JERSEY DEVELOPMENT COMPANY

Annual Report & Consolidated Financial Statements 2020

Contents

Directors, Officers and Professional Advisers

Non-Executive Directors

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

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

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

Auditors

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

Chair's Statement

In a year of extraordinary challenge, we have made sustained progress towards achieving our aims and our mission of being the strategic property development partner for the Government of Jersey. Ultimately our core purpose is about delivering financial, social and environmental benefits for Jersey and its people, while we remain committed to balancing commercial and community aims and assisting the Government in achieving its wider ambitions.

In addition to advancing our project portfolio, Jersey Development Company has also evolved as a company with increased ambition and appetite to lead a range of new and exciting initiatives, not least the visionary 10 year redevelopment plan for Southwest St Helier. At the same time as looking to the future, we remain focused on delivering our annual plan and on meeting our commitments to the Government and key stakeholders.

2020 will be recorded for its huge uncertainty. The UK finally departed the European Union, while the world battled the global Covid-19 pandemic, with lives and economies being hugely disrupted, often with tragic consequences. The impact on companies is still to be determined with short-term financial costs transitioning to longer term impacts as the world comes to terms with 'the new normal'.

Whilst Brexit and Covid have major implications economically and socially, a far greater threat continues to manifest itself in the impact of humankind on the planet. The need to move to a more sustainable approach, in everything we do, is becoming ever more urgent. This can be evidenced by the growing number of extreme weather events, loss of natural resources, urbanisation and a dramatic rise in the loss of biodiversity. Increasing public concern, together with compelling evidence that these impacts are upon us, is moving the world rapidly towards carbon transition. We recognise the role the Company has to play in Jersey's route to sustainability and we have established a major objective for the coming year to develop a roadmap for the Company and for Jersey's built environment.

In reviewing the year, I would highlight the following:

Covid Response

A robust and rapid response to the pandemic, minimised financial impacts, while enabling progress on all planned projects. Clearly delays will be incurred, primarily on the Horizon project but we are in constant dialogue with our construction partners and with purchasers regarding project completion and establishing a new delivery schedule. Overall, our contingency planning proved effective and the Company demonstrated excellent resilience, while ensuring the safety of our staff at all times.

Financially, with no development completions in the year, revenues were predicted to be significantly lower than in 2018 and 2019 and, even with the Covid-19 impacts, the Company reported a 'small profit' essentially break even for the year. I am pleased to report that financially our business remains in robust shape with gearing at prudent levels and significant cash reserves.

Green Building Initiative

The Company continues to lead the way in the local development industry with a focus on more sustainable buildings and in contributing to the Government of Jersey's target of net zero carbon by 2030. During the year, the Company received planning consent on its largest office building to date, IFC 2, which is targeting BREEAM Outstanding – the first office building in the Channel Islands designed to achieve this rating.

The Company is also focused on achieving higher environmental ratings for its residential developments and our proposed development at South Hill will be designed to achieve reduced in-built carbon, as well as Passivhaus accreditation to minimise energy usage, as well as using smart technology that will enable occupiers to monitor and control their energy usage.

Development pipeline

As a commercial company we seek to generate a significant return on our developments, though our approach is balanced between purpose and profit. Whilst the viability of our schemes is paramount, we do not seek to maximise profit at the expense of other key principles such as sustainability and social value. We are enhancing our ESG focus at all levels in the Company and ensuring our principal objectives are aligned with the Government of Jersey's Strategic Objectives. In every development the Company undertakes, community and place-making are at its heart and no more so than in the exciting development proposals for the Waterfront.

Residential

The Southwest St Helier Planning Framework addresses the future of one of the Island's major development sites and presents a generational opportunity to develop the Waterfront as an exemplar in sustainability, landscaping, tenure mix and architecture.

Chair's Statement (continued)

This 'place making' will include over 1000 homes, offices, well-being facilities and a cultural building developed over a 10-year period. Internationally renowned designers Gillespies have been engaged to lead on this project and, at the time of writing, are conducting the first stage of our first public engagement. Our aim is to submit for outline planning in the Summer of 2021. In response to public feedback, the Waterfront proposals are landscape-led with a focus on community, the environment, bio-diversity and sustainability.

We also recognise that with the recent increases in property values, the affordability gap has widened, and we are working with Government to establish a support scheme for those households who would not qualify for an Andium home but are unable to raise sufficient financing to buy in the open market. Our intention is to develop a new model shared equity scheme which we hope will be in place for the South Hill development which commences construction in 2023.

Office Development

The impact of the pandemic on the demand for office space and tenant specifications is not yet known. Not surprisingly, potential interest from tenants on the IFC buildings stalled during the year. Since then, businesses have been assessing productivity and staff feedback to establish new working arrangements and, no doubt, flexible hybrid models will emerge. We believe that there remains a strong future for offices in Jersey and, as the pandemic abates, we are anticipating renewed interest for new office premises.

