specific those risks the entity has identified or that otherwise help to prevent, deter and detect fraud;
    - making inquiries with management and those charged with governance regarding how they identify related parties, including circumstances related to the existence of a related party with dominant influence; and
    - making inquiries with management and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the Group.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board and committee minutes, inquiries of management and those charged with governance, and focused substantive testing.

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

Andrew Jonathan Dann, FCA
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
4 May 2022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03

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Rental Income	4.1	3,311	2,896
Revenue from contracts with customers	4.2	756	1,145
Net gain on investment property held at fair value through profit or loss	5	745	115
Other income		157	71
Income		**4,969**	**4,227**
Service charge expense		(588)	(977)
Pre-development expenses	4.7	72	(403)
Share of loss on joint venture	15	(732)	(271)
Employee benefits and other remuneration expense	4.3	(1,251)	(1,209)
Premises and establishment expense		(190)	(163)
Estate management expense	4.4	(494)	(440)
Depreciation of property, plant and equipment	6	(50)	(44)
Depreciation of right-of-use assets	7	(152)	(152)
Expected credit losses of trade and other receivables	10	(190)	(227)
Impairment of inventory	8	(200)	-
Other expenses	4.5	(479)	(248)
Total expense before finance costs		**(4,254)**	**(4,134)**
Finance income		248	360
Finance costs	4.6	(455)	(450)
Finance costs - net		(207)	(90)
Operating profit		**508**	**3**
Profit for the year		**508**	**3**

There is no other comprehensive income as defined by IAS 1 ("Presentation of Financial Statements") and therefore profit for the year is the total comprehensive income for the year.

The notes on pages 56 to 84 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investment property	5	33,950	33,205
Property, plant and equipment	6	61	81
Right-of-use Asset	7	12	164
Trade and other receivables	10	7,499	7,307
Net Investment in the finance lease	7	-	6
Investment in a Joint Venture	15	6,197	6,929
		47,719	**47,692**
Current Assets			
Inventories	8	23,942	20,075
Other current assets	9	2,022	-
Trade and other receivables	10	1,180	795
Net Investment in the finance lease	7	9	115
Short-term deposits		9,793	12,524
Cash and cash equivalents		23,011	10,116
Total Current Assets		**59,957**	**43,625**
Total Assets		**107,676**	**91,317**
Equity			
Equity attributable to equity			
Share capital	11	20,000	20,000
Capital contribution		20,196	20,196
Retained earnings		38,258	38,009
Total Equity		**78,454**	**78,205**
Liabilities			
Non-current liabilities			
Borrowings	12	25,051	10,408
Lease Liabilities	7	-	20
Retention money payable	13	83	-
Trade and other payables	14	20	73
Total non-current liabilities		**25,154**	**10,501**
Current liabilities			
Borrowings	12	711	687
Lease Liabilities	7	22	264
Trade and other payables	14	3,335	1,660
Total Current liabilities		**4,068**	**2,611**
Total liabilities		**29,222**	**13,112**
Total Equity and liabilities		**107,676**	**91,317**

The consolidated financial statements were approved by the Board of Directors on 29 April 2022 and signed on their behalf

by Director.

The notes on pages 56 to 84 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	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	18	-	-	(259)	(259)
At 31 December 2020		**20,000**	**20,196**	**38,258**	**78,454**

	Note	Share Capital £'000	Capital Contribution £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2020		**20,000**	**20,196**	**38,332**	**78,528**
Comprehensive Income:					
Profit for the year		-	-	3	3
Dividend	18	-	-	(326)	(326)
At 31 December 2020		**20,000**	**20,196**	**38,009**	**78,205**

The notes on pages 56 to 84 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Cash flows from operating activities			
Profit for the year		508	3
Adjustment for:			
- Share of loss on joint venture	15	732	271
- Depreciation of property, plant and equipment	6	50	44
- Depreciation of right-of-use assets	7	152	152
- Impairment of right-of-use assets	7	-	-
- Net gain on investment property held at fair value through profit or loss	5	(745)	(115)
- Expected credit losses of trade and other receivables	10	190	227
- Plant, property and equipment written down	6	-	3
- Impairment of inventory	8	200	-
- Finance expense (net)		207	90
- Pre-development expenses	4.7	(72)	(403)
Changes in working capital:			
- Increase / (Decrease) in retention payable	13	47	(605)
- (Increase) in trade and other receivables		(568)	(510)
- Increase / (Decrease) in trade and other payables		454	(838)
- (Increase) in other current assets		(1,620)	-
- (Increase) in inventories	8	(3,346)	(1,091)
Cash generated from operations		**(3,811)**	**(1,752)**
Interest received		68	105
Interest paid		(421)	(427)
Net cash generated from operating activities		**(4,164)**	**(2,074)**
Cash flows from investing activities			
Acquisition of Property, plant & equipment	6	(30)	(37)
Receipt of rent from net investment in the finance lease	7	127	121
Short-term deposits matured		2,700	-
Net cash used from investing activities		**2,797**	**84**
Cash flows from financing activities			
Repayment of borrowings	12	(687)	(664)
Additional borrowings	12	15,500	-
Repayment of lease liabilities	7	(292)	(292)
Dividend paid		(259)	(2,326)
Net cash used in financing activities		**(14,262)**	**(3,280)**
Net increase / (decrease) in cash and cash equivalents		**12,895**	**(5,270)**
Cash and cash equivalents at the beginning of the year		10,116	15,386
Cash and Cash Equivalents at the end of the year		**23,011**	**10,116**

The notes on pages 56 to 84 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 the 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.

Going concern

The Covid-19 pandemic continued to cause a significant negative economic impact on Island businesses during the year. Management has assessed the Group's financial stability and liquidity for the period up to 30 June 2023, being not less than 12 months from the date of the financial statements, which consider the Group's current obligations and commitments, combined with a reduction in mainly car park (investment property) income.

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").

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 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 2021 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.

2.2 Basis of Consolidation (continued)

Income and cash flow statement (continued)

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 an employee of the Company who is a member of the Royal Institute of Chartered Surveyors ('RICS'). Fair value reflects, among other things, rental income from current leases, car park receipts and assumptions about rental income from future leases in light of current market conditions. Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board, but at least once every five years 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") 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 portable. This condition requires that the Group is actively seeking to take control of the land or property and that there is no indication that the land or property is not available for sale or transfer.

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.

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 (a 12-month ECL). 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 (a lifetime ECL).

For trade receivables and contract assets, the Group applies an approach similar to 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)

Financial liabilities (continued)

Initial recognition and measurement (continued)

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

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 11.

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.

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).

2.14 Borrowings costs (continued)

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.

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:

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.
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.
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.
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.
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 period the cost can be contractually recovered. 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. The Group arranges for third parties to provide certain services to its tenants and concludes that it acts as a principal in relation to these services, as it controls the specified services before transferring them to the customer.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.16 Revenue Recognition (continued)

a) Revenue from contracts with customers (continued)

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.

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 in relation to defined contribution 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 and childcare 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 inspecie 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.

2.21 Significant accounting judgements, estimates and assumptions (continued)

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:

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 pre-acquisition 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 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 2021, other current assets include pre-acquisition 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 is judged to be probable on the basis that procedures to transfer the land have already been initiated.

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 an employee of the Company who is a member of the Royal Institute of Chartered Surveyors ('RICS'). 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.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies (continued)

2.21 Significant accounting judgements, estimates and assumptions (continued)

c) Valuation of investment property (continued)

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.

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.

d) 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 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 11. No adjustment is made to the IBR since IBR is the market rate and the leases are in the functional currency.

e) Provision for expected credit losses 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 9.

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.

3. Financial Risk Management (continued)

a) Liquidity risk

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

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.

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

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**

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 2020	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)	699	53	20	-	**772**
- Accruals	960	-	-	-	**960**
Lease liabilities	292	24	-	-	**316**
Interest-bearing borrowings	1,065	1,065	5,323	6,388	**13,841**

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.

Notes to the Consolidated Financial Statements (continued)

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. Generally, trade receivables are referred to Petty Debts court, as appropriate.

At 31 December 2021, the Group had one customer (2020: one) that owed more than £250,000 and accounted for approximately 40% (2020: 70%) of all the receivables outstanding. ECL 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 50% of the outstanding dues of the amount owed until 25 August 2021 and the balance 50% has been recorded as ECL. 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 2021	Trade receivables Days past due					
	Current £'000	< 30 days £'000	30 - 60 days £'000	61 - 90 days £'000	> 91 days £'000	Total £'000
ECL Rate		50%	50%	50%	50%	
Carrying amount at default	-	-	-	-	833	**833**
ECL	-	-	-	-	417	**417**

31 December 2020	Trade receivables Days past due					
	Current £'000	< 30 days £'000	30 - 60 days £'000	61 - 90 days £'000	> 91 days £'000	Total £'000
ECL Rate		50%	50%	50%	50%	
Carrying amount at default	-	11	-	-	442	**453**
ECL	-	6	-	-	221	**227**

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.

The Group's investment in the joint venture as 31 December 2021 included its loan to the joint venture and its equity interest. An impairment analysis is performed at each reporting date to measure expected credit losses 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 ECL arising on the loan to joint venture is negligible.

c) **Credit risk** (continued)

For items subject to credit risk classified as current assets, 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 2021.

As at the 31 December 2021, the Group had the following credit risk exposures:

	2020 £'000	2019 £'000
Non-current assets		
- Loan to Joint Venture	7,361	7,147
- Other receivables	138	160
- Net Investment in the finance lease	-	6
	7,499	**7,313**
Current assets		
- Amounts due from related parties	-	-
- Trade receivables	831	595
- Other receivables	126	151
- GST Refund	33	8
- Deposits	9,793	12,524
- Net Investment in the finance lease	9	115
- Cash and cash equivalents	23,011	10,116
	33,803	**23,509**
	41,302	**30,822**

As at 31 December 2021, the Group's maximum exposure to credit risk was £41,302,315 (2020: £30,821,981), and it had a concentration of credit risk of £23,010,599 (2020: £10,116,090) with its bankers/brokers and a concentration of credit risk of £7,361,026 (2020: £7,146,627) 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.

d) **Market risk** (continued)

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 currently has both long-term variable-rate and fixed-rate borrowings (Note 11).

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.

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

	2021 £'000	2020 £'000
Income from investment property	2,543	2,283
Income from inventory property	759	569
Income from right-of use assets	9	44
	3,311	**2,896**

Notes to the Consolidated Financial Statements (continued)

4. Revenue and Expenses
(continued)

4.2 Revenue from contracts with customers

	2021 £'000	2020 £'000
Service charge income	527	925
Property management charges	229	220
	756	**1,145**

Service charge income relates to the recharging of tenants for the maintenance of the Waterfront Leisure Centre and Trenton Square (2020: Waterfront Leisure Centre, IFC 5 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 14.

4.3 Employee benefits and other remuneration expenses

	Note	2021 £'000	2020 £'000
Wages & salaries		1,029	1,018
Social security		40	41
Pension costs for defined contribution plans	21	102	101
Other staff-related expenses		80	49
		1,251	**1,209**

The average number of employees in 2021 was 14 (2020: 12).

4.4 Estate management expense

	2021 £'000	2020 £'000
Waterfront car park	220	216
Other	274	224
	494	**440**

Estate management expenses arising from the Waterfront car park include non-recurring expenses of £66,973 (2020: £147,000).

4.5 Other expenses

	2021 £'000	2020 £'000
Legal, consultancy and professional	271	90
Audit services	61	73
PR and Marketing	74	41
Community Engagements	41	27
Plant, property and equipment written down	-	3
Other	32	14
	479	**248**

4.6 Finance costs

	2021 £'000	2020 £'000
Interest on borrowings	416	426
Interest on lease liabilities	30	22
Interest on provision for dilaps	3	-
Total interest expense	449	448
Bank charges	6	2
	455	**450**

4.7 Pre-development expenses

Pre-development expenses include £330,690 relating to ground investigations and professional fees incurred on the future development at Key Opportunity Site 3 (KOS) at South West St Helier (2020: £Nil).

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 are expensed as the site is classified as Investment Property (Waterfront Leisure Centre) measured at fair value through profit and loss.

Pre-development expenses also include professional fees incurred on the South Hill development. Expenses include 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 as of 31 December 2020 or 2021, the directors have reconsidered the prior period costs and conclude that the transfer of the land was probable and the costs are eligible for capitalisation as other current assets.

5. Investment property

	2020 Leasehold £'000	2019 Leasehold £'000
As at 1 January	33,205	33,090
Additions	-	-
Disposal	-	-
Net gain in the fair value of investment properties	745	115
As at 31 December	**33,205**	**33,090**

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

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 / (loss) from fair value adjustments	50	560	135	745
As at 31 December 2021	**15,500**	**17,900**	**500**	**33,950**

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 2020	**15,500**	**17,340**	**250**	**33,090**
Additions during the year	-	-	-	-
Disposal during the year	-	-	-	-
Net gain / (loss) from fair value adjustments	-	-	115	115
As at 31 December 2020	**15,500**	**17,340**	**365**	**33,205**

Valuation processes

The Company has an RICS qualified employee who 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 RICS qualified employee reports directly to the CEO, 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, 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.

Notes to the Consolidated Financial Statements (continued)

5. Investment property (continued)

Valuation processes (continued)

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. Independent professionally qualified valuers Sarre & Co, who hold a recognised relevant professional qualification and have relevant experience in the locations and segments of the investment properties, valued the Waterfront Leisure Centre on 31 December 2020.

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	Anticipated net income £ / Net Yield %	
			2021	2020
Waterfront Car Park	"All risk yield comparison" (refer below)	Annual rental revenue	£1,080,108	£1,106,913
		Net Yield p.a.	6.84%	7.03%
Waterfront Leisure Centre	"All risk yield comparison" (refer below)	Annual rental revenue	£1,229,220	£1,191,721
		Net Yield p.a.	6.76%	6.77%
Public Square	"All risk yield comparison" (refer below)	Annual rental revenue	£33,071	£29,679
		Net Yield p.a.	6.38%	7.85%

The "All risk yield comparison" (ARY) is a conventional real estate metric that uses annual 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.

Yield sensitivity analysis:

Investment Property	31 December 2021			31 December 2020		
	-0.5% £'000	0% £'000	+0.5% £'000	-0.5% £'000	0% £'000	+0.5% £'000
Waterfront Car Park	16,806	15,500	14,468	15,842	15,500	13,730
Waterfront Leisure Centre	19,184	17,900	16,778	18,737	17,340	16,137
Public Square	550	500	458	400	365	336

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 2021	37	6	41	70	-	154
Additions	5	-	17	-	8	30
Disposals / Write-offs	-	-	-	-	-	-
At 31 December 2021	**42**	**6**	**58**	**70**	**8**	**184**
Depreciation						
At 1 January 2021	7	2	24	40	-	73
Charge for year	13	1	8	28	-	50
Disposals / Write-offs	-	-	-	-	-	-
At 31 December 2021	**20**	**3**	**32**	**68**	**-**	**123**
Net Book Value						
At 31 December 2021	**22**	**3**	**26**	**2**	**8**	**61**
At 31 December 2020	**30**	**4**	**17**	**30**	**-**	**81**

7. Leases

Group as a lessee

The Group has a lease contract for an office building that expires on 22 January 2022. The Group has subleased part of the leased assets. There is no option to extend the termination date.

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

Right-of-use assets

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

Building lease	2021 £'000	2020 £'000
As at 1 January	164	316
Remeasurement of restoration costs	-	-
Transfer to net investment in the finance lease	-	-
Charge for year	(152)	(152)
Impairment for the year	-	-
As at 31 December	**12**	**164**

Lease liabilities

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

	2021 £'000	2020 £'000
As at 1 January	284	554
Lease payments	(292)	(292)
Finance costs	30	22
As at 31 December	**22**	**284**

Notes to the Consolidated Financial Statements (continued)

7. Leases (continued)

Lease liabilities

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

	2021 £'000	2020 £'000
As at 1 January	284	554
Lease payments	(292)	(292)
Finance costs	30	22
As at 31 December	**22**	**284**

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

	2021 £'000	2020 £'000
Non-current		
Lease Liabilities	-	20
Current		
Lease Liabilities	22	264
As at 31 December	**22**	**284**

The following are the amounts recognised in profit or loss:

	2021 £'000	2020 £'000
Depreciation expense of right-of-use assets	152	152
Interest on lease liabilities	30	22
Income from sub-leasing right-of-use assets	9	44

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

Amounts recognised in the statement of cash flows:

	2021 £'000	2020 £'000
Total cash outflow for leases	(292)	(292)
Total cash inflow for income from sub-leasing right-of-use assets	127	121

The Group has a new lease contract that had not yet commenced as of 31 December 2021. The future lease payments for this non-cancellable lease contract is £76,598 within one year, £326,048 between one to five years and £4,913 after five years.

7. Leases (continued)

Group as a lessor

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

	2021 £'000	2020 £'000
Finance lease		
Finance Income on the net investment in the finance lease	7	4
Operating lease		
Lease income recognised by the Group during the year is disclosed in Note 4.1		

Finance Lease

The Group sub-leases an office building that it leased in 2017. The Group has classified two of the sub-leases as a finance lease because they are 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 expire 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:

	2021 £'000	2020 £'000
Less than 1 year	10	121
One to two years	-	7
Two to three years	-	-
Three to four years	-	-
Four to five years	-	-
More than five years	-	-
Total undiscounted lease payments receivable	**10**	**128**
Unearned finance income	(1)	(7)
Net investment in the finance lease	**9**	**121**

	2021 £'000	2020 £'000
Non-current		
Net investment in the finance lease	-	6
Current		
Net investment in the finance lease	9	115
	9	**121**

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:

	2021 £'000	2020 £'000
Less than 1 year	1,211	1,192
One to two years	1,236	1,192
Two to three years	1,244	1,224
Three to four years	1,244	1,224
Four to five years	1,144	1,224
More than five years	1,029	2,138
Total undiscounted lease payments	**7,108**	**8,193**

8. Inventories

	2021 £'000	2020 £'000
Freehold land	1,823	1,823
Leasehold land	15,668	18,252
Leasehold building	-	-
Property under construction	6,451	-
	23,942	**20,075**

'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.

'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)

	2021 £'000	2020 £'000
As at 1 January	20,075	18,997
Additions	4,067	1,091
Transfer to pre-development costs written off	-	(13)
Impairment for the year	(200)	-
As at 31 December	**23,942**	**20,075**

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 biannually.

Impairment of Inventory Costs

During the year, 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 2021.

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

The Board has concluded that the NRV of all inventory is greater than its carrying value as at 31 December 2020, 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

	2021 £'000	2020 £'000
Pre-acquisition costs	2,022	-
	2,022	**-**

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

	2021 £'000	2020 £'000
As at 1 January	-	-
Additions	2,022	-
Impairment for the year	-	-
As at 31 December	**2,022**	**-**

Impairment of Pre-acquisition costs

During the year, no impairment was considered necessary to pre-acquisition costs.

As at 31 December 2021, 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	2021 £'000	2020 £'000
Trade receivables	1,248	822
Contract assets	126	151
GST Refund	33	8
Prepayments	190	41
Allowance for expected credit losses	(417)	(227)
	1,180	**795**

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

Trade and other receivables over one year	Note	2021 £'000	2020 £'000
As at 1 January		227	-
Provision for expected credit losses	3c)	190	227
As at 31 December		**417**	**227**

Trade and other receivables over one year	2021 £'000	2020 £'000
Loan to Joint Venture	7,361	7,147
Other receivables	138	160
	7,499	**7,307**

11. Share Capital

Equity share capital	2021 £'000	2020 £'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**

12. Borrowings

The Group's fixed rate borrowings of £10.41m (2020: £11.10m) 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 for £15.5m (2020: £nil) are at floating rates of interest. Interest costs may increase or decrease as a result of interest rate fluctuations.

	2021 £'000	2020 £'000
As at 1 January	11,095	11,759
Drawn down	15,500	-
Amortisation of the arrangement fees	(146)	-
Repayments	(687)	(664)
As at 31 December	**25,762**	**11,095**

	2021 £'000	2020 £'000
Non-current		
Bank borrowings	25,051	10,408
Current		
Bank borrowings	711	687
	25,762	**11,095**

The bank borrowings are secured on inventory and investment property to the value of £56.4m (2020: £17.3m) and bear an average interest rate of 3.62% (2020: 3.56%). 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 2021 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:

	2021 £'000	2020 £'000
Expiring within one year	-	-
Expiring beyond one year	28,500	6,000
	28,500	**6,000**

Notes to the Consolidated Financial Statements (continued)

13. 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	2021 £'000	2020 £'000
Non-current		
Retentions payable after 12 months	83	-
	83	**-**

14. Trade and other payables

Trade and other payables under 1 year	Note	2021 £'000	2020 £'000
Amounts due to related parties	19	30	100
Trade payables		1,218	131
Other liabilities		90	195
Provision for dilapidation		88	58
Accruals and deferred income		1,909	1,176
		3,335	**1,660**

Within accruals and deferred income is accrued interest amounting to £60,783 (2020: £53,289).

Trade and other payables over 1 year	2021 £'000	2020 £'000
Provision for dilapidation	-	53
Other liabilities	20	20
	20	**73**

Provision for dilapidation	2021 £'000	2020 £'000
As at 1 January	111	115
Additions	-	-
Utilised	(26)	(4)
Unwinding of discount	3	-
As at 31 December	**88**	**111**

A provision for dilapidation is as a result of the Group's obligation to restore Dialogue House to a specific state under the terms of its lease with the landlord of Dialogue House.

14. Trade and other payables (continued)

	2021 £'000	2020 £'000
Non-current		
Provision for dilapidation	-	53
Current		
Provision for dilapidation	88	58
	111	**115**

15. 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 2021 are set out below:

Summarised Consolidated Statement of Financial Position of Waterfront Development (6C) Limited:	2021 £'000	2020 £'000
Current assets, including cash and cash equivalents of £2,885,235 (2020: £2,394,895) and trade & other receivables of £14,012 (2020: £19,833)	70,967	44,532
Non-current assets	1,051	1,060
Current liabilities including sales deposits £9,433,076 (2020: £nil)	(13,022)	(1,129)
Non-current liabilities including sales deposits £4,085,985 (2020: £11,584,776) and shareholder loan & borrowings of £44,622,052 (2020: £22,543,254)	(49,900)	(35,205)
Equity	**9,096**	**9,258**

	2021 £'000	2020 £'000
Group's share in equity - 50%	4,548	4,629
Consolidation adjustment for elimination of interest on loan	(651)	-
Fair value adjustment for gain upon initial recognition	2,300	2,300
Group's carrying amount	**6,197**	**6,929**

Notes to the Consolidated Financial Statements (continued)

15. Investment in a Joint Venture (continued)

Summarised Consolidated Statement of Comprehensive Income of Waterfront Development (6C) Limited:	2021 £'000	2020 £'000
Revenue	3	33
Administrative expenses	(185)	(775)
Audit fees	(14)	(15)
Finance income (net)	-	-
Loss before tax	**(196)**	**(757)**
Income Tax expense	-	-
Deferred Tax	33	215
Loss for the year (continuing operations)	(163)	**(542)**
Total comprehensive loss for the year (continuing operations)	**(163)**	**(542)**
Group's share of loss for the year	(81)	(271)
Consolidation adjustment for elimination of interest on loan	(651)	-
Group's share of total loss for the year	(732)	-

The Group's share of the loss for the year was £732,425 (2020: £271,077).

For the year ended 31 December 2021, 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 2021 totalling £44.72m (2020: £68.73m). Waterfront Development (6C) Limited is prohibited from distributing its profits without the consent of its two shareholders.

16. Commitments and contingencies

The Group has no significant contingent liabilities.

The Group's undrawn commitment to the Joint Venture as at 31 December 2021 was £325,000 (2020: £325,000).

Other than those disclosed in note 14 in relation to the joint venture, the Group has capital commitments of £38.94m (2020: £nil) in respect of developments under construction.

17. 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 services purchased in Jersey.

18. Dividend

During the year, a cash dividend of £259,312 (2020: £326,055) was declared and was fully paid during the year.

19. 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

Disposal of subsidiaries

No disposal of subsidiaries occurred in 2021.

Notes to the Consolidated Financial Statements (continued)

20. Related party transactions

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

Name of the related party	2021 (Income) / Expenses for the year £'000	2021 Outstanding at year end £'000	2020 (Income) / Expenses for the year £'000	2020 Outstanding at year end £'000
Key Management Personnel				
Key Management Personnel	632	104	734	76
Government of Jersey				
Rental income and reimbursement of various expenses	(835)	2	(643)	(47)
Planning fees	227	-	-	-
Reimbursement of expenses, stamp duty, subscriptions and sponsorship	23	18	53	(53)
Ports of Jersey				
Rental income and reimbursement of various expenses	(152)	-	(132)	-
Transactions with a Joint Venture				
Joint Venture	(265)	-	(339)	-
Transactions with Government of Jersey related entities				
Utilities	101	10	85	-

The details regarding the dividend for the year are disclosed in Note 17.

The Group advanced additional loans amounting to £nil (2020: £nil) to Waterfront Development (6C) Limited during the year. As at 31 December 2021, the total of the loans advanced was £7.15m (2020: £7.15m).

21. 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.

22. Pension costs

The Group pays contributions for 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 £101,662 (2020: £101,417).

23. Events after the reporting period

There are no adjusting or non-adjusting events after the reporting date.

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