Jersey Development Company
Annual Report & Consolidated Financial Statements 2019

JERSEY DEVELOPMENT COMPANY

KEY ACHIEVEMENTS 2019

College Gardens

- College Gardens residential development completed in May 2019
- 187 apartments
- 80 category A (Affordable homes)
- Profit of £5.9m - with £5m to be used for Government infrastructure profits
- Wins 'Project of the Year' over £5m at JeCC Awards 2019

IFC 5

- Sold for £46.6m (reflecting a yield on income of 5.75%)
- Open market land value assessed as £4.25m resulting in a profit of £6.55m (18% return on total cost)
- 95% Let at year end
- Wins the 'Sustainability Award' at the 2019 JeCC Awards
- Official inauguration of Trenton Square by the Mayor of Trenton, NJ, Reed Gusciora

Horizon

- 225 pre-sold units to the value of £95.49m
- Assisted 58 First-time buyers to step onto the property ladder utilising the JDC phased payment plan as at 31 December 2019

Contents

Directors, Officers and Professional Advisers

Non-Executive Directors

Nicola Palios (Chair) (re-appointed 2 February 2019)
Paul Masterton (Senior Independent Director)
Ann Santry CBE
Tom Quigley (re-appointed 1 November 2019)
Richard Barnes (re-appointed 1 November 2019)

Executive Directors

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

Company Secretary

Simon Neal

Registered Office

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

Place of Incorporation

Jersey

Auditors

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

Chair's Statement

The States of Jersey Development Company Limited ("the Company" or "JDC") is the property development arm of the Government of Jersey. The Company follows directions set by the Regeneration Steering Group and the Company's shareholder, as represented by the Minister for Treasury and Resources.

JDC's remit is to create value for the public of Jersey and will assist Government in property matters in whatever way it can.

Since March 2020, the organisation has been focused on managing the impact of the COVID-19 pandemic on the business. Despite a significant reduction in income since the pandemic affected the Island, the Company is on a sound financial footing to weather the storm.

2019 was another landmark year for the Company building on the outstanding results for 2018. Highlights for the year include:

- The successful sale of IFC 5 setting a record yield for this type of investment in Jersey from that achieved on IFC 1 in 2018;
- The completion and handover of 53 residential apartments at College Gardens;
- 225 out of 280 units now pre-sold at Horizon.

During the year, the Company arranged to transfer the bus station to the Government and paid it a £2m dividend. It also set aside £5m for infrastructure projects which will be spent as directed by the Government of Jersey.

Stakeholder engagement

In the past some observers have understandably had concerns about both the demand for the buildings being developed by the Company and the Company's ability to deliver them in a risk free and profitable manner. With the Company now having completed and sold its first three developments at IFC 1, IFC 5 and College Gardens, we have demonstrated demand and that we can deliver high quality buildings and public realm in an efficient and profitable manner. The projects we have delivered have provided a stimulus to the local economy in terms of employment, as well as enabling our finance industry to show that it can provide first class infrastructure and space, comparable to any of the world's leading financial centres.

Following the adoption of the Southwest St Helier Planning Framework as Supplementary Planning Guidance in December 2019, the Company has advanced plans on its Waterfront sites by launching a competition for Architects to produce a vision of what can be delivered. The Framework provides that the sites in the Company's ownership will be predominantly for residential development, but we will continue to consult with government and the public on the more detailed plans, to ensure everyone has the opportunity to influence the outcome. Following that input, the Company aims to submit an outline planning application before the end of 2020.

Current and Future Developments

The year has also seen the Company progressing another high-profile residential development, Horizon. This will deliver 280 apartments in 3 buildings overlooking Elizabeth Marina. Work is well under way on construction of the basement and pre-sales have been particularly strong, enabling the Company to meet the presale targets for all phases. 80% of the units were sold as at 31 December and completion is due during 2022.

IFC 6 is ready to commence and the Company is in discussion with two tenants which are of sufficient size to allow construction to commence.

The Regeneration Steering Group has now agreed for the Company to develop both the former planning office at South Hill and Cyril Le Marquand House and we hope to advance plans during the course of the year, once the design briefs, provided by the Environment Minister, are in final form.

Chair's Statement (continued)

The Company plans to submit a detailed planning application by the end of the year.

Board and staff

I joined the board in 2011 when the Company's remit changed and it was permitted to directly develop, and an independent Board was appointed. Nine years have passed and my term of office is coming to an end and I am proud to have been part of the board that has overseen the transformation of the Company. JDC is now a major local developer delivering some of the Island's most sustainable, iconic and quality buildings. As my period of office is coming to an end, I am pleased to be handing over the Chairmanship to Paul Masterton who is currently the Senior Independent Director.

I would like to record my thanks to the Board and to the staff, for their continued hard work and dedication which has led to another excellent set of results. The Company is fulfilling its mandate and delivering significant financial and social returns to Jersey and to its residents and we look forward to continuing to support the Government on further projects that will benefit the Island.

Nicola Palios
Chair
21 May 2020

Managing Director's Report

2019 has been another successful year for the Company building on the record results for 2018. During the year JDC sold its second IFC building, IFC 5, realising a healthy commercial return, as well as completing and selling the last 53 residential apartments at College Gardens, including 12 affordable units.

College Gardens

Following the completion and sale of 5 blocks of apartments in 2018, the Company completed the last block and transferred these to the new owners in May. The College Gardens development provides 187 new apartments, including both open market and affordable properties. The development returned a financial profit of £5million and it has been agreed with the Shareholder that these funds will be allocated to public infrastructure projects, as directed by the Regeneration Steering Group. The development has also made a significant contribution to affordable housing, as well as redeveloping a landmark building and regenerating that part of St Helier.

The development comprises:

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

The 40 social rented units have been delivered by the Company on behalf of the Jersey Homes Trust. These units were completed and handed over to the Trust in April 2018.

JDC also delivered 40 shared equity units for first time buyers that had pre-qualified through the Housing Gateway. The Company worked with the Housing Minister and the Strategic Housing Unit to agree the eligibility criteria. These units were sold at a discount with prices ranging from £155,000 to £199,000 enabling 40 local individuals/couples, who were otherwise priced out of the housing market, the opportunity to buy their own home. The retained equity element of 10% (that has a value of £790,222 for all apartments) is held by the States Treasury and Exchequer. The shared equity units that were completed and handed over in 2019, resulted in a dividend of £293,555 paid to the Government in the year.

Managing Director's Report (continued)

International Financial Centre (IFC)

Financial Services is the Island's primary industry employing more than 13,000 people (21% of the total employment) and directly contributing 40% of the Island's GVA. It is vitally important that the Island has the right infrastructure to support and grow the industry and this extends to the provision of modern and efficient office space.

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

The IFC buildings are the highest quality office accommodation in Jersey and a testament to the design team (principally MJP Architects and Waterman Group), the main contractor (Camerons), and their various sub-contractors, as well as the Company's in-house project management team who set the specification, procured the design and build, and monitored the construction.

During the year, JDC completed further lettings in IFC 5 bringing the building's let position to 95% and the building was sold in July 2019 resulting in cash proceeds of £46.6m which represented a record yield for this type of investment in Jersey at 5.75%. With successful sales and financial performance on the first two IFC buildings, this has demonstrated that:

- There is sustained demand for modern, high quality, "super-prime" Grade A office space;
- The IFC has delivered the highest quality office space in St Helier with fully flexible floorplates;
- The IFC has achieved the highest rental levels in St Helier reflecting the higher quality and specification of the build and is considered the only "super-prime" Grade A office development in the Channel Islands;
- As a result of the blue-chip tenant covenants, the length of leases and the quality and specification of the office building, both IFC 1 and IFC 5 have been viewed as very attractive investments and the Company has achieved record yields locally at the time of selling;
- The achieved sales value has delivered a healthy profit for the Company that will be invested in public infrastructure.

JDC anticipates IFC 6 commencing in 2020 and the Company remains confident that based on the lease profiles of potential tenants and the number of enquiries that it has received, there will be sufficient demand to fill two further office buildings in the IFC within a 5-year timeframe. As a result, at the end of 2019 the Company submitted plans for IFC 2. If permitted, IFC 2 will be a 100,000 sq. ft. net internal area office building that will be located to the west of IFC 1 on the Esplanade. IFC 2 will complete the quartet of office buildings around the newly created Trenton Square.

Managing Director's Report (continued)

Horizon

JDC entered into a 50:50 joint venture (JV) with Groupe Legendre (GL) for Horizon, a scheme of 280 apartments between the Radisson Hotel and Castle Quay. Strategically, JDC sought a partner that would bring both construction expertise to the table and to share in the development risk and reward, a requirement that GL fully met.

GL is the 10th largest construction firm in France and in GL setting up in Jersey it has increased the capacity of the local construction market at a time when the industry is operating at full capacity. GL set up a new local company Legendre Contractors Limited to be the main contractor.

The development includes 18,000 sq. ft. of commercial space on the ground floor and 194 underground parking spaces. This is the first time that the Company has entered into a JV and it was assessed by the Board of Directors to be the optimum delivery route given the scale of the development (more than twice the cost of College Gardens and almost three times the value).

Construction of the project was disrupted in 2019 when the contractor was unable to pile due to below ground obstructions.

The obstructions turned out to be the remnants of the rock armour wall that formed phase 1 of the West of Albert reclamation site that crossed the Horizon site. GL had to excavate over 5,000 tons of boulders and concrete that had been left at the former beach level. It took six months to remove and completion has been delayed by the same period with the first building (East) now completing in 2022.

The Jersey residential property market has experienced significant price increases across all unit types during 2019 suggesting that supply is not keeping up with demand and there is now a lack of stock in the market. By the end of the year, 225 units at Horizon had been pre-sold for a total value of £95.49m.

The Company is keen to assist first-time buyers by structuring a phased payment plan for the 10% deposit required for off-plan purchases. To date on both our residential schemes, this arrangement has been welcomed by 101 first-time buyers and supports the Island's wider housing strategy.

Managing Director's Report (continued)

Investment Properties

The Company owns investment properties which it actively manages to ensure the assets are appropriately maintained and revenues are maximised.

The Company agreed with its shareholder that the Transportation Centre would be transferred to the Government of Jersey as a dividend in specie at the end of 2019.

The Company will retain its key investment properties, namely the Waterfront Car Park and the Waterfront Leisure Centre.

Public Infrastructure

The Company is committed to funding and delivering public infrastructure that can be delivered as part of a commercial development project or standalone.

During the year, the Company's Shareholder agreed that the £5m profit from JDC's College Gardens development should be set aside for public infrastructure projects.

Returns to Government of Jersey

Profits from JDC's activities can be:

- **Paid as a cash dividend;**
- **Invested in public infrastructure as directed and agreed with its Shareholder; or**
- **Retained and re-invested into future development projects.**

Since it was established, the Company has paid cash dividends of £5.473m to Government and passed across £3.49m as dividends-in-specie. The Company has also invested £3.27m in public infrastructure during this period and has set aside £5m for further public infrastructure projects to be agreed by the Regeneration Steering Group. JDC's committed contributions to Government and public infrastructure from 2012 to 2019 totals £17.24m.

In addition, the Company has retained profits and crystallised land value of £21.7m from its successful developments and sales of IFC 1 and IFC 5. These are being re-invested into future development projects.

Managing Director's Report (continued)

Community Projects

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

The Company promotes and supports the use of these areas for public events and was delighted to once again assist the Super League Triathlon in the set-up of the arena at the Waterfront. Other major events in 2019 included Liberation Day celebrations, the Boat Show, the Marathon, the Triathlon, Madeiran Festival, French Week and the Christmas Light Switch-On, all on land that is owned or administered by the Company. Annually, the Company also organises and assists in funding the Christmas lights on Weighbridge Square, Trenton Square and Route du Port Elizabeth.

During the year the Company was delighted to support the National Trust for Jersey in its open weekend where a number of National Trust properties were opened up to the public.

The Company also sponsored the 3k fun run that is a part of the Jersey Marathon and attended mainly by children. The event was promoted in schools and encourages an active lifestyle. There were prizes for the fastest in each age group and for the best fancy dress.

Encouraging active lifestyles for children is also behind the Waterfront Junior Park Run that is now a weekly event taking place at 9am each Sunday at Les Jardins de la Mer. The event regularly attracts over 200 children and their parents / guardians.

Esplanade Quarter Masterplan Review

JDC has welcomed the review of the Masterplan and has participated, along with other stakeholders and members of the public, in the workshops that have been organised by the Environment Department and their independent advisors, the Design Council. JDC believes that everyone that attended is aligned in a vision to create a Waterfront that Islanders can be proud of, that provides a mix of uses with a focus on much needed residential accommodation.

The Southwest St Helier Planning Framework was adopted by the Environment Minister as Supplementary Planning Guidance in December 2019. This enables JDC to proceed with the next stage of design for the Key Opportunity Sites ("KOS") within its ownership (KOS 1, 2 and 3). JDC has assessed that these sites have the capability of delivering more than 900 new homes as well as leisure and cultural facilities and new areas of public realm.

The Company has sought expressions of interest from architects and landscape architects and a selection panel comprising members of the Design Council, Government of Jersey, Jersey Architecture Commission and JDC is due to select the design partner in May 2020. A significant element of the brief is public engagement through the design process with the output being the submission of an outline planning application before the end of 2020.

JDC is committed to delivering well designed, high-quality buildings and public realm that will be an attraction to Islanders and visitors. Waterfronts around the world are strategically important assets providing new areas for living, commerce and leisure and St Helier's Waterfront has tremendous potential. The Company is excited to be advancing the design of these important sites and contributing towards the Island's supply of much needed residential accommodation and creating a Waterfront that is a destination for Islanders and visitors alike.

Managing Director's Report (continued)

Future

This schedule was developed pre-COVID-19 and, subject to how the pandemic unfolds, as well as advancing the development on KOS 1, 2 and 3, the Company will continue to promote and advance the IFC and envisages IFC 6 and IFC 2 being delivered over the next 5 years. The Company will also be carrying out the development of South Hill and Cyril Le Marquand House as agreed by the Regeneration Steering Group. Development Briefs on each of these sites are due to be issued by the Environment Minister in 2020 and this will enable JDC to select and appoint design teams and advance the plans.

JDC activity in 2020 and 2021 will be focused on pre-development workstreams - design work and securing planning consents - with new construction limited to Horizon and IFC 6; and as a result, profitability will be lower during those years. Subject to demand, 2022 onwards could see the construction of IFC2 and 2023 and beyond, the development of South Hill, Cyril Le Marquand House and KOS 1 and 2.

The Company looks forward to delivering these exciting new developments and in so doing, supporting the objectives of the Government of Jersey by contributing to the Island's community financially, socially and environmentally.

Lee Henry
Managing Director
21 May 2020

Finance Director's Report

The Company had another solid performance for 2019, building on the exceptional results the year before and successfully completing the first three developments, since the Company's change in constitution in 2011. The audited financial statements for the year to 31 December 2019, has a total income of £15.9m and operating profit of £11.6m, against total income of £23.4m and £18.7m for the year ended 31 December 2018.

The Group reports its results under International Financial Reporting Standards (IFRSs). IFRS accounting states the sale of a subsidiary is to be treated as an investment sale. These subsidiaries hold inventory property that has been developed in the ordinary course of business and would declare the gross income and expenditure to end up with a gross profit had these properties not be transferred via a sale of company shares.

It is more common than not in the Channel Islands for commercial developments to be sold through corporate structures and this has also become the case over the last decade with residential structures, due to the complexity of the land holdings and shared uses of basements and external common areas. During the year, IFC 5 and the last block at College Gardens were sold through subsidiary structures.

It may be helpful to the reader to understand performance if the gross income and gross costs are shown in the following way:

Income statement

	2019 £'000	2018 £'000
Development income and costs		
Income from sale of inventory	61,568	78,773
Development costs	(52,194)	(64,036)
Net gain on disposal of inventory	**9,374**	**14,737**
Gain on retained interest in joint venture	-	2,300
Gain on disposal of subsidiaries	**9,374**	**17,037**

Disposal of property using subsidiaries

The Company develops the majority of its construction projects using corporate structures.

The net gain was made up as follows:

	£'000
JIFC (5) Limited that owned the long leasehold interest in IFC 5	7,749
Austen-Bartlett House Limited	1,625
	9,374

IFRS reporting also states that sale proceeds on development sales should in certain instances only be recognised when title passes to a third-party, meaning pre-sale deposits and construction costs are capitalised in the balance sheet until sold. In the case of commercial property where the construction has been completed, if the intention is to sell that property then it will be held initially at cost, with any gain being recognised at the point in time the property is transferred. Consequently, the timing of reported profits does not always reflect when sale contracts were secured and the expected gain becomes known.

Finance Director's Report (continued)

For the Company, this is reflected with the first development profits being recorded in 2018 despite IFC 1 completing in 2017 and with the Company being very active with three development projects from 2012 being IFC 1, IFC 5 and College Gardens. Work undertaken from 2012 involved designing the projects, obtaining planning permission, seeking pre-lets and pre-sales, construction, receiving rental income and completing other lettings and finally completing the sale, at which point the financial results are recognised. Going forward, the Group is not expected to report any further income arising from the sale of development property until the completion of the Horizon development by its joint venture company in 2022.

IFC 5

IFC 5 was completed in August 2018. Since completion, it has been generating rental income and unwinding the rent-free periods. During 2018 and 2019, the property netted a profit of £653k and £644k respectively, contributing to the Groups profit for those years. Together with the profit made on sale, the overall profit after historical land cost of £1.5m was £9.05m. At the time of securing the planning consent in 2015, the open value of the land was calculated to be £4.25m which would have resulted in profit of £6.3m representing a healthy return of 18% on total cost.

College Gardens

The completed development achieved a financial profit of £5m after netting off the social gains of the development and paying a land price of £1.5m. The social gains included providing 54 car parking spaces for the adjacent Janvrin School, the widening and refurbishing of Drury Lane, providing 40 Social Rented homes and providing 40 assisted purchase units. Based on the open market units, the return represents 16.7% on total cost.

Horizon

In 2018, the Group sold 50% of its land holding in the Horizon development and created a Joint Venture (JV) in the process. The 50% sale resulted in a realised profit of £2.3m on the formation of the joint venture arising mainly from the change in its land value over time.

In accordance with IFRS reporting, the remaining holding is required to be disclosed at fair value at the date of sale and resulted in an unrealised profit of £2.3m, creating a gain of £4.6m overall on the land holding. As at the year-end, 225 units had been sold with a value of £95.4m. The profit will materialise on completion of the development in 2022.

Net Gain on investment property held at fair value through profit or loss

This represents any realised or unrealised gain / loss on investment properties. During the year, the Waterfront Car Park was revalued to £15.5m creating a £1m gain on its previous valuation, and Liberation Station (Bus Station), was revalued to £2.7m creating a £200k gain. At the year end, the value of the remaining investment properties was considered appropriate.

Impairment of Inventory Costs

During the year, the Environment Minister adopted the Southwest St Helier Planning Framework ("the Framework") of which locations Key Opportunity Sites (KOS) 1 and 2 identified in the Framework replace the former Esplanade Quarter Master Plan. The Framework states that KOS 1 - which represents the remainder of the former Esplanade Car Park, immediately due west of IFC 6 and IFC 2 - is proposed for further offices adjacent to the IFC. In addition, it proposes further development for residential and civic use at the extreme west of the site in the location of the plot for IFC 4 that has a detailed planning consent in place for an office building. The Directors consider that given the proposed change of use to this area of the site, there is no commercial value to the current approved scheme and accordingly wrote off costs amounting to £1,179,816 during the year.

Finance Director's Report (continued)

Consolidated Statement of Financial Position movements

Investment Property

The reduction in 2019 of £1.5m is represented by the transfer of the Bus Station to the Government of Jersey that included in the 2018 financial statements at £2.5m and the increase in value of £1m on the Waterfront Car Park.

Inventories

With the disposal of the remaining block at College Gardens and IFC 5 and with Horizon being accounted for through its investment in JV, inventories now represent land holdings for future development.

Borrowings

During the year, the Company repaid the IFC 5 facilities in the sum of £32m and the remaining College Gardens facilities of £3.3m leaving the Waterfront Leisure Centre loan that after £0.6m of capital repayments stood at £11.8m. Overall, net borrowings reduced by £35.9m to a year-end balance of £11.8m (2018: £47.6m).

Consolidated statement of cash flow movements

Inventories

Due to the treatment of the sale of subsidiaries being classed as an investing activity, whilst inventories have decreased in the balance sheet, the cashflow is showing that inventories have increased.

A reconciliation of these movements is as follows:

Movement in inventories

	2019 £'000	2018 £'000
Increase in inventory - per cash flow statement	(2,389)	(32,581)
Adjustment for movement in investing activities		
Sale of subsidiary - JIFC 5 / JIFC 4	32,693	32,457
Sale of subsidiary - CG & related subs	11,867	26,653
Transfer to assets held for sale	-	1,945
Derecognition of subsidiary	-	9,650
Reversal of commitment fee previously capitalised	-	(240)
Impairment of inventory	1,180	2,176
Decrease in inventory	**43,351**	**40,060**

The Group, being the Company and its subsidiaries and the Group's joint venture, manages total assets of £132.30m (2018: £149.54m). The Group's inventory is carried at the lower of cost and net realisable value with cost being the land value at the date of the original acquisition plus subsequent expenditure incurred.

Simon Neal
Finance Director
21 May 2020


COLLEGE

Residential Activities

The delivery of much-needed residential accommodation for all markets; social, affordable, rental and open market is required in order to balance the supply and demand, to try and contain the price increases currently being experienced.

The Company is also in dialogue with Government to develop other redundant Government sites being South Hill and Cyril Le Marquand House and will be advancing detailed plans during the course of 2020.

The Company is keen to assist local first-time buyers by allowing the 10% deposit to be paid by equal instalments over the construction period instead of one lump sum. This has been a successful scheme to date with 101 First-time buyers taking advantage of the scheme at College Gardens and Horizon, as of 31 December 2019.

Residential Activities (continued)

College Gardens

The former Jersey College for Girls building has been transformed into a modern and highly desirable residential community.

The development provides 187 residential apartments, a mix of one, two, three and four bedrooms. All of the apartments were pre-sold off plan to local residents and the development was completed in phases with the final completion in May 2019.

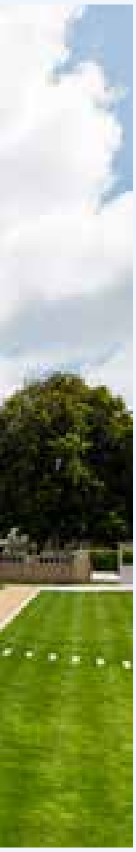
Of the 187 apartments, 80 were Category A (Affordable) homes. Out of the 80 Affordable homes, 40 were social rented units and sold to the Jersey Homes Trust and 40 were shared equity units sold to eligible first-time buyers who had qualified through the Island's Housing Gateway.

The listed building has been converted into 28 units. Converting the building from educational use to residential use required significant adaption including a new internal structure and a new roof to ensure the units met the latest acoustic and thermal requirements. Two of the internal staircases have been retained as has the internal corridor. Other features, such as skirtings and architraves in communal areas have also been reinstated.

The building has significant cultural, social and historical importance and an essential element of this project included building a partnership with the Jersey College for Girls and the JCG Foundation. The benefits and major cultural outcomes from this partnership have been the repatriation of the 1930's oak panelled library and actively involving current JCG students in the research and design of the public art sculpture, which now sits within the grounds at College Gardens. These elements were funded by the Company out of its percentage for art contribution for the scheme.

As well as making a significant contribution to affordable housing and regenerating a decaying listed building, the development generated a profit of £5.9m, £0.9m of which has been paid as a dividend and £5m that will be used on infrastructure projects as directed by the Government of Jersey.

On the 12th June, the Company celebrated the official completion of the College Gardens residential development. In the presence of the former Bailiff Sir William Bailhache, along with other officials and guests, the occasion was marked with the unveiling of the 'percentage for art' sculpture, which resides on the lawn in front of the Greek theatre.



Austen Bartlett House

Final 48 units completed in May 2019 – Austen Bartlett House

Celebrating the official completion on 12 June 2019

Sculpture was designed in partnership with JCG students

Residential Activities (continued)

Horizon

Horizon is a 280 apartment residential scheme located on the last marina facing plot between Castle Quay and the Radisson Hotel. The new neighbourhood will also provide shops and restaurants on the ground floor. The scheme will add more vibrancy to the area, and through the introduction of two new pedestrian streets, will improve the connectivity to the promenades around the Elizabeth marina.

Designed by Skidmore, Owings and Merrill LLP, one of the largest and most influential architecture firms in the world, Horizon will provide a new standard of waterside living, reflecting the waterfront as a distinctive, thriving community and promoting an active and social lifestyle. The Company has entered into a joint venture with Groupe Legendre to deliver the project.

Pre-sales commenced in November 2017 and as at 31 December 2019, 225 apartments have been sold off-plan.

Out of the 225 apartments sold, 87 units have been purchased by First-Time Buyers, of which 58 have utilised the Company's Phased Payment Plan.

Construction commenced in August 2018 and Horizon will be completed in three phases from 2022.

Following the completion of Horizon, the Company's activities would have stimulated the local economy and in particular the construction industry in excess of £180m within the last four years.

Artists impression of Horizon looking south west

Residential Activities (continued)

South West St Helier Planning Framework (the "Framework")

Following a public consultation in the second half of 2019, the Southwest St Helier Planning Framework was adopted by the Environment Minister in December 2019, as Supplementary Planning Guidance. The Framework replaces the Esplanade Quarter Masterplan as well as providing guidance on adjacent land and properties. This has now enabled JDC to proceed with the next stage of design for the Key Opportunity Sites ("KOS") within its ownership (KOS 1, 2 and 3).

A competition was launched to appoint a visionary architect to develop a visioning framework for Key Opportunity Sites (KOS 1, 2 and 3), with the final selection taking place in May 2020.

The selection panel consisted of members of the Design Council, Government of Jersey, Jersey Architecture Commission and JDC.

This will follow with a further consultation programme with the public and stakeholders on defining the final designs, for which the Company is targeting to submit an outline planning application before the end of 2020.

The Company is excited to be advancing the design of these important sites and contributing towards the Island's supply of much needed residential accommodation and creating a Waterfront that is a destination for Islanders and visitors alike.

Commercial Activities

IFC Jersey

It is vitally important that the island has the right infrastructure to support and grow local businesses and this extends to the provision of modern and efficient office space. The Company is delivering a world-class business district that is providing the highest quality office buildings in Jersey.

The design of the IFC buildings incorporates a high number of environmental and energy saving measures that have contributed to a BREEAM 'Excellent' environmental rating for both IFC 1 and IFC 5. The Company is always looking for new energy saving technologies to incorporate into its buildings and the designs for IFC 2 will include PV panels and grey water harvesting.

The Company, together with its design consultants will aim to achieve the optimum structural design to minimise the amount of steel in a building, but still target to achieve column free space which allows for total flexibility on fitouts. The buildings also offer all-round excellent levels of natural light which has been scientifically proven to improve staff well-being and productivity.

The first building – IFC 1 was completed in 2017, fully let and sold in 2018 for £43.7m (reflecting a yield on rental income of 5.94%). This crystallised a pre-construction with planning permission land value of £3.9m and generated a profit of £7m.

Commercial Activities (continued)

IFC 5

The second building was completed in the second half of 2018 and is currently 95% let. The building was sold in July 2019 for £46.6m reflecting a yield on rental income of 5.75%.

Tenants include:
SANNE Group PLC, CVC Capital Partners, Oppenheimer, PBS Group, Big Maggy's, Mange Tout and Coopers Coffee.

Commercial Activities (continued)

Trenton Square

The Company is committed to delivering extensive high-quality new areas of public realm and commissioning well designed buildings and a flagship office district that will stand the test of time and positively add to the built environment.

The square was inaugurated by the Mayor of Trenton, New Jersey, Reed Gusciora and his delegation of politicians and senior officials from New Jersey on Wednesday 8th May 2019.

Trenton Square is the most significant new area of public realm to be created in St Helier since 2011. The square is approximately the size of Liberation Square and will be expanded further when IFC 6 and IFC 2 are completed.

Commercial Activities (continued)

Future IFC buildings

IFC 6 is of a similar size to IFC 1 and IFC 5 (69,000 sq.ft net internal area). IFC 6 is ready to commence construction and the Company is in dialogue with potential anchor tenants that could see construction commence in the second half of 2020.

A planning application for IFC 2 was submitted in November 2019 and will provide 95,000 sq. ft net internal space of modern Grade A office accommodation over seven floors and will be the largest of the four buildings. The super-prime Grade A office building will also include 5,000 sq. ft of food and beverage retail space on the ground floor and basement private parking facilities for 41 vehicles and secure storage for 120 cycles.

Artists impression of IFC 2

Artists impression of IFC 6

Community Engagement

Public Realm

The Company's remit is not just about buildings; it's also about enhancing people's lives by improving the public realm, creating green spaces and providing attractive community areas to live, work and play.

The quality and extent of these open public areas provides an excellent arena for various events and we are keen to be supportive to see the Waterfront areas being used for a variety of public and charitable events.

During the year, we were delighted to see the successful commencement of the Waterfront Junior Park Run at the Waterfront every Sunday at 9am. This area provides a safe environment for children between 4 and 14 to enjoy getting active.

The Company has funded the delivery of extensive public spaces around the Waterfront and continues to be responsible for the ongoing maintenance and upkeep of these areas, which include: Les Jardins de la Mer, Marina Gardens (on top of the Waterfront car park), Weighbridge Square and Trenton Square.

The Company also organises and funds the Christmas lighting and Christmas tree displays at the Weighbridge, La Route du Port Elizabeth, Trenton Square and the Waterfront Leisure Centre.

Community Engagement (continued)

Jersey Marathon 3K Fun Run

In October 2019, the company commenced a three-year contract to sponsor the Standard Chartered Jersey Marathon '3K Fun Run' - (renamed the 'Marathon Mile' from 2020). The whole event attracts over 2,500 participants, 400 volunteers and raising thousands of pounds for charities each year.

The re-branded Marathon Mile from 2020 onwards can now accept children from the age of six years old, the shortened circuit encourages more children to participate. JDC is keen to promote active lifestyles and fitness in children and in so doing, supports the Government of Jersey's strategic objective of putting children first.

Community Engagement (continued)

Channel Island Pride

Pride on the Beach 2019 was held at Les Jardins de le Mer on 7th September. This community event which celebrates diversity, alternates location between Jersey and Guernsey and this year was held in Jersey. This wonderful family community event celebrates and promotes equality for all in the Channel Islands. JDC was proud to assist the organiser with facilitating and supporting this event.

Super League Triathlon

We were delighted to once again support Super League Triathlon as a brand partner and to assist with the facilitation of this global sporting event on St Helier's Waterfront. Coverage to a live audience reached 1.6 billion people worldwide. Despite the stormy and challenging conditions, there were 2,800 visiting spectators for this event and over 9,000 local spectators. The event also saw an increase in participants in the Age Group Competition and RBC's Race for the Kids.

Community Engagement (continued)

Pride of Jersey Awards

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

We were proud once again to sponsor the Child of the Year award. All three finalists who were selected by public vote are all exceptional individuals, who have overcome incredible hardships with determination and dignity. We were delighted to award Child of the Year 2019 to Jake Hutchings.

Jake and his family were also invited to the Christmas Light Switch-On at Weighbridge Square on Thursday 21 November, which the Company also sponsors.

Community Engagement (continued)

National Trust of Jersey - Heritage Open Day

As a corporate partner of the National Trust, we were keen to support the Trust's purpose of preservation of buildings, lands, features and plant life.

We were delighted to sponsor the National Trust Heritage Open Day on Saturday 21 September. This opportunity allowed islanders and visitors access to eight Trust properties that are either not usually open to the public, or would normally charge an entrance fee. The Trust had 1,452 visitors and 82 participants on the heritage trails around St Lawrence and St Helier - a wonderful opportunity to showcase some of the historic properties and the work of the Trust to local residents and visitors alike.

Jersey Motoring Festival

The Company's sponsorship helps secure this popular annual festival, the largest annual motoring event in the Channel Islands which promotes the Waterfront as a destination area. There is a full programme of races over the four-day period, including touring cars, motorcycles and the largest static motor show in the Channel Islands, featuring motor and ancillary trade stands and exhibits from all Jersey Motoring Clubs.

The company also actively sponsors:

The St John's Bonfire & Firework Display at The Farmhouse raising funds for Variety of Jersey.

The Christmas Light Switch-on at the Weighbridge followed by a firework display.

Summary of benefits accruing from JDC

The Company provides a number of benefits to the Government of Jersey in the form of:

1. **Dividends paid in cash**
2. **Dividends in specie via asset transfers**
3. **Investments in Public Infrastructure**
4. **Delivery of much needed residential accommodation – both open market and affordable homes**
5. **Creating a flagship office district for the Island's leading financial services industry**
6. **Supporting the delivery of the Government of Jersey's strategic objectives**

The Company was originally set up as The Waterfront Enterprise Board Limited ("WEB") and its purpose was to facilitate development on the Waterfront with third party developers. In 2010, the States Assembly agreed to change the Company's articles to allow the Company to develop directly. In July 2011, the Company's name changed to its current identity and a new board was appointed to take forward the new remit.

WEB was set up in 1996 with £20m of capital and in 2004 had £20.2m of land transferred to it. The land was professionally valued at the time of transfer. Therefore the total equity invested by the Government of Jersey is £40.2m.

Between 1996 to 2011, WEB delivered £13.9m of public infrastructure projects in and around the Waterfront and Harbour area. These projects included creating new public parks such as Les Jardins de la Mer, restoring the lido at Havre des Pas, providing a new boat hoist at La Collette as well as the road infrastructure and utility services for the Waterfront development plots.

In addition to this public infrastructure investment, from 2012, The Government of Jersey has benefitted from JDC's activities as follows:

Year	Cash Dividend £ 000s	Asset Transfers to GoJ £ 000s	Public Infrastructure Investment £ 000s	Funds commited for Public Infrastructure £ 000s	Total £ 000s
2012	840	-	-	-	-
2013	816	-	-	-	-
2014	817	-	-	-	-
2015	1,000	-	100	-	-
2016	-	-	1,000	-	-
2017	-	-	-	-	-
2018	-	497	2,177	-	-
2019	2,000	2,993	-	5,000	-
	5,473	**3,490**	**3,277**	**5,000**	**17,240**

In addition to the Government of Jersey receiving £31.1m of crystalised benefit from the Company, net assets have increased from the £40.2m invested to £73.5m as at 31 December 2019.

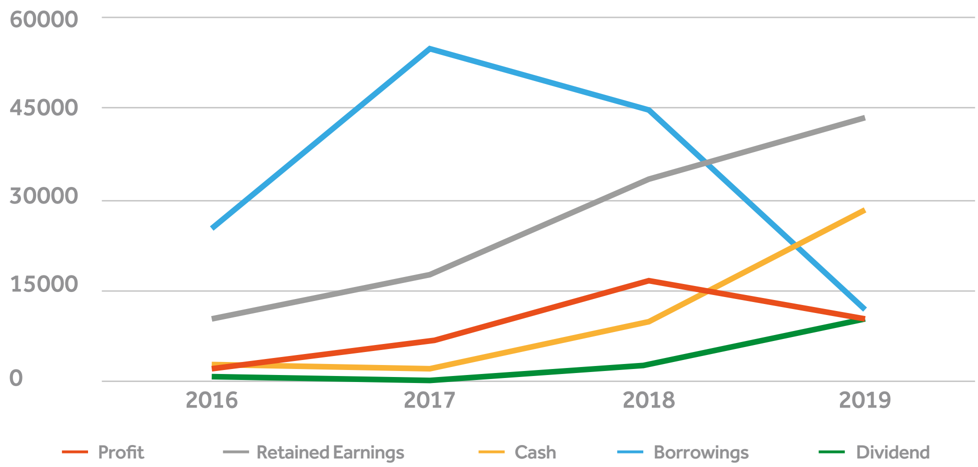
Summary of benefits accruing from JDC (continued)

In total, the financial benefit to the Government of Jersey is £64.49m as set out below of which £44.77m has been generated since the change in operating model to JDC. The £47.77m represents a 111% return on the equity from the point of transition to JDC which equates to a 13% annual return on the 2011 equity position.

	£ 000s
Public Infrastructure 1996 - 2012	13,923
Dividend since 2012	5,473
Dividend in specie (asset transfer) since 2012	3,490
Public infrastructure since 2012	3,277
Committed funds for Public Infrastructure	5,000
Net assets at 31 December 2019 (less committed funds for Public Infrastructure)	73,528
Less: Initial Capital	(40,200)
Total benefit to the Government of Jersey	**64,491**

Key headline trends for the Company from 2016 to 2019 are shown in the diagram below and shows a significant increase in profits and retained earnings since 2017. Further, the growth in development activity has been supported by the level of loan debt which reduced from a peak of £55m to £12m at the end of 2019 following the sale of IFC 1, IFC 5 and College Gardens. Due to the nature of the Company's operations, profits are volatile.

Headlines from 2016 - 2019 £ 000s



In addition to the financial benefits set out above, the Company also assists the Government of Jersey with its land / property strategic objectives. This has included to date to deliver a mix of affordable, social and open market units at College Gardens and providing an alternative product in the office market. The IFC development has set a new benchmark in quality of office accommodation as well as incorporating new areas of high-quality public realm as part of the development. The Company has also introduced a new building contractor to the Island to enhance the capacity of the market.

JDC is committed to supporting the strategic objectives of the Government of Jersey. The Company has a passion for design and is committed to improving the built environment and ensuring that its developments stand the test of time.

Corporate Governance Report

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

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

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

The Board

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

The Board of Directors is responsible for the governance of the Company. The Board is responsible 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 culture, values and ethics of the Company;
- Establishing a framework of prudent and effective controls;
- 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; and
- Reporting to the shareholder on stewardship, in accordance with the requirements of the MoU.

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

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

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

Board Composition

The Board comprises the Chair (appointed by the States), the Managing Director, the Finance Director, the Ministerial Appointee, and 3 States Appointees.

One of the independent director's is appointed to undertake the role of Senior Independent Director (SID).

The principal role of the SID is:

- To support and provide back up to the Chair in their role;
- To act as an intermediary for other Non-Executive Directors when necessary;
- To lead the Non-Executive Directors in the oversight of the Chair; and
- To ensure there is a clear division of responsibility between the Chair and the Managing Director.

One Non-Executive Director is appointed by the Minister for Treasury and Resources with the remaining Non-Executive Directors being appointed by the States Assembly. All new Non-Executive Directors are nominated via an open recruitment process overseen by the Jersey Appointments Commission.

Corporate Governance Report (continued)

The primary function of the Jersey Appointments Commission in overseeing appointments to Government related bodies is to ensure that the selection is fair, efficient, and conducted in accordance with best practice and procedures.

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 promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

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 and is required to report any future business interests that could result in a conflict of interest. In addition, the Board carries out a review for assessing the independence of Non-Executive Directors annually.

Membership of the 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 page 39 and a report of the Remuneration & Nomination Committee is provided on pages 40 and 41.

Meetings

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

The Board met six times during 2019.

Board attendee	Number of meetings attended
Nicola Palios (Chair)	6
Paul Masterton	6
Ann Santry	6
Tom Quigley	5
Richard Barnes	6
Lee Henry	6
Simon Neal	6

In addition to formal board meetings, the board held regular briefing calls with the Managing Director and Finance Director, attended a strategy day and participated in multiple ad-hoc advisory meetings to assist the leadership team. Board members provided further support in meetings with the shareholder and in meetings with and briefings to key stakeholders.

Board Assessment

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

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.

Altair Partners Limited was appointed in 2019 to conduct an independent board effectiveness review in accordance with good governance practice. Participants in the review included non-executive and executive directors, together with representatives from the shareholder. The Altair report noted the following:

- Overall, the board is fit for purpose and discharges its responsibilities in accordance with its governance and duties to the shareholder;
- The board has a strong culture and provides effective scrutiny, challenge and support to the executive;
- Sub-committees are well run and effective;

Corporate Governance Report (continued)

Board Assessment (continued)

- The board, and company overall, has a positive relationship with the Government of Jersey as shareholder;
- The report recommended the board consider the following areas in more detail: - an enhanced focus on strategic development, greater visibility in the community, succession planning and increasing the capacity of senior management.

Internal Control

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

The Audit and Risk Committee reviews the Company's risk management systems, internal financial controls and internal control systems that identify, assess, manage and monitor key financial and business risks. In particular the Committee will review the Company's risk register that includes the highest assessed risks in the Company's development projects and makes recommendations to the Board, if any.

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

- **Strategy & Management**
- **Financial Reporting and Control**
- **Staff performance and development**
- **Major contract approval**
- **Joint venture oversight**
- **Communication**

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.

Board Succession

In June 2020, Nicola Palios will step down as chair having completed 9 years' service as a non-executive director to the board, from her original appointment in 2011 and then her subsequent appointment as chair in 2016. During her tenure Nicola's contribution to the progress and success of the company has been immense and the organisation owes her a significant debt of gratitude.

Paul Masterton, board member and Senior Independent Director, is recommended to be appointed as chair, ensuring continuity for the organisation over the next period of the Company's development.

By order of the Board

P Masterton

Paul Masterton
Senior Independent Director
21 May 2020

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 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;

(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 members are Non-Executive Directors and comprise of Tom Quigley (Chairman), Ann Santry and Paul Masterton. The meetings provide a forum for discussions with the external auditor. Meetings are also attended by invitation, by the other Non-Executive Directors, the Managing Director 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 key risks to achieving their business objectives and ensuring that there are adequate controls in place to manage these in line with the risk appetite set by the Board. The Managing Director and Finance Director are invited to attend the Audit & Risk Committee meetings to provide presentations on the key risks and how these are managed.

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

The Audit & Risk Committee also advises the Board on the appointment of the external auditor and on their remuneration, including monitoring any issues that could impact auditor independence. In addition, the Audit & Risk Committee regularly reviews the scope and results of the work undertaken by both internal and external auditors.

The Committee evaluate its own performance on an annual basis, both collectively and of individual members, and report 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 Audit and Risk Committee met three times during 2019.

Committee member attendee	Number of meetings attended
Tom Quigley (Chair)	3
Paul Masterton	3
Ann Santry	3
In Attendance	
Lee Henry	3
Simon Neal	3
E&Y LLP	3

By order of the Audit & Risk Committee

T.K. Quigley

Tom Quigley
Chair of the Audit & Risk Committee
21 May 2020

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; and

(e) Setting 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 once a year.

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

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 make recommendations to the Board.

Before any appointment of new members 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.

In identifying suitable candidates, the Committee:

- Uses open advertising and/or the services of external advisers to facilitate the search;
- Considers candidates from a wide range of backgrounds; and
- Considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The current profile of the Board is as follows:

Gender	Tenure (Years)	Age	Sector
Male (5)	0-3 (-)	41-50 (2)	Property (3)
Female (2)	4-6 (2)	51-60 (3)	Governance (1)
	7-9 (4)	61-70 (2)	Professional / Finance (3)
	>10 * (1)		

* relates to an Executive Director.

The Company will be a participant of the Jersey Board Apprentice scheme during 2020, which offers candidates Boardroom experience, and is designed to help equip them for a future Non-Executive position on other company boards.

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

Non-Executive Director Pay

An external review of non-executive pay was undertaken in 2017. Following approval by the Shareholder, the annual fee was increased, on a phased basis, to £20,000 per annum in 2017 with a further increase to £22,000 per annum from 1 January 2018. The Chair of the Audit & Risk Committee is paid an additional £3,000 per annum to reflect the additional responsibilities.

Remuneration & Nomination Committee Report
(continued)

Executive Director Pay

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

Incentive scheme for Executive Directors

A non-pensionable short-term discretionary incentive scheme was in place throughout the year. This provides for a maximum payment of 20% of base salary for the Executive Directors. Awards under the scheme are discretionary and are assessed by the Committee and approved by the Board against performance criteria, directly linked to the objectives set out in the Annual Business Plan, agreed with the shareholder.

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

Directors' Remuneration

	Salary / Fees £	Benefits £	Bonus £	Pension £	2019 Total £	2018 Total £
Executive Directors						
Lee Henry	173,750	1,885	33,013	26,063	234,711	245,754
Simon Neal	140,000	-	25,200	21,000	186,200	196,551
Non-Executive Directors						
Nicola Palios	40,000	-	-	-	40,000	40,000
Ann Santry	22,000	-	-	-	22,000	22,000
Paul Masterton	22,000	-	-	-	22,000	22,000
Richard Barnes	22,000	-	-	-	22,000	22,000
Tom Quigley	25,000	-	-	-	25,000	25,000
Total	**444,750**	**1,885**	**58,213**	**47,063**	**551,911**	**573,305**

An external benchmarking review of Executive Director pay was carried out in 2019. The review identified that whilst the base pay was in line with market, the incentive package was below median market levels. The Committee is in discussion with the Shareholder over a new remuneration policy for the Executive Directors, that more appropriately reflects the commercial activities of the Company and its performance.

The Remuneration & Nomination Committee met two times during 2019.

Committee member attendee	Number of meetings attended
Ann Santry (Chair)	2
Paul Masterton	2
Richard Barnes	2
In Attendance: Lee Henry	2

By order of the Remuneration & Nomination Committee

Ann Santry
Chair of the Remuneration & Nomination Committee
21 May 2020

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

Incorporation

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

Principal Activities

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

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

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

The Company's projects are also community 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 48. A dividend of £4,993,555 was declared during the year (2018: £496,667).

Going Concern

Management has assessed the Group's financial stability and liquidity over the next 18 months and modelled various stress tested scenarios. The Group has sufficient cash reserves to be able to continue to trade without any investment property income or direct or indirect property sales.

Having assessed the stress tested scenarios, the Group intends to continue to invest in pre-development costs on its planned developments as it has adequate liquidity to continue with these plans.

In view of the prudent approach and the Group's ability be able to continue its operations without it being necessary to receive its income streams, the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

The Group's business activities, together with the factors likely to affect its financial position, financial risk management objectives, and exposures to price, credit, liquidity and cash flow risk are described in the notes to the consolidated financial statements.

Our shareholder, the Government of Jersey published a 'Stay at Home' policy for the whole island population from 30 March, for an initial duration of four weeks. The Group's employees now work from home making effective use of remote access capabilities of the infrastructure. The Executive Directors have been monitoring well-being and flexible working arrangements are in place.
The frequency of remote management meetings at all levels has increased and both the Managing Director and Finance Director have organized regular interactive sessions with all employees.

Directors' Report (continued)

In order to support local businesses, the Government of Jersey has publicly communicated that if Government is your landlord (directly or through a Government-owned company), payment deferrals of rent will be considered. On 29 March 2020, the Government of Jersey announced that public car parking (in car parks and on-street) would be free to the public.

In line with this announcement, the Group made its public car parking spaces free of charge with effect from 1 April 2020. These spaces will continue to remain free of charge until the Government of Jersey commences charging for its own car parking spaces.

The Group also has investment properties let to the leisure industry that has been particularly affected by the pandemic and is currently in discussion with various tenants to make rent deferrals, or rental holidays, in order that those tenants can continue to trade once those businesses are permitted to re-open.

The Group, through its joint venture with Groupe Legendre, is constructing 280 apartments at Horizon. On 17 March 2020, the majority of the labour on-site was from outside of Jersey and consequently workers were required to return to their native country. Subsequently, the Island closed all construction sites.

Non-essential construction sites started to re-open from 20 April 2020, subject to implementing new Health & Safety practices to prevent the spread of Covid-19, and on 28 April 2020, the Horizon site was given a licence to re-open.

The Group currently has no other live construction projects.

Directors

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

Executive Directors

Lee Henry (Managing Director)

Simon Neal (Finance Director)

Non-Executive Directors

Nicola Palios (Chair)
(re-appointed 2 February 2019)

Paul Masterton (Senior Independent Director)

Ann Santry CBE

Tom Quigley
(re-appointed 1 November 2019)

Richard Barnes
(re-appointed 1 November 2019)

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

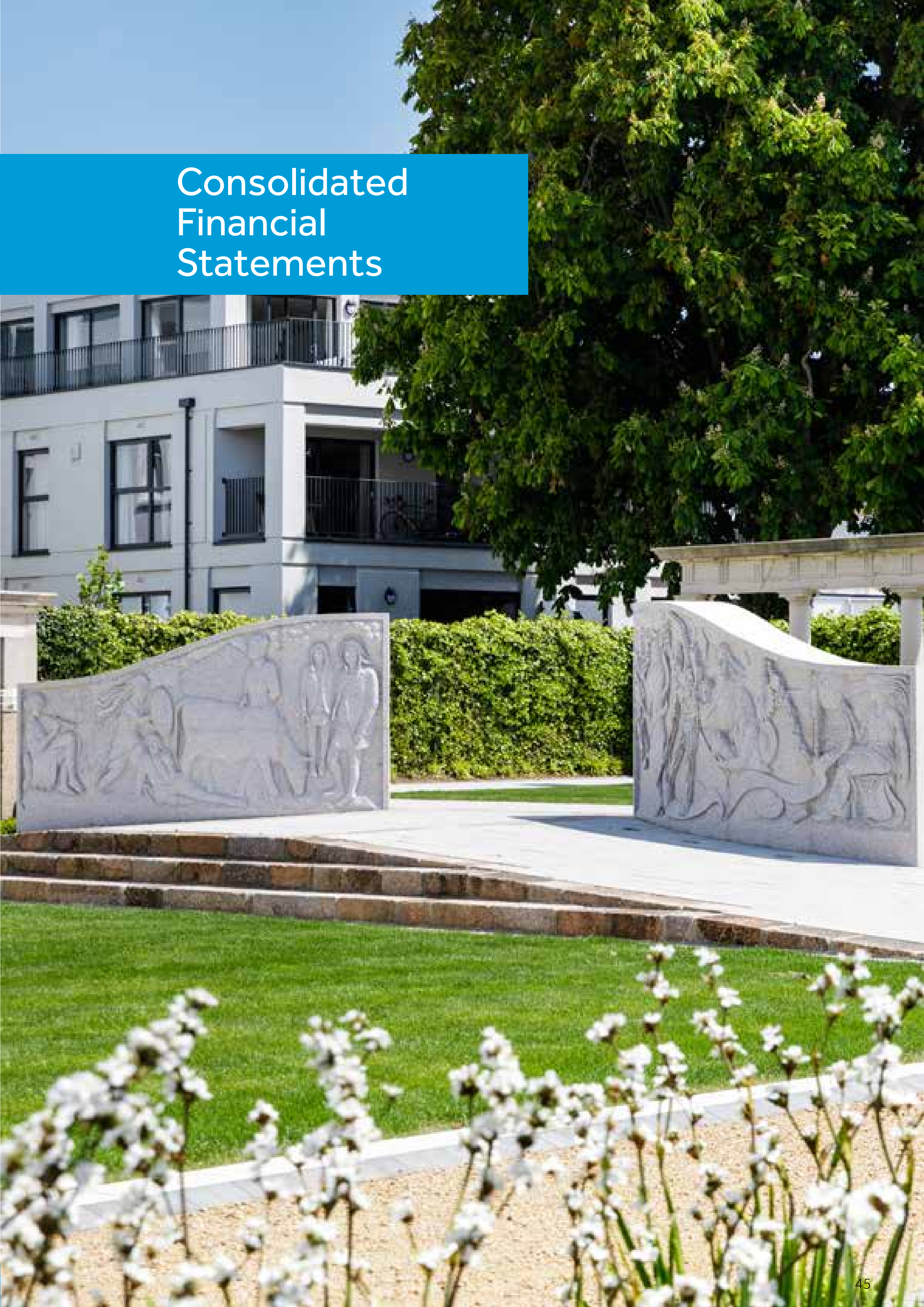
So far as the Directors are aware, there is no relevant audit information, of which the Company's auditors are unaware and each director has taken all steps that he or she ought to have taken, as a director in order to make himself or herself aware of any relevant audit information and to establish that 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
21 May 2020

Consolidated Financial Statements



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 2019 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 25, 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 2019 and of its result for 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 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.

Emphasis of matter - Effects of COVID-19

We draw attention to notes 2.2 and 25 of the financial statements, which describes the economic and social disruption the Group is facing as a result of COVID-19 which is impacting its operational activity, financial performance and construction projects. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 44, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 directors' responsibilities statement set out on page 44, 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.

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
22 May 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Rental Income	4.1	4,635	3,882
Gain on disposal of subsidiaries	20	9,374	17,037
Revenue from contracts with customers	4.2	527	1,365
Net gain on investment property held at fair value through profit or loss	5	1,200	-
Net gain on assets held for sale at fair value through profit or loss	10	24	880
Other income		137	272
Income		**15,897**	**23,436**
Development expenses		-	(974)
Service charge expense		(350)	(383)
Share of loss on joint venture	16	(10)	(6)
Employee benefits and other remuneration expense	4.3	(1,400)	(1,136)
Premises and establishment expense		(160)	(147)
Estate management expense	4.4	(957)	(743)
Depreciation of property, plant and equipment	6	(24)	(8)
Depreciation of right-of-use assets	7	(178)	-
Impairment of right-of-use assets	7	(24)	-
Other expenses	4.5	(486)	(262)
Total expense before finance costs		**(3,589)**	**(3,659)**
Finance income		265	57
Finance costs	4.6, 7	(959)	(1,113)
Finance costs - net		**(694)**	**(1,056)**
Operating profit		**11,614**	**18,721**
Impairment of inventory costs	8	(1,180)	(2,176)
Settlement of pension obligation	24	(656)	-
Profit for the year		**9,778**	**16,545**

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

The notes on pages 52 to 88 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investment property	5	33,090	34,590
Property, plant and equipment	6	91	45
Right-of-use Asset	7	316	-
Trade and other receivables	9	7,235	8,182
Net Investment in the finance lease	7	118	-
Investment in a Joint Venture	16	7,000	6,715
		47,850	**49,532**
Current Assets			
Inventories	8	18,997	62,348
Trade and other receivables	9	1,166	1,930
Retention money receivable		-	195
Assets held for sale	10	-	3,750
Net Investment in the finance lease	7	120	-
Short-term deposits		12,508	-
Cash and cash equivalents		15,386	9,845
Total Current Assets		**48,177**	**78,068**
Total assets		**96,027**	**127,600**
Equity			
Equity attributable to equity holders of the Company			
Share capital	11	20,000	20,000
Capital contribution		20,196	20,196
Retained earnings		38,332	33,368
Total Equity		**78,528**	**73,564**
Liabilities			
Non-current liabilities			
Borrowings	12	11,095	44,400
Lease Liabilities	7	284	-
Retention money payable	14	-	139
Trade and other payables	15	135	303
Total non-current liabilities		**11,514**	**44,842**
Current liabilities			
Contract liability	13	-	-
Borrowings	12	664	3,248
Lease Liabilities	7	270	-
Sale deposits		-	1,496
Retention money payable	14	605	1,019
Trade and other payables	15	4,446	3,431
Total current liabilities		**5,985**	**9,194**
Total liabilities		**17,499**	**54,036**
Total equity and liabilities		**96,027**	**127,600**

The consolidated financial statements were approved by the Board of Directors on 21 May 2020 and signed on their behalf

By Director.

The notes on pages 52 to 88 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share Capital £'000	Capital Contribution £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2019		**20,000**	**20,196**	**33,368**	**73,564**
Effect of adoption of IFRS 16	2.1	-	-	180	180
At 1 January 2019 (adjusted)		**20,000**	**20,196**	**33,548**	**73,744**
Comprehensive Income:					
Profit for the year		-	-	9,778	9,778
Dividend	19	-	-	(4,994)	(4,994)
At 31 December 2019		**20,000**	**20,196**	**38,332**	**78,528**

	Share Capital £'000	Capital Contribution £'000	Retained Earnings £'000	Total Equity £'000
At 1 January 2018	**20,000**	**20,196**	**17,320**	**57,516**
Comprehensive Income:				
Profit for the year	-	-	16,545	16,545
Dividend in specie	-	-	(497)	(497)
At 31 December 2018	**20,000**	**20,196**	**33,368**	**73,564**

The notes on pages 52 to 88 form an integral part of these consolidated financial statements.

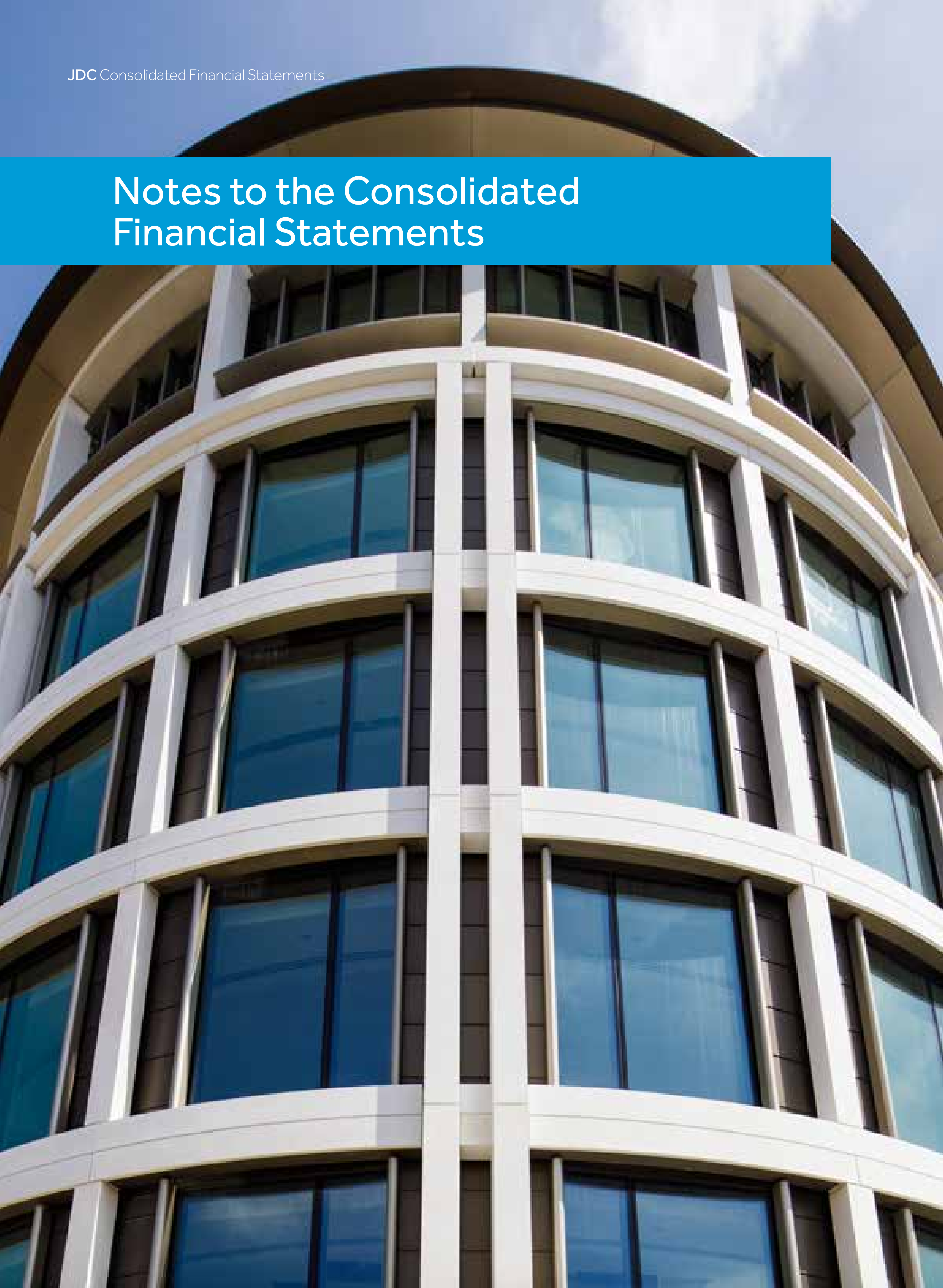
Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit for the year		9,778	16,545
Adjustment for:			
- Share of loss on joint venture	16	10	6
- Depreciation of property, plant and equipment	6	24	8
- Depreciation of right-of-use assets	7	178	-
- Impairment of right-of-use assets	7	24	-
- Net gain on investment property held at fair value through profit or loss	5	(1,200)	-
- Net gain on assets held for sale held at fair value through profit or loss	10	(24)	(881)
- Impairment of inventory	8	1,180	2,176
- Finance expense (net)		693	1,056
- Gain on disposal of subsidiaries	20	(9,374)	(17,037)
Changes in working capital:			
- Decrease / (Increase) in retention receivable		195	(24)
- (Decrease) in retention payable	14	(566)	(352)
- (Increase) in trade and other receivables	9	(1,856)	(3,767)
- (Decrease) in trade and other payables	15	(703)	(1,543)
- (Decrease) in contract liability	13	-	(182)
- Decrease / (Increase) in contract assets		-	(646)
- (Increase) in inventories		(2,389)	(32,581)
Cash generated from operations		**(4,030)**	**(37,222)**
Interest received		82	1
Interest paid		(1,056)	(1,105)
Payment of deferred consideration		-	(1,500)
Sale deposit received		-	86
Net cash generated from operating activities		**(5,004)**	**(39,740)**
Cash flows from investing activities			
Acquisition of investment property	5	-	(17,340)
Proceeds from the sale of non-current assets held for sale	10	3,763	405
Acquisition of Property, plant & equipment	6	(70)	(26)
Loan advances to Joint Venture	21	(3,450)	(2,450)
Receipt of rent from net investment in the finance lease	7	63	-
Proceeds from sale of subsidiaries	20	58,920	74,836
Placement of bank deposits		(12,500)	-
Net cash used from investing activities		**46,726**	**55,425**
Cash flows from financing activities			
Proceeds from borrowings	12	-	56,628
Repayment of borrowings	12	(35,889)	(64,419)
Loan arrangement fees paid	7	(292)	-
Net cash used in financing activities		**(36,181)**	**(7,791)**
Net increase / (decrease) in cash and cash equivalents		5,541	7,894
Cash and cash equivalents at the beginning of the year		9,845	1,951
Cash and Cash Equivalents at the end of the year		**15,386**	**9,845**

The notes on pages 52 to 88 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 which is 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 which are financed from third parties and capital receipts from the proceeds on the sale of inventory.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

Statement of compliance

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

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

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

IFRS 16 'Leases'

IFRS 16 - 'Leases' was issued in January 2016 and it replaces IAS 17 – 'Leases', IFRIC 4 – 'Determining whether an Arrangement contains a Lease', SIC-15 – 'Operating Leases – Incentives' and SIC-27 – 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating and finance leases. This resulted in changes where the Group subleases.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17, IFRIC 4 and SIC 15 at the date of initial application.

The details of the changes in accounting policies are disclosed below:

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as stated in note 2.6.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

Notes to the consolidated financial statements (continued)

2.1 Basis of preparation (continued)

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e these leases are on balance sheet.

Leases previously accounted for as operating leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of sub-lease contracts previously classified as in operating lease under IAS 17. The Group concluded that one of the sub-leases is a finance lease under IFRS 16.

The Group applied IFRS 15, Revenue from Contract with Customers, to allocate consideration in the contract to each lease and non-lease component, if any.

Impacts on financial statements

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

Assets	£'000
Net Investment in the finance lease	239
Right-of-use assets	755
Total assets	**994**

Liabilities	£'000
Lease Liabilities	(832)
Trade and other payables	18
Total liabilities	**(814)**

Total adjustment to equity:	£'000
Retained earnings	180

Notes to the consolidated financial statements (continued)

2.1 Basis of preparation (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	£'000
Operating lease commitments as at 31 December 2018	1,254
Weighted average incremental borrowing as at 1 January 2019	2.76%
Discounted operating lease commitments as at 1 January 2019	832
Lease liabilities as at 1 January 2019	**832**

Based on the above, as at 1 January 2019:

- Right-of -use assets of £754,941 and Net Investment in the finance lease of £239,013 were recognised and presented separately in the statement of financial position.
- Lease liabilities of £831,638 were recognised and presented separately in the statement of financial position.
- The net effect of these adjustments had been adjusted to retained earnings (£180,435).

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that the Group applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests).

These amendments had no impact on the consolidated financial statements of the Group as the requirements of IFRS 9 in relation to its long-term loan receivable from the joint venture to which the equity method is not applied have already been adopted.

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 or after 1 January 2019 and believe that early adopting these standards would not have a material impact on the financial statements of the Group.

Income and cash flow statement
The Group has elected to present a single Consolidated Statement of Comprehensive Income.

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

2.2 Basis of Consolidation

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

Going Concern
Subsequent to the year end, the COVID-19 pandemic has caused a significant negative economic impact on Island businesses. Management has assessed the Group's financial stability and liquidity over the next 18 months and modelled various stress test scenarios. These scenarios consider the Group's current obligations and commitments combined with a significant reduction in investment property income and direct or indirect property sales.

Having assessed the stressed scenarios, Management determines that the Group has significant cash reserves and adequate liquidity to be able 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.

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

Notes to the consolidated financial statements (continued)

2.2 Basis of Consolidation (continued)

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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 has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

2.3 Foreign currency translation

Functional and presentation currency

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

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

2.4 Investment property

Property that is held for long-term rental yields 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 in excess of £500,000.

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

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

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

Notes to the consolidated financial statements (continued)

2.5 Property, plant and equipment

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

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the Consolidated Statement of Comprehensive Income.

2.6 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are differences from those under IFRS 16 and the impact of changes is disclosed in note 2.

Policy applicable from 1 January 2019

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 of 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.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of 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.

Notes to the consolidated financial statements (continued)

2.6 Leases (continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - o The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - o The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - o Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Group as a lessee

Short-term leases and leases of low-value assets

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 comprises of 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 on the same basis as those of leasehold building. 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 its carrying amount is greater than its estimated recoverable amount.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities which is 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.

Notes to the consolidated financial statements (continued)

2.6 Leases (continued)

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 profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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'.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

2.7 Inventories

The Group's inventories comprise of land and other property that is to be sold to developers or developed with a view to sale. Inventories are valued at the lower of cost and net realisable value. Cost represents the purchase price plus any directly attributable cost including professional fees and expenses incurred directly associated with the land's development since acquisition provided the plans and related work remain useful to the construction of the proposed development. Directly attributable production 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 using the latest valuation assumptions included in the reports produced for third party funders on similar investments. Fair value reflects assumptions about rental income from future leases in light of current market conditions as comparable evidence from other land or property that is sold in the market place. Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board.

Reductions in the carrying value of inventory to its NRV are recognised as impairments of inventory costs in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)

2.8 Assets held for sale

The Group classifies non-current assets as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less selling costs. Selling costs are the incremental costs directly attributable to the disposal of an asset.

The criteria for 'assets held for sale' classification is regarded being met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification and the balance sheet date.

Assets classified as 'assets held for sale' are presented separately as current assets in the consolidated statement of financial position.

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 made 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 on the date of acquisition. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition 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 application of the 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 significant influence over the joint control over 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 significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.10 Investment in an associate undertaking

An associate undertaking is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

Notes to the consolidated financial statements (continued)

2.11 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, as 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 practical expedient, 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section IFRS 15 Revenue from Contracts with Customers.

In order 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 in order to generate cash flows. 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 of assets within a time frame established by regulation or convention in the market place (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 in 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 in order 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 includes trade and other receivables.

Notes to the consolidated financial statements (continued)

2.11 Financial instruments (continued)

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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 a 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 due date. However, in certain cases, the Group may also consider a financial asset to be 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.

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.

Notes to the consolidated financial statements (continued)

2.11 Financial instruments (continued)

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 financial liabilities designated upon initial recognition as at fair value through profit or loss.
- Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing 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 as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account 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 statement of profit or loss. This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 12.

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

Other payables include contractual obligations related to lease incentives provided to tenants. Other payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the consolidated statement of financial position.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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.

2.12 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.

2.13 Deposits

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

2.14 Equity

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

Notes to the consolidated financial statements (continued)

2.15 Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time 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 accounted for in the Consolidated Statement of Comprehensive Income in the period in which they are incurred (on an accruals basis). Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.16 Sale deposits

Sale deposits refers to the amount received from customers to reserve property sales. The amounts held will be recognised as revenue when the performance obligation is satisfied as explained in note 2.18.

2.17 Provisions

Provisions are recognised when:

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

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

2.18 Revenue Recognition

a) Revenue from contracts with customer

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

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

2.18 Revenue Recognition (continued)

a) Revenue from contracts with customer (continued)

Revenue from sale of residential or commercial property

Revenue from 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 there are other promises in the contract that 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 of 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 in time 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 in which 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.

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 provided to them.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs 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 which would not have incurred had the contract not been obtained are capitalised as contract assets which 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.

Notes to the consolidated financial statements (continued)

2.18 Revenue Recognition (continued)

a) Revenue from contracts with customer (continued)

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (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 which is the period of time which the customer consumes the benefit of its use.

c) Other income

Other income is recognised on an accruals basis.

2.19 Finance Income and costs

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

2.20 Expenses

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

2.21 Employee benefits

- **Pensions Contributions**

  Contributions made in relation to defined contribution pension plans and scheme are recognised as employee benefit expense when they are due.

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

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

2.22 Dividend distribution

Dividend distributions to the Company's shareholder are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved. Dividends in-specie are recognised at fair value at the distribution date.

2.23 Significant accounting judgements, estimates and assumptions

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

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

a) Classification of investment property and inventory

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

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

Notes to the consolidated financial statements (continued)

2.23 Significant accounting judgements, estimates and assumptions (continued)

b) 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.

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 of 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 completions on 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 is assessing fair values is at the discretion of the Board.

Further information on the estimation of NRV is disclosed at 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 excess of £500,000.

A combination of valuation techniques are 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.

c) Valuation of investment property

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

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

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.

Notes to the consolidated financial statements (continued)

2.23 Significant accounting judgements, estimates and assumptions (continued)

c) Valuation of investment property (continued)

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 at 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. The IBR therefore 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 at Note 12. No adjustment is made to the IBR since IBR is the market rate and the leases are in the functional currency.

3. Financial Risk Management

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

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

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

a) Liquidity risk

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

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

Notes to the consolidated financial statements (continued)

3. Financial Risk Management (continued)

a) Liquidity risk (continued)

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

2018	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)	3,050	57	57	20	**3,184**
- Accruals	1,397	-	-	-	**1,397**
Lease liabilities	292	292	24	-	**608**
Interest-bearing borrowings	1,065	1,065	5,323	7,452	**14,905**
Retention money payable	605	-	-	-	**605**

The obligations in respect of liabilities maturing in years 2 to 5 will be met from rental income.

2019	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)	1,928	283	-	20	**2,231**
- Accruals	1,503	-	-	-	**1,503**
Interest-bearing borrowings	5,539	33,680	5,323	8,251	**52,793**
Retention money payable	1,019	139	-	-	**1,158**

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 in order to provide returns to the shareholder. The Group aims to deliver these objectives by ensuring that:

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

The general costs of the group are met through operating revenue. The reconciliation of the changes in financing activities are explained in detail at note 12.

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

The Group has policies in place to ensure that rental and sale contracts are entered into only with lessees and buyers with an appropriate credit history, but the Group does not monitor the credit quality of receivables on an ongoing basis. The Group reviews the receivables on regular basis to measure expected credit losses, if any. Generally, trade receivables are referred to Petty Debts court, if not settled and therefore no expected credit losses (ECL) are expected.

As at 31 December 2019, the Group had a concentration of credit risk relating to its cash, short term deposits, and its loan to the joint venture.

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 at 31 December 2019 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 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 the 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.

For items subject to credit risk classified as current assets, the Group applies a simplified approach in calculating ECLs and concludes that the respective ECLs arising on these assets are negligible as at 31 December 2019.

As at the 31 December 2019, the Group had the following credit risk exposures:

	2019 £'000	2018 £'000
Non-current assets		
Loan to Joint Venture	7,129	3,810
Other receivables	106	-
Net Investment in the finance lease	118	-
	7,353	**3,810**
Current assets		
Amounts due from related parties	205	85
Trade receivables	856	657
Other receivables	96	192
GST Refund	-	18
Retention money receivable	-	195
Deposits	12,508	-
Net Investment in the finance lease	120	-
Cash and cash equivalents	15,386	**9,845**
	29,171	**10,992**
	36,524	**14,802**

As at 31 December 2019, the Group 's maximum exposure to credit risk was £36,524,266 (2018: £14,802,440) and it had a concentration of credit risk of £15,385,791 (2018: £9,845,238) with its bankers / brokers and a concentration of credit risk of £7,129,068 (2018: £3,810,000) with its Joint Venture.

Notes to the consolidated financial statements (continued)

3. Financial Risk Management (continued)

d) Market risk

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

i) Cash flow and fair value interest rate risk

The Group's interest rate risk principally arises from long-term fixed rate borrowings (Note 12). Any borrowings issued as variable rates expose the Group to cash flow interest rate risk.

The Group's interest rates risk is monitored by the Group's management on a monthly basis. The interest rate risk policy is approved by the Board at the time each facility is put in place. Management analyse the Group's interest rate exposure together with adverse rate sensitivity analysis on a monthly basis based on the latest market information. These calculations are only run for liabilities that represent major interest-bearing positions and are included in the development appraisals that are reported to the Board at each Board meeting. As at 31 December 2019, the Group has one long-term borrowing which has a fixed interest rate until November 2028.

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

ii) Price risk

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

The Group is exposed to property price risk other than from financial instruments including property rentals risk.

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

	2019 £'000	2018 £'000
Income from investment property	2,652	1,585
Income from inventory property	1,929	2,297
Income from right-of use assets	54	-
	4,635	**3,882**

Income arising from inventory property relates to rental income from IFC 5 during 2019 prior to its sale and IFC 1 and IFC 5 for 2018.

4.2 Revenue from contract with customers

	2019 £'000	2018 £'000
Revenue from sale of residential property	-	974
Service charge income	315	274
Property management charges	212	117
	527	**1,365**

Revenue from the sale of residential property for 2018 amounting to £0.974m relates to that arising from College Gardens, Block 4. No such revenue was recorded by the Group during 2019.

Service charge income relate to the recharging of tenants for the maintenance of the Waterfront Leisure Centre, IFC 5 and Trenton Square.

Property management charges relates to property services provided by the Group to Waterfront Development (6C) Limited since 6 July 2018 which relate to the construction project known as Horizon, as disclosed at Note 16 and Trenton Square.

Notes to the consolidated financial statements (continued)

4. Revenue and expenses (continued)

4.3 Employee benefits and other remuneration expense

	Notes	2019 £'000	2018 £'000
Wages & salaries		1,150	961
Social security		44	31
Pension costs for defined contribution plans	23	113	84
Pension costs (Public Employees Contributory Retirement Scheme)	24	7	25
Other staff related expenses		86	35
		1,400	**1,136**

The average number of employees in 2019 was 13 (2018: 14).

4.4 Estate management expense

	2019 £'000	2018 £'000
Waterfront car park	679	373
Other	278	370
	957	**743**

Estate management expenses arising from the Waterfront car park include non-recurring expenses of £441,330 (2018: £173,000).

4.5 Other expenses

	2019 £'000	2018 £'000
Legal, consultancy and professional	220	110
Audit	72	59
PR and Marketing	54	49
Community Engagements	38	20
Loss on right-of-use assets transferred to net investment in the finance lease	66	-
Other	36	24
	486	**262**

4.6 Finance costs

	2019 £'000	2018 £'000
Interest on borrowings	928	1,108
Interest on lease liabilities	20	-
Total interest expense	**948**	**1,107**
Bank charges	11	5
	959	**1,113**

Notes to the consolidated financial statements (continued)

5. Investment property

	2019 Leasehold £'000	2018 Leasehold £'000
As at 1 January	34,590	17,250
Additions	-	17,340
Disposal	(2,700)	-
Net gain in the fair value of investment properties	1,200	-
As at 31 December	**33,090**	**34,950**

The Group's investment property is measured at fair value. The Group held 3 classes of investment property as at 31 December 2019 all located in Jersey being a car park, a leisure centre and a public square.

Segment	Waterfront Car Park £'000	Waterfront Leisure Centre £'000	Bus Station £'000	Public Square £'000	2019 Total £'000
Fair Value Hierarchy	3	3	3	3	
As at 1 January	**14,500**	**17,340**	**2,500**	**250**	**34,590**
Additions - Direct Expenditure on investment property	-	-	-	-	-
- Additions during the year	-	-	-	-	-
- Disposal during the year	-	-	(2,700)	-	(2,700)
Net gain / (loss) from fair value adjustments	1,000	-	200	-	1,200
As at 31 December	**15,500**	**17,340**	**-**	**250**	**33,090**

Segment	Waterfront Car Park £'000	Waterfront Leisure Centre £'000	Bus Station £'000	Public Square £'000	2018 Total £'000
Fair Value Hierarchy	3	3	3	3	
As at 1 January	**14,500**	**-**	**2,500**	**250**	**17,250**
Additions - Direct Expenditure on investment property	-	-	-	-	-
- Additions during the year	-	17,340	-	-	17,340
Net gain / (loss) from fair value adjustments	-	-	-	-	-
As at 31 December	**14,500**	**17,340**	**2,500**	**250**	**34,590**

Notes to the consolidated financial statements (continued)

5. Investment property (continued)

Valuation processes

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

Independent professionally qualified valuers D2 Real Estate Ltd who hold a recognised relevant professional qualification and have relevant experience in the locations and segments of the investment properties valued the Waterfront Car Park at the end of 2017. The Waterfront Leisure Centre was acquired on the open market at the end of 2018 and had a valuation from professional valuer for funding purposes which supports the carrying value in the consolidated financial statements.

At each financial year end, the Executive Directors:

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

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

Investment Property	Valuation £'000	Valuation technique	Annual net income £'000	Yield %
Car Park	15,500	All risk yield comparison	1,096	6.67
Public Square	250	All risk yield comparison	26	9.66
Waterfront Leisure Centre	17,340	All risk yield comparison	1,161	6.60

Valuation technique

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, management fees, repairs and running costs, which are not deducted in the gross yield.

Yield sensitivity analysis

Investment Property	-0.5% £'000	0% £'000	+0.5% £'000
Car Park	15,887	15,500	13,769
Public Square	264	250	238
Waterfront Leisure Centre	18,762	17,340	16,119

Gross Revenue[1]

Investment Property	From	Gross Revenue £'000
Car Park	cash	514
Car Park	lease/licence	791
Public Square	licence	26
Waterfront Leisure Centre	lease	1,161

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 movements transfers between levels.

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

Notes to the consolidated financial statements (continued)

5. Investment property (continued)

Information about fair value as at 31 December 2018 using significant unobservable inputs (Level 3):

Investment Property	Valuation £'000	Valuation technique	Annual net income £'000	Yield %
Car Park	14,500	All risk yield comparison	1,036	7.00
Bus Station	2,500	All risk yield comparison	100	3.80
Public Square	250	All risk yield comparison	21	8.15
Waterfront Leisure Centre	17,340	All risk yield comparison	1,161	6.50

Yield sensitivity analysis

Investment Property	-0.5% £'000	0% £'000	+0.5% £'000
Car Park	15,422	14,500	13,366
Bus Station	2,878	2,500	2,209
Public Square	266	250	235
Waterfront Leisure Centre	18,749	17,340	16,129

Gross Revenue[1]

Investment Property	From	Gross Revenue £'000
Car Park	cash	574
Car Park	lease/licence	675
Bus Station	lease	100
Public Square	licence	26
Waterfront Leisure Centre	lease	1,161

There were no movements transfers between levels in 2018.

6. Property, plant and equipment

	Office Equipment £'000	Events installations and equipment £'000	Events Capital improvements £'000	Office Alterations £'000	Total £'000
Cost					
At 1 January 2019	12	28	41	-	81
Additions	-	-	-	70	70
Disposals / Write-offs	-	(28)	-	-	(28)
At 31 December 2019	**12**	**-**	**41**	**70**	**123**
Depreciation					
At 1 January 2019	3	26	7	-	36
Charge for year	1	2	9	12	24
Disposals / Write-offs	-	(28)	-	-	(28)
At 31 December 2019	**4**	**-**	**16**	**12**	**32**
Net Book Value					
At 31 December 2019	**8**	**-**	**25**	**58**	**91**
At 31 December 2018	9	2	34	-	45

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

Notes to the consolidated financial statements (continued)

7. Leases

Group as a lessee
The Group has a lease contract for an office building which expires on 22 January 2022. The Group has subleased part of the leased assets.

There is no option to extend on the termination date.

The Group does not have any 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 £'000
As at 1 January	755
Remeasurement of restoration costs	(70)
Transfer to Net investment in the finance lease	(167)
Charge for year	(178)
Impairment for the year	(24)
As at 31 December	**316**

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

	2019 £'000
As at 1 January	832
Lease payments	(292)
Finance costs	14
As at 31 December	**554**

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

	2019 £'000
Non-current Lease Liabilities	284
Current Lease Liabilities	270
	554

The following are the amounts recognised in profit or loss:

	2019 £'000
Depreciation expense of right-of-use assets	178
Impairment of right-of-use assets	24
Loss on right-of-use assets transferred to net investment in the finance lease	66
Interest on lease liabilities	20
Income from sub-leasing right-of-use assets	54

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

Notes to the consolidated financial statements (continued)

7. Leases (continued)

Amounts recognised in the statement of cash flows:

	Building lease £'000
Total cash outflow for leases	(292)
Total cash in-flow for income from sub-leasing right-of-use assets	63

The Group does not have any leases that have not yet commenced, hence no impact on future cash outflows.

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

	2019 £'000
Finance lease Finance Income on the net investment in the finance lease	1
Operating lease Lease income recognised by the Group during the year is disclosed in Note 4.1	

Finance Lease
The Group also sub-leases an office building that it leased in 2017. The Group has classified two of the sub lease as a finance lease, because the sub-lease is for the whole of the remaining term of the head lease. One sub lease was classified as finance lease upon application and another on during the year.

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

	2019 £'000
Less than 1 year	124
One to two years	118
Two to three years	7
Three to four years	-
Four to five years	-
More than five years	-
Total undiscounted lease payments receivable	**249**
Unearned finance income	(11)
Net investment in the finance lease	**238**

	2019 £'000
Non-current Net investment in the finance lease	118
Current Net investment in the finance lease	120
	238

Notes to the consolidated financial statements (continued)

7. Leases (continued)

Operating lease

Group as a lessor:
The Group leases out 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 of the 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:

	2019 £'000	2018 £'000
Less than 1 year	1,182	3,756
One to two years	1,182	3,739
Two to three years	1,214	3,734
Three to four years	1,214	3,623
Four to five years	1,214	3,755
More than five years	3,333	27,876
Total undiscounted lease payments	**9,339**	**46,483**

Group as a lessee:
The Group's operating lease commitments as at 31 December 2018 which are due to terminate in 2022 totalled £1,254,000 with annual payments being of equal value.

8. Inventories

	2019 £'000	2018 £'000
Freehold land	1,823	1,823
Leasehold land	17,174	17,273
Leasehold building	-	32,692
Property under construction	-	10,560
	18,997	**62,348**

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

'Leasehold land' is land held on 150 year leases 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.

'Leasehold building' for 2018 relates solely to IFC5 located in St Helier which was sold in 2019.

'Property under construction' for 2018 relates solely to the construction costs, professional fees and expenses incurred on the remaining wholly owned block at College Gardens that was sold in 2019.

Borrowing costs capitalised during the year amount to £nil (2018: £959,331). The weighted average interest rate for the group's borrowings during the year was nil% (2018: 2.5%).

The change in inventory during the year comprises of additional costs of inventory amounting to £2,388,859, a disposal of £44,559,418 resulting from the sale of subsidiaries (Note 20) and the impairment charge of £1,179,816.

Notes to the consolidated financial statements (continued)

8. Inventories (continued)

Assessment of Net Realisable Value ("NRV")

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

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

Impairment of Inventory Costs

Inventory costs included £1,179,816 relating planning and design fees for IFC 4 in accordance with the Esplanade Quarter Masterplan as Supplementary Planning Guidance (SPG). This masterplan was superseded in 2019 following the adoption of the Southwest St Helier Planning Framework ("the Framework") which resulted in the approved plans for IFC 4 being made redundant.

During 2018, impairment of inventory amounted to £968,306 relating to inventory costs including the design fees for the public car park.

During the year ended 31 December 2019, the Group did not incur any infrastructure costs. In conducting its 2018 impairment assessment of the costs incurred relating to the infrastructure costs (creation of Trenton Square), the directors concluded that these should be fully impaired on the basis that the full cost of £1,208,325 is not expected to generate positive cash flows and that the market value of the square is negligible.

The Board conclude that the NRV of all other inventory is greater than its carrying value as at 31 December 2019.

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

The Board has concluded that the NRV of all inventory is greater than its carrying value as at 31 December 2019 and a sensitivity analysis is not presented as its carrying value is unaffected by reasonable changes in inputs and assumptions.

9. Trade and other receivables

Trade and other receivables under one year	Note	2019 £'000	2018 £'000
Amounts due from related parties	21	205	85
Trade receivables		856	657
Contract assets		-	646
Unamortised lease incentive		-	320
Other receivables		96	192
GST Refund		-	18
Prepayments		9	12
		1,166	**1,930**

Contract assets relate to costs incurred to obtain a contract on inventories. On completion of the construction and sale of the inventory, the balance is transferred to profit on sale of subsidiaries.

Notes to the consolidated financial statements (continued)

9. Trade and other receivables (continued)

Trade and other receivables over one year	2019 £'000	2018 £'000
Unamortised lease incentives	-	4,372
Loan to Joint Venture	7,129	3,810
Other receivables	106	-
	7,235	**8,182**

Unamortised lease incentives for 2018 represent rent free periods and other incentives provided to tenants. The loan to the joint venture which matures on the sale of all the Horizon residential apartments is unsecured and interest-free and is accounted for amortised costs.

10. Assets held for sale

	2019 £'000	2018 £'000
Part of Public Square	-	935
Investments held for sale	-	2,815
As at 31 December	**-**	**3,750**

During the year, the Group sold part of the Public Square at the Weighbridge for £975,000 before deducting disposals costs amounting to £16,048 (net cash proceeds £958,952).

Investments held for sale in 2018 includes the Group's investment in its associate companies of the College Gardens development being, College Gardens Parking Limited, Cavell House Limited and Curie Fry House Limited. The Group sold all its remaining shares in those companies before the year end for £2,815,000.

The net gain on assets held for sale recognised at fair value through profit or loss for the year of £23,952 (2018: £879,736) was recognised in the Consolidated Statement of Comprehensive Income.

11. Share capital

Equity share capital	2019 £'000	2018 £'000
Authorised 20,000,000 ordinary shares of £1 each	**20,000**	**20,000**
Issued and fully paid 20,000,000 ordinary shares of £1 each	**20,000**	**20,000**

Notes to the consolidated financial statements (continued)

12. Borrowings

The Group's borrowings are at a fixed rate until 2028. Interest costs will not increase or decrease as a result of interest rate fluctuations.

	2019 £'000	2018 £'000
As at 1 January	47,648	55,199
Borrowings drawn down during the year	-	56,628
Borrowings repaid during the year	(35,889)	(64,419)
Commitment fees (paid) / reversed	-	240
As at 31 December	**11,759**	**47,648**

	2019 £'000	2018 £'000
Non-current Bank borrowings	11,095	44,400
Current Bank borrowings	664	3,248
	11,759	**47,648**

The bank borrowings are secured on investment property to the value of £17.3m (2018: £31.84m) and bears average interest rate at 2.76% (2018:3.01%). The maturity analysis of the borrowings is included at note 3.

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:

	2019 £'000	2018 £'000
Expiring within one year	-	-
Expiring beyond one year	6,000	14,808
	6,000	**14,808**

13. Contract liability

The contract liability in 2018 represented consideration received from the Jersey Homes Trust during the year relating to block 4 of College Gardens.

	2019 £'000	2018 £'000
As at 1 January	-	182
Amount billed during the year	-	792
Less: Revenue recognised during the year	-	(974)
As at 31 December	**-**	**-**

Notes to the consolidated financial statements (continued)

14. Retention money payable

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

	2019 £'000	2018 £'000
Non-current		
Retentions payable after 12 months	-	139
Current		
Retentions payable within 12 months	605	1,019
	605	**1,158**

15. Trade and other payables

Trade and other payables under 1 year	Note	2019 £'000	2018 £'000
Amounts due to related parties	21	3	34
Amounts due to related parties - dividend	19	2,000	-
Trade payables		211	820
Other liabilities		76	273
Accruals and deferred income		2,156	2,304
		4,446	**3,431**

Within accruals and deferred income is accrued interest amounting to £60,274 (2018: £170,984).

Trade and other payables over 1 year	2019 £'000	2018 £'000
Provision for dilapidation	115	-
Other liabilities	20	303
	135	**303**

Provision for dilapidation	2019 £'000
As at 1 January	211
Arising during the year	-
Utilised	(102)
Unwinding of discount	6
As at 31 December	**115**

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.

Notes to the consolidated financial statements (continued)

16. Interest in Joint Venture

The Group has a 50% interest in Waterfront Development (6C) Limited, a joint venture involved in the construction of 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 2019 are set out below:

Summarised Consolidated Statement of Financial Position of Waterfront Development (6C) Limited:	2019 £'000	2018 £'000
Current assets, including cash and cash equivalents of £2,114,285 (2018: £2,589,789) and trade & other receivables of £24,953 (2018: £95,692)	35,798	20,931
Non-current assets	393	1,027
Current liabilities	(747)	(1,837)
Non-current liabilities including sales deposits £8,112,577 (2018: £3,670,329) and shareholder loan & borrowings of £17,249,306 (2018: £7,620,331)	(26,044)	(11,291)
Equity	**9,400**	**8,830**

	2019 £'000	2018 £'000
Group's share in equity - 50%	4,700	4,415
Fair value adjustment for gain upon initial recognition	2,300	2,300
Group's carrying amount of the Investment	**7,000**	**6,715**

Summarised Consolidated Statement of Comprehensive Income of Waterfront Development (6C) Limited:	2019 £'000	2018 £'000
Revenue	-	-
Administrative expenses	(14)	-
Audit fees	(13)	(12)
Finance income (net)	-	-
Loss before tax	**(27)**	**(12)**
Income Tax expense	-	-
Deferred Tax	7	-
Loss for the year (continuing operations)	**(20)**	**(12)**
Total comprehensive loss for the year (continuing operations)	**(20)**	**(12)**
Group's share of loss for the year	(10)	(6)

The Group's share of the loss for the year was £9,108 (2018: £5,970). For the year ended 31 December 2019, 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 capitalisation of the eligible property management expenses charged by the Group to Waterfront Development (6C) Limited.

The joint venture had commitments as at 31 December 2019, totalling £70.07m (2018: £62.6m).
Waterfront Development (6C) Limited is prohibited from distributing its profits without the consent from its two shareholders.

Notes to the consolidated financial statements (continued)

17. Commitments and contingencies

The Group has no significant contingent liabilities.

The Group's undrawn commitment to the Joint Venture as at 31 December 2019 was £325,000 (2018: £3,775,000).

Other than those disclosed in note 16 in relation to the joint venture, the Group has capital commitments of £nil (2018: £1,632,526) in respect of developments under construction.

18. Taxation

Income Tax

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

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

Goods & Services Tax

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

19. Dividend

Three dividends were declared during the year.

a) College Gardens

The Group constructed and sold certain residential properties as part of an Assisted Purchaser Scheme ('Scheme'). Under the Scheme an eligible purchaser acquires shares in the property holding company equal to 90% of its market value and legal entitlement to the remaining 10% interest is simultaneously transferred to the Government of Jersey by the Group. All rights and variable interest of the Group to a financial interest in the property holding company cease at the point of transfer.

The fair value of the financial interest transferred to the eligible purchaser and the Government of Jersey under the Scheme by transferring the shares in the property holding company is recognised as a net gain or loss on disposal of subsidiaries at the point in which the legal entitlement transfers and a Board resolution is passed to treat this legal transfer of interest in the property holding company as a dividend in-specie.

The directors conclude that the fair value of the dividend in-specie is equal to the market value of the shares of the property holding company transferred at that date.

During the year ended 31 December 2019, the fair value of the dividend in-specie was £293,555 (2018: £496,667).

b) Bus Station

The Board declared a distribution of its Investment Property - Bus Station (Non-cash Assets) to its shareholder during the year at fair value. The 2018 valuation for the Bus Station was updated by the same valuer, D2 Real Estate on 8 November 2019, which increased the value by £200,000 to £2,700,000.

c) Cash

A dividend for £2,000,000 was declared and remained payable at the year end.

Notes to the consolidated financial statements (continued)

20. Subsidiaries

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

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

Disposal of subsidiaries

During the year, the Group disposed of its entire interest in JIFC (5) Limited and Austen-Bartlett House Limited.

The effects of the disposal of its 100% interest in JIFC (5) Limited and Austen-Bartlett House Limited as at the date of disposal were:

	JIFC (5) Limited £'000	Austen-Bartlett House Limited £'000	Total £'000
Non-current assets	-	-	-
Current assets	39,185	10,995	50,180
Non-current liabilities	-	-	-
Current liabilities	(340)	-	(340)
Net identifiable assets	**38,845**	**10,995**	**49,840**
Net identifiable assets disposed (as above)	38,845	10,995	49,840
Net gain on disposal	7,749	1,625	9,374
Dividend in lieu	-	(294)	(294)
Retained investment	-	-	-
Cash proceeds from disposal	46,594	12,326	58,920
Cash and cash equivalents disposed	-	-	-
Net cash inflow/(outflow) on disposal	**46,594**	**12,326**	**58,920**

Notes to the consolidated financial statements (continued)

20. Subsidiaries (continued)

The effects of the disposal of its interest in JIFC (4) Limited and the College Properties related subsidiaries being Inglis House Limited, Cavell House Limited, Curie Fry House Limited, College Gardens Parking Limited and Nightingale House Limited as at the date of disposal during 2018 were:

	JIFC (4) Limited £'000	College Properties related subsidiaries £'000	Total £'000
Non-current assets	-	-	-
Current assets	33,812	28,599	62,411
Non-current liabilities	-	-	-
Current liabilities	(381)	(3,008)	(3,389)
Net identifiable assets	**33,431**	**25,591**	**59,022**
Net identifiable assets disposed (as above)	33,431	25,591	59,022
Net gain on disposal	9,083	4,224	13,307
Dividend in lieu	-	(497)	(497)
Retained investment	-	(2,815)	(2,815)
Cash proceeds from disposal	42,514	26,503	69,017
Cash and cash equivalents disposed	(365)	-	(365)
Net cash inflow/(outflow) on disposal	**42,149**	**26,503**	**68,652**

During 2019, the Group's total retained profit for that year included a profit of £653,193 representing the net rental income and expenses of its subsidiary, JIFC (5) Limited. During 2019, the Group disposed of JIFC (5) Limited and recognised a net gain on the sale of £7,095,594. In summary, the total return to the Group on the disposal of JIFC (5) Limited was £7,748,787.

£9,373,456 of the net gain on disposal set out above is included within 'gain on disposal of subsidiaries' in the Consolidated Statement of Comprehensive Income.

The total proceeds from the disposal of subsidiaries, net of cash disposed, for the year ended 31 December 2019 was £58,919,522 (2018: £74,836,000).

Notes to the consolidated financial statements (continued)

21. Related party transactions

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

Name of related party	2019 (Income) / Expenses for the year £'000	2019 Outstanding at year end £'000	2018 (Income) / Expenses for the year £'000	2018 Outstanding at year end £'000
Key Management Personnel				
Key Management Personnel	**603**	**91**	788	152
Government of Jersey				
Rental income and re-imbursement of various expenses	**(956)**	**202**	(1,038)	80
Planning fees	**156**	**-**	215	-
Re-imbursement of expenses, stamp duty, subscriptions and sponsorship	**17**	**(3)**	195	(1)
Pension Contribution / Settlement	**664**	**-**	33	(33)
Ports of Jersey				
Rental income and re-imbursement of various expenses	**(129)**	**3**	(133)	7
Transactions with Joint Venture				
Joint Venture	**(290)**	**-**	(261)	163

The details regarding dividend for the year are stated in note 19.

The group advanced loans amounting to £3.45m (2018: £2.45m) to Waterfront Development (6C) Limited after it was recognised as a Joint Venture totalling to a year end balance of £7.26m (2018: £4.3m).

22. Immediate and ultimate controlling party

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

23. Pension costs

The Group pays contributions to 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 expense when they are due. Salaries and emoluments include pension contributions of £113,309 (2018: £83,670).

24. Pension costs (Public Employees Contributory Retirement Scheme)

This is a defined benefit pension scheme whose assets are held separately from those of the Government of Jersey; The Group is exempt from the defined benefit pension schemes disclosure requirements as it is a multi-employer scheme and the Group is unable to identify its share of the underlying assets and liabilities of the scheme. Contributions are accounted for within this Group as a defined contribution scheme.

Since 2015, the Group no longer has any employees in the Public Employees Contributory Retirement Scheme (PECRS) but as an Admitted Body to PECRS, the Group has been allocated a proportion of the unfunded liabilities of the scheme which arose prior to the Company's incorporation in the years up to and including 31 December 1986 ("the pre 1987 deficit"). On 28 June 2019, the Company provided six months' notice that it would be withdrawing itself as an Admitted Body to the PECR Scheme and during that period, paid £656,159 in final settlement of the pre 1987 deficit. As of 28 December 2019, the Company was no longer an Admitted Body of the PECRS and will no longer be subject to any further liability from further deficits in the scheme.

Salaries and emoluments include pension contributions relating to this deficit of £7,692 (2018: £24,981) for year 2019.

Notes to the consolidated financial statements (continued)

25. Events after the reporting period

Subsequent to the reporting date, the COVID-19 coronavirus that had broken out in China, spread to the rest of the world. On 11 March 2020 the World Health Organization declared COVID-19 a pandemic.

In order to support local businesses, the Government of Jersey has publicly communicated that if Government is your landlord (directly or through a Government-owned company) payment deferrals of rent will be considered. The Group has sufficient cash resources to cover such requests.

On 29 March 2020, the Government of Jersey announced that public car parking (in car parks and on-street) would be free. The Group owns 820 public car parking spaces and since this date has not received any revenue from these car parking spaces. The Group has sufficient cash reserves to cover the loss of revenue during this period.

Further, the Group currently has one live construction site via its joint venture. The announcement of the COVID-19 pandemic disrupted labour supply resulting in the temporary closure of the site in March 2020 before it was granted a licence to reopen on 28 April after implementing new Health & Safety practices to prevent the spread of COVID-19. Whilst this event is expected to delay the completion of the Horizon development which is seen as a 'Force Majeure' under the building contract, construction activity is expected to be fully operational again by July 2020.

Whilst a reasonable estimate of the financial effects of the disruption caused by the COVID-19 coronavirus on the Group cannot be reliably made at this time as noted in Note 2, the Group has sufficient cash reserves to continue to trade and the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

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