Looking forward to the second half of 2021 and beyond, we have an exciting agenda and business plan with continuing progress on existing projects, both those underway and those now gathering momentum. As we strengthen the organisation to deliver our ambition, we will be guided by our vision of 'building a better Jersey' and by our commitment to delivering value to Jersey and to our community.

In June 2020, Nicola Palios stepped down as Chair having completed 9 years' service to the Company. During her tenure Nicola's contribution to the progress and success of the company was substantial and the organisation owes her a debt of gratitude.

I am pleased to welcome Nicholas Winsor, who joined the Board as a Non-Executive Director on 20 July 2020. Nick brings extensive banking expertise in a number of important markets for the Company. He has also joined the Audit & Risk Committee and Chairs the Remuneration & Nomination Committee.

On behalf of the Board, I would like to end by expressing my thanks to the Executive and their team who have shown great leadership, resilience and adaptability during this challenging year.

I would also like to thank the Board for their hard work and commitment during the year and to our Shareholder for their continued support.

Paul Masterton
Chair
6 April 2021

Managing Director's Report

In what has been an extremely unpredictable year, the Board and Staff have dealt with the challenges in a professional and proactive way to minimise the risk and loss to the business. We have focused on continuing our development at Horizon as well as planning and advancing designs of our future developments.

Strategy overview

We are committed to balancing the community and commercial aspects of our developments, as well as supporting the Government of Jersey's strategic objectives.

The Company has a proven track record of delivering exemplary buildings that positively add to the built environment that also provide a return that is 100% for the benefit of our Shareholder, the Government of Jersey.

Land receipts and/or development profits from our activities are either paid as a dividend to the Government, reinvested into public infrastructure or retained and recycled into future development projects under the guidance of the Shareholder.

By the Company carrying out development directly, there are a number of benefits to the Government of Jersey and Islanders:

- earn developer's profits in addition to the land value;
- remain in control of the timing of delivery;
- can pre-determine the eventual outputs (for example number of affordable units);
- delivery of new public infrastructure;
- focus on place-making and good design;
- improve competition in the market; and
- assist First-Time Buyers by allowing deposits to be paid in staged payments over the build period.

Managing Director's Report (continued)

COVID-19 and our response

2020 was a challenging year for the Company due to the unprecedented disruption and operational challenges presented by Covid-19. However, following the successful sale of its developments of IFC 1, IFC 5 and College Gardens in 2018 and 2019, the Company entered the pandemic with significant cash deposits that has allowed it to continue its operations as normal, introduce repayment plans to assist our tenants and accommodate reduced revenue from its car park operations.

Not being complacent of our strong financial position, our operational response to Covid-19 was both immediate and proactive. We successfully completed implementation of the 'work from home' policy for all employees prior to statutory lockdown resulting in no downtime for any member of staff.

We also acted swiftly to offer repayment plans to our tenants who are all primarily in the leisure, food and beverage sector.

Due to forced closure, they all required immediate assistance with their cashflow and the Company was able to offer full rental and service charge repayment plans.

Almost all tenants have been able to recover, and most have already repaid their outstanding rent. There are now only a few tenants for whom further assistance has been required. Consequently, rent collection for the year is down and is likely to be down slightly for 2021, but will resume to normal levels from 2022.

The Company was also affected with the closure of its construction site at Horizon. As the majority of the workers are from France, further delays were experienced compared to other local construction sites, as a result of the Island's border remaining closed for non-essential travel. As a result of revised operating arrangements and re-introduced restrictions in France, there continues to be further unavoidable delays.

Managing Director's Report (continued)

Current and Future projects

Horizon

Horizon is our live development site of 280 apartments with a Gross Development Value of £141m.

Horizon is a joint venture between the Company and Groupe Legendre and is being constructed by Legendre Contractors. The construction site closed from 17 March 2020 as a result of the border closure and the principal sub-contractor being based in France. Local construction sites rely on specialist overseas sub-contract workers, to deliver specific work packages and from July 2020 the Government of Jersey helpfully granted essential worker status to these sub-contractors to enable them to access the construction site on arrival into the Island. Up to 30 September, Covid-19 had caused a 5-month delay to the delivery of the development and further programme impacts are being assessed on a regular basis. The completion of the first building is currently forecast to occur in the second half of 2022. The Company is currently recording no impact on the forecast profit and pre-sale demand continues to be strong with only 14 units remaining available at the year end.

Managing Director's Report
(continued)

Current and Future projects (continued)

South Hill

Following the adoption of the Development Brief for the site by the Environment Minister in September 2020, we selected an architect via a design competition. The plans are now being advanced, and a detailed planning application is expected to be submitted in the Summer of 2021 for approximately 150 units. It is expected that following planning permissions and pre-sales, construction will commence in early 2023.

IFC

The Company is in discussions with prospective tenants and subject to a pre-let, the Company hopes to commence IFC 6 in 2021 for completion in late 2023.

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

Following the adoption of the Framework by the Environment Minister in December 2019 as Supplementary Planning Guidance, an architectural competition took place to find the best proposals for the Waterfront area (Key Opportunity Sites 1, 2, 3 and 7). Gillespies Landscape Architects were appointed in July as the Company's design partner. Towards the end of the year, the first stage of public engagement was undertaken and Gillespies continue to develop the plans for the Waterfront with an outline planning application due to be submitted in the second half of 2021.

We are focused on delivering a compelling Waterfront that is recognised internationally as an exemplar in sustainability and which contains landscaping and architecture that will stand the test of time. The Waterfront is able to deliver much needed residential accommodation and provide a mix of other uses that will make the area a destination for both locals and visitors.

Public Infrastructure

In 2019, our Shareholder agreed for the £5m profit from College Gardens to be set aside for future public infrastructure projects. During the year, the Company funded £326k for feasibility plans at Fort Regent.

Managing Director's Report (continued)

Community

Leading in sustainability

We are committed to the environment and to supporting the Government's target of net zero carbon by 2030. The Company designed the first BREEAM Excellent office building in Jersey and the first BREEAM Outstanding office building in the Channel Islands. We are targeting future residential developments to achieve a Passivhaus accreditation. The developments will also incorporate smart technology that support green living and sustainable buildings.

In addition to ensuring our projects meet high environmental standards, during the year the Company contributed funds to the AugmentCity U4SSC Project (a digital twin of Jersey) and supported the delivery of electric car charging points in the Waterfront Car Park with EVie car hire.

Our developments will focus on sustainable transport initiatives and ensure they have the necessary infrastructure to support and encourage sustainable modes of transport. Every residential unit will be provided with a bicycle parking space and there will be electric charging points for e-bikes and e-cars.

The Company is focussed on ensuring that it is a good citizen and positively contributing to the Island's future. One of our strategic objectives is to invest on average 5% of our total construction costs into public infrastructure. The delivery of public infrastructure projects by the Company will improve the environments within which Islanders live and work by creating improved streetscapes, open spaces, pedestrian and cycle routes and leisure facilities. Our proposals for the Waterfront areas within the Southwest St. Helier Planning Framework will be landscape-led with a focus on sustainability and biodiversity with an abundance of native trees and the incorporation of green roofs.

Social Value

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. Unfortunately, due to Covid-19, many events were cancelled during the year, and the Company was limited to supporting 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. To promote the Christmas spirit, the Company also sponsored a virtual Christmas Light Switch-On which was well received. Annually, the Company also organises and assists in the funding of the Christmas lights on Weighbridge Square, Trenton Square and Route du Port Elizabeth.

Managing Director's Report (continued)

Outlook

We expect to have our Horizon construction site running at normal activity by the third quarter of 2021 and receive full rental income from our investment portfolio by the end of second quarter of 2021.

The Company's activities for 2021 and 2022 will be predominantly focused on the pre-development of South Hill and the Waterfront, construction at Horizon and subject to a pre-let, the construction of IFC 6. The successful conclusion to our pre-development work will establish the Company's pipeline for many years and enable us to deliver over 1,000 homes by 2030.

We look forward to continuing to support the Government of Jersey with its strategic objectives and delivering sustainable new communities, public infrastructure and new places for Islanders to enjoy.

L. Henry

Lee Henry
Managing Director
6 April 2021

Finance Director's Report

Following two years of exceptional results with the sale of the Company's first three developments, with no developments being sold in 2020, the profit for the year was predicted to be substantially lower until the next development begins to complete in 2022. When the 2019 financial statements were signed, it was reported that the Company was starting to feel the financial effects of Covid-19 and, whilst the Company's revenues for 2020 has been impacted, I am pleased to report that the Company has been able to bear the impact and it remains in a financially healthy position with no long-term damage either financially or to its future operations.

Overall, Covid-19 has impacted income by £733k. £512k of which is in relation to lost car parking revenue due to free public parking being provided for three months during lock down in line with Government policy. Furthermore, with certain businesses remaining closed on the Waterfront this resulted in lower occupancy levels in the car parks when charging was re-introduced.

The Company has also provided for credit losses of £227k for tenants that may not be able to pay all the rent and service charge that is currently owed.

In addition to the reduced income, the Company did not capitalise its costs on South Hill amounting to £403k due to the development site remaining in the ownership of the Government of Jersey at the year end. Whilst these funds had to be taken through the profit and loss account, they will in effect be reimbursed by sales at the end of the development.

Overall, the Company broke even with a small profit for the year of £3k.

A summary of the financial performance for the year compared to 2019 follows:

Income statement

The key financials from the Group's Consolidated Statement of Comprehensive Income are summarised in the following table.

	31 December 2020 £'000	31 December 2019 £'000
Development income	-	9,374
Rental income	2,896	4,635
Net Gain on Investment Property	115	1,200
Other income	1,216	688
Service charge expenses (fully recoverable)	(977)	(350)
Operating costs	(3,157)	(3,239)
Finance costs (net)	(90)	(694)
Operating profit	3	11,614
Impairment of inventory	-	(1,180)
Settlement of pension obligation	-	(656)
Profit for the year	**3**	**9,778**

Finance Director's Report (continued)

Rental Income

Rental Income decreased by 38% to £2,896k when compared against income of £4,635k in the prior year. As detailed above, the fall is mainly a result of the reduced income due to Covid-19 and the rental income received in 2019 from inventory property that was sold in the third quarter of 2019 of £1,360k.

Operating Costs

Operating Expenses of £3,157k which includes £227k of credit losses and £403k of pre-development costs at South Hill are 3% or £82k lower during 2020 compared to the prior year (£3,239k).

Covid-19 had an adverse impact on some normal business activities such as training, routine maintenance, timing of recruitment and community engagement. Overall, this resulted in lower than anticipated expenditure, the decrease being the net of the following key variances:

- Reduction in training, recruitment, consultancy, and estate management costs due to deferral or extension of project / maintenance work timelines in order to manage the impact of Covid-19 on internal resources, local suppliers and travel restrictions.
- Reduction in costs related to events sponsored by the Group as a part of community engagements.
- Additional costs incurred in managing the impact of Covid-19 including PPE, increased expenditure on IT consumables and licensing costs to facilitate working from home.
- Increase in provision of expected loss of trade receivables.

Finance costs - net

Net interest expense totalled £90k in 2020 which is a £604k decrease on the prior year (£694k). The reduction is attributable to the decrease in lending activity after the disposal of inventory via subsidiary disposals in 2019.

Operating profit

As set out in the 2019 financial statements, due to no development sales in 2020, the operating profit was always going to be much lower in 2020 compared to 2019 but Covid-19 has had a known net negative impact to profit for 2020 by an estimated £733k.

Impairment of Inventory Costs

Of concern to the Board, since Covid-19 affected the island, was the impact on the value of its inventory property assets. However, there has been no impairment on the values of the Company's inventory property.

Fair Value of Investment property

Equally of concern to the Board, due to Covid-19, was the impact on the Company's tenants and resultant impact on the value of its property assets. Throughout the year, assessments have been made on the values and a professional valuation was undertaken on the Waterfront Leisure Centre at the year end. All tenants have fortunately survived the Covid-19 impact to date and rental payments are due to return to normal during 2021 and consequently whilst values were negatively impacted, it was not sufficient enough to cause a diminution in value.

Net gain on Investment Property

Due to an increase in its annual revenues, Weighbridge Square was revalued by the directors resulting in a net gain of £115k.

Consolidated statement of Financial Position movements

Investment Property

Investment property as at 31 December 2020 increased to £33,205k (2019: £33,090k) due to the revaluation of Weighbridge Square.

Inventories

Inventories represent land holdings for future development. Inventories as at 31 December 2020 increased to £20,075k (2019: £18,997k). The increase of £1,078k is due to further spend on designs for IFC 2 and on the Company's Waterfront land. 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.

Borrowings

Borrowing as at 31 December 2020 decreased to £11,095k (2019: £11,759k). The reduction reflects capital repayments amounting to £664k in respect of the Waterfront Leisure Centre borrowings.

Finance Director's Report (continued)

Consolidated statement of Cash flow

There was a net cash outflow of £5,270k during the year of which 44% related to payments of dividends to the Government of Jersey. The other main expenditure was attributable the timing of payments for trade receivables and payables, debt repayment and finance costs.

The Group, being the Company and its subsidiaries and the Group's joint venture, manages total assets of £136.91m (2019: £132.3m). 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 original acquisition, plus subsequent expenditure incurred.

Simon Neal
Finance Director
6 April 2021

COVID-19 Related Risks

The Covid-19 pandemic affected the Company's activities from the end of Q1 2020 and will likely have an impact well into 2021. Throughout the pandemic our key priorities have been to protect the health and wellbeing of our employees, whilst ensuring that we maintain the capacity to continue the design and construction activities, in order to provide the necessary new housing stock to the Island.

We invoked our Covid-19 response plan and by mid-March all employees were able to work from home. Further various steps as explained below were taken in order to support the local businesses and to support the Government of Jersey's response to the 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 investment properties let to the leisure industry that has been particularly affected by the pandemic and has agreed repayment plans with the tenants' to support the tenants and the local economy.

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 520 public car parking spaces and in-line with the Government announcement provided free public parking from 1 April 2020 to 30 June 2020. Rent due from the Government on Les Jardins car park was also waived for Q2 2020.

The Group, through its joint venture is constructing 280 apartments at Horizon. On 17 March 2020, the majority of the labour on-site was from outside of Jersey and were required to return to their native country. Subsequently, the Island closed all construction sites and began to allow non-essential construction sites to re-open from 20 April 2020, subject to implementing new Health & Safety (H&S) practices to prevent the spread of Covid-19. On 28 April 2020, the site was given a licence to re-open after implementing new Health & Safety practices to prevent the spread of Covid-19 however, due to the workforce being predominately from France, we had to await the re-opening of the border.

This section identifies the changes in risks within our risk register arising from the Covid-19 pandemic and sets out how the Company is addressing them.

COVID-19 Related Risks (continued)

Area	Risk	Risk Management Measures Taken
Valuation of investment property and inventory property.	Decrease in the value of investment property and inventory property because of Covid-19.	• The board and directors review the valuation of inventory and investment property on a regular basis.
Completion of construction and hand over to purchasers.	Higher construction cost due to increase in compliance of additional H&S requirement due to Covid-19.	• JCT 'Force Majeure' event. • Plans in place in to work with compliance of the Covid guidelines issued by Government of Jersey.
Banking covenants.	Covid-19 has increased the risk of the banking covenants being breached.	• The covenants of the bank are being monitored on a monthly basis by the Finance Director.
Employee absence.	Covid-19 has increased the risk of widespread employee absence (through illness or the need to self-isolate) which could threaten the ability of the Group to maintain minimum standards of service.	• Implementation of working from home and 2 / 1 metre distance when in office. • Using technology to maintain effective communications. • Reorganisation of working arrangements for all construction workers to comply with distancing regulations, protect their health and maintain operational resilience.
Employee engagement & wellbeing.	As a result of the working arrangements to working from home there is a risk of decreased engagement and wellbeing concerns arising from physical isolation of colleagues, less face-to-face unstructured communication and/or their adjusted working environment.	• Increase in frequency of team catch-ups. • Provision of the necessary equipment to assist employees working from home.
Customer/tenants financial hardship.	The economic consequences of Covid-19 have increased the risk that customers / tenants may be unable to pay their car parking / rent bills resulting in an increase in bad debts.	• Introduction of 'repayment plans' for customers / tenants in financial hardship. • Proactive and more frequent communication with customers / tenants who are in arrears with their bills.
Supply chain.	Covid-19 has resulted in risk of principle sub-contractor going bust or delay in remobilising & obtaining resources and materials.	• Maintaining higher than usual levels of stocks of supplies. • Working with contractors to ensure continued construction suppliers are available. • Main contractor to keep in contact with sub-contractors and actively reviewing the financial position of sub-contractors before they commence works.
Long-term impact.	The long-term impacts of the Covid-19 pandemic on the economy and community are unknown.	• Closely monitoring the short-term impacts of Covid-19, demand for car parking spaces, debt recovery, and future projects.

Principal and Emerging Risks Facing the Group

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

Risks

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

Unknown risks and those that the Directors believe are less significant may also have a material impact on the operations and performance of the Company.

An assessment of the impact of Covid-19 on our risk profile and the mitigation measures we have put in place are detailed on page 16.

Area	Risk	Risk Management Measures Taken
Decline in Island's economy.	A general sharp economic downturn also presents a risk to the Group. This could result in falling property prices / lower demand to buy the residential apartments / rent office blocks with a consequential effect on the Group's future project development plans.	• Maintain oversight, up to date market information and monitor market developments to adapt the speed of construction of new homes / offices as required by the market circumstances. • Maintain regular overview of local and UK marketplace.
Increased capital project costs.	Construction industry inflation in Jersey has exceeded RPI in recent years. The risk is twofold: 1. Existing projects could have profits eroded or make a financial loss; 2. Future projects become financially unviable which could slow the pace of delivery of new residential apartments / office blocks unless sales prices / rents increase to compensate.	The group enters into: • fixed price contracts to mitigate against any increase during the course of construction, and • legally binding pre-sales covering the construction costs are secured before entering into a construction contract.
Legal, political & regulatory risk.	There is the risk that legislation or regulation may be introduced that has a material effect on the activities of the Group, by introducing additional cost or placing additional compliance requirements.	• Best practice methodologies in place. • Continuous improvement culture. • Close engagement with Government / Shareholder. • Active participation in public consultations on law. • Board oversight on regular basis.
Transport of materials / supply chain.	There is the risk that events outside of the Company's control including Brexit, adverse weather and corporate failure could result in disruption to the Group's supply chain.	• JCT Design & Build fixed price contracts used to pass the risk of supply chain issues to the main contractor. • The Company has provided the main contractor with extra material storage space so that deliveries can be made earlier to avoid Brexit delay / adverse weather delays.
Health & Safety.	There is the risk of failure by the Company to prevent injuries and accidents to our people and the public resulting in legal, financial and reputational issues for the Company.	• Robust Health and Safety Policy for employees & projects. • Regular independent review. • Regular training and updates. • Standing board agenda item.

Principal and Emerging Risks Facing the Group (continued)

Area	Risk	Risk Management Measures Taken
Skills & succession.	There is the risk of over reliance on individuals with critical skills, knowledge or experience and failure to plan adequately for their succession could disrupt the activities of the Group upon their departure, adversely affecting the quality of service provided and preventing business objectives from being achieved.	• Training and employee development commitment. • Competitive remuneration and benefits package. • Recruiting additional senior management team to provide cover.
Large scale employee absence.	There is the risk that events including widespread illness, pandemic, industrial action, civil unrest, and adverse weather could prevent a large number of employees from attending work, resulting in disruption to the operations of the Group, including the ability to maintain normal standards of service.	• Flexible working practices and mobile technology enable working from home. • Active employee engagement and consultation.
Operational risks.	Other operational risks faced by the Company include reliance on third-party constructors, suppliers, and fraud.	• Controlled access to Company systems. • Multiple layer physical and cyber security in place. • External/independent scrutiny of security arrangements. • New system implementations secure by design. • Employee awareness and training. • Regular testing and enhancement of security arrangements.
Project delivery.	There is a risk that events may occur that disrupt the delivery of significant change, operational and capital projects within the business resulting in delays, additional costs and/or the ability to achieve the initial project objectives.	• Professional skilled project management team. • Risk logs, progress reports and remedial actions reported to Board.
IT risks.	There is the risk of unauthorised access to the Group's systems potentially resulting in disruption to the business and/or a significant data breach.	• Controlled access to Group's systems. • Multiple layer physical and cyber security in place. • Employee awareness and training. • Regular testing and enhancement of security arrangements.
Inventory/ investment property valuation.	• Risk of inventories investments being wrongly valued due to the use of inappropriate inputs and assumptions in deriving net realisable values (NRV), including the risk of management override in relation to relevant journal entries. • Recession / Brexit / stamp duty being introduced on enveloped property.	• External valuation is obtained from a professional valuer at least once every 5 years for property over £500k. • At least twice in a year, impairment valuations are prepared by managements and reviewed by the Audit & Risk Committee and the Board discusses the valuation in detail.
Liquidity & Funding.	• Risk that construction projects and cash flow forecasts do not adhere to plan. • Risk of non-compliance with bank loan covenants.	• Robust controls in place before incurring costs. • Budget to actual reviewed every month. Forecast cashflow projections prepared monthly. • Banking covenants checked monthly.
Climate change.	• There is clear evidence that global temperatures are rising rapidly, and that climate change poses a number of risks. • Given the wide range of outcomes, it is difficult to predict the exact impact of global warming, however studies are underway to understand changes that are likely to be experienced in Jersey. • It is likely that climate change will bring about changes to both the weather (such as storms and heatwaves) and regulatory obligations (new or strengthened carbon neutrality commitments).	• The Company is focused on constructing sustainable buildings and sustainable communities. • The Company encourages the benefits of electric vehicles in reducing harmful emissions, improving local air quality and lowering carbon levels, all of which helps to move towards the Government of Jersey's target of carbon neutrality by 2030. • The Company to monitor the political and legislative developments (e.g. Carbon Neutrality by 2030) and assess the opportunities and threats to enable us to respond effectively.

Development Activities

Environmental

The Company is committed to balancing financial returns with the environmental and social impacts in all its developments. We are focused on purpose over profit and whilst our developments must be financially viable and fundable, we are dedicated to placemaking and delivering sustainable communities.

As we are 100% owned by the States of Jersey, the Company also supports the Government of Jersey in the delivery of its strategic objectives and we deliver on this in a number of ways.

The Government of Jersey has set a target of achieving net zero carbon by 2030 and we are targeting all of our future developments to be net zero carbon in-use as well as minimising energy in-use.

The Company was the first developer in Jersey to design a BREEAM 'Excellent' rated office building with IFC 1. During the year, IFC 2 received planning permission and is the first office building in Jersey designed to achieve BREEAM 'Outstanding'. For our future residential developments, we are targeting Passivhaus accreditation.

We are also exploring environmentally friendly construction methods and materials that could be used to improve sustainability and minimise in-built carbon in our developments.

Road transport accounts for around a third of the Island's overall CO_2 emissions and the electrification of these journeys and encouraging alternative modes of transport is a major step that Jersey must take to achieve carbon neutrality. To support this necessary step, we are investing in the right infrastructure into our developments to support electric vehicles and alternative transport modes.

Development Activities (continued)

Residential Activities

We are very conscious of the current demands in the residential property market and the lack of stock and the requirement to deliver much-needed residential accommodation to address the current imbalance.

The Company is focused on the owner occupier market, which continues to suffer from a lack of supply that has resulted in significant house price increases. There are a growing number of residents that earn too much to qualify for an Andium property via the Housing Gateway scheme, but do not earn enough to raise a sufficient mortgage to purchase on the open market and are forced into private rental accommodation.

The Company is working with Government to design a new shared equity scheme to assist residents in this situation. It is the ambition of the Company that this scheme will be implemented on all new developments by the Company going forward.

The Company has continued assisting first-time buyers on the Horizon development. The scheme enables first-time buyers to step onto the housing ladder by allowing the 10% deposit to be paid in equal instalments over the construction period, instead of one lump sum. This scheme has worked successfully on both College Gardens and with the current Horizon development. As at 31 December 2020, 116 purchasers have taken advantage of this scheme.

Development Activities (continued)

Horizon

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

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 entered into a Joint Venture with Groupe Legendre, the tenth largest contractor in France to deliver the project.

The development will be completed in three phases from the Summer of 2022 until Spring 2023.

Development Activities (continued)

South Hill

Our next residential development will be approximately 150 units at the former Planning offices at South Hill. The site is situated in a prominent elevated location, sitting on the south-east coast of St Helier's harbour frontage at the foot of Fort Regent and due to its elevated position retains spectacular views across the harbour.

As well as being designed to achieve the highest environmental standards, with its location adjacent to a children's park and Fort Regent, the Company intends to create a significant number of two and three bed family units. The designs which are currently being developed are to include areas for home working and other well-being facilities.

To ensure design excellence, leading architects both local and UK were invited to participate in a tender process in 2020 resulting in ten submissions.

FCB Studios were selected due to their unique design approach, that reflects the Company's sustainability goals and its organic design that will ensure harmony with its surroundings. We will be submitting a detailed planning application in the summer of 2021.

Development Activities (continued)

Southwest St Helier Visionary Framework

The Southwest St Helier planning framework was adopted by the Environment Minister in December 2019, as Supplementary Planning Guidance. This followed an extensive public consultation process. The Framework replaces the Esplanade Quarter Masterplan as well as providing guidance on adjacent land and properties.

The adoption of this Guidance has enabled the Company 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 in conjunction with the Design Council, to appoint a highly motivated and creative team to develop a landscape-led Visionary Framework for the area.

To ensure design excellence, market leaders within the field of master planning, urban design, landscape architecture and community planning were invited to participate in a competition to become the Company's design partner.

A selection panel comprising senior representatives and built environment experts from the Design Council, Government of Jersey, a member of the Jersey Architecture Commission and Jersey Development Company, reviewed, short-listed and independently scored each final submission.

Development Activities (continued)

Southwest St Helier Visionary Framework (continued)

The submissions were of an extremely high-standard and, in August 2020, Gillespies was appointed as the Company's design partner. Gillespies is an award-winning UK landscape architecture practice with a track record of leading the way in urban design and master planning, delivering responsibly designed and award-winning spaces that focus on creating wellbeing and sense of place.

The proposals, which are subject to further consultation with the public and key stakeholders, aim to address the existing disconnect between the waterfront and the town centre through a landscape-led design, which prioritises sustainability and a 'people first' approach. The aim is to transform the existing waterfront and surrounding land into a vibrant and environmentally focused mixed-use quarter that provides a series of green open spaces and public amenities to support the island's needs.

Gillespies' initial concept proposal includes:

- a new public park and landscaped gardens at Les Jardins de la Mer including an underground public car park;
- a landscaped pedestrian bridge over Route de la Liberation;
- a redesigned indoor public swimming pool and gym and an outdoor saltwater pool;
- an Art / Culture building; and
- Over 1,000 new homes with ground floor space for commercial and community use such as gym, crèche and food and beverage facilities.

The work will culminate in an outline planning application being submitted during the second half of 2021.

The public engagement process commenced in mid-October. The consultation is being led by Iceni Projects who have a strong track record of undertaking meaningful dialogue with local communities.

Development Activities (continued)

Southwest St Helier Visionary Framework (continued)

The aim of the consultation process in Southwest St Helier is to:

- Raise awareness of the project and Development Framework;
- Gather aspirations and understand key issues with regard to the St Helier Waterfront;
- Be inclusive, accessible, transparent and engaging; and
- Clearly communicate the feedback from the community to the Company and the design team.

A dedicated consultation website www.sthelierwaterfront.je was launched during November 2020 which set out the key stages of the project and some introductory videos to the design team.

At the end of November 2020, the website had received almost 3,000 visits and 10,000 page views. Over 240 completed questionnaires and over 100 comments made regarding the initial concept designs. The information provided Gillespies with important data to implement and shape the designs ready for the second phase of the engagement process in early 2021. Further stakeholder workshops are planned to also include young people with visits to schools.

The design team is actively taking on board the feedback received from Phase 1 of the engagement process, which includes a number of emerging themes:

- Clear support for the initial concept work shown, particularly in relation to the initial ideas for the outdoor spaces;
- A desire to see more detail as the design progresses;
- The importance of maximising open space and lots of suggestions for how these spaces could be used;
- The need for the landscape and architecture proposals to enhance existing views;
- The importance of the leisure, food and beverage offering to the proposals, highlighting the opportunity for waterside cafes, restaurants and bars, alongside a cinema;
- The need for high quality and iconic architecture;
- The importance of prioritising pedestrian space and routes; and
- A keenness for consultation to continue, with comments recorded and considered in full.

The full results of the phase 1 consultation have been published on the St Helier Waterfront website during February 2021.

Development Activities (continued)

Commercial Activities

IFC Jersey

The Company is delivering a world-class business district that is providing the highest quality office buildings in Jersey and providing the right infrastructure to support local businesses to grow and flourish. We are focussed on build quality and achieving the right specification to stand the test of time from a design and sustainability perspective.

The pandemic has made businesses reassess their office requirements and whilst initially working from home was warmly welcomed by staff, this novelty has now worn-off and a recent D2 Real Estate market survey has highlighted that instead of "work from home", it now feels like "live at work"! It has further been recognised that from a mental health perspective, the lack of social engagement and face-to-face contact with colleagues during lock-down has taken its toll.

Additionally, we are fortunate in Jersey not to have lengthy commutes on overcrowded public transport systems and therefore access to the office is relatively easy and low risk, unlike in large urban centres such as London. We believe that there is still a place for modern and flexible office accommodation in St. Helier and businesses will adjust their fit-outs and overall area requirements over time, in response to any flexible working arrangements they may put in place post-pandemic.

Development Activities (continued)

IFC 6 and IFC 2

IFC 6 (70,000 sq. ft net internal area) is ready to commence construction and the Company hopes to secure an anchor tenant in 2021. There is provision for a restaurant to be located at the ground floor with an Al Fresco area onto Trenton Square.

IFC 2 which would complete the quartet and would be the largest of the four IFC buildings will provide 100,000 sq. ft of net internal space of modern Grade A office accommodation over seven floors. Food and beverage and retail space will also be included on the ground floor to promote activity. IFC 2 secured Planning consent during the year.

Both buildings have their own environmental features which will ensure that the running costs are reduced from an electricity and water consumption perspective.

Artists impression of IFC 2

Artists impression of IFC 6

Social Value

Investing in Jersey

Public Infrastructure

The Company is committed to delivering new public assets for the Island and we have an objective of investing on average 5% of the build cost on every development, to directly contribute towards public infrastructure. To date the Company has delivered a new public square at the IFC - Trenton Square, 55 car parking spaces for Janvrin School and paid contributions for public transport initiatives.

In agreement with our Shareholder, £5m of the profit from our College Gardens development is being directly invested in public infrastructure, as agreed by the Regeneration Steering Group. To date, the Company has committed £425k contribution for the new skateboard park, £465k for Fort Regent feasibility work and £730k for road and pedestrian improvements to Midvale Road.

The Waterfront Estate

The Company continues to maintain the extensive public spaces around the Waterfront which includes Les Jardins de La Mer, Marina Gardens as well as the Weighbridge Square and Trenton Square. During these difficult times the Company has assisted the likes of personal trainers to use these areas to continue offering one-to-one sessions with their clients, whilst still maintaining the Government guidelines.

2020 has been a relatively quiet time in terms of new projects, and this provided us with an opportunity to accelerate much-needed maintenance works in the car park and at Marina Gardens. This included extensive cleaning and painting works inside and outside areas of the car park and new paving of public areas at Marina Gardens, adjacent to the stairwells.

Social Value (continued)

Community Engagement

Events

Due to the on-going effects of Covid-19 from March onwards, many of the community events booked for 2020 were regretfully cancelled, as well as the weekly Junior Park Run which takes place along the Waterfront.

Events which the Company are involved with and support annually include, The Motoring Festival, The Triathlon, Super League Triathlon and The Standard Chartered Jersey Marathon, all of which were ultimately cancelled.

However, there were some events that did proceed and that we were able to support.

Christmas Light Switch-on and Festive tree displays

The Company is committed to placemaking and investing in the Waterfront area and every year we organise and fund the Christmas lighting and Christmas tree displays at the Weighbridge, Route du Port Elizabeth, Trenton Square and the Waterfront Leisure Centre.

The Company also contributes to the traditional annual Christmas Light Switch-on in town. Whilst the pandemic prevented the Parish of St Helier holding this traditional event, technology came to the rescue to ensure Christmas got off to a good start. The Parish commissioned some local 'expert elves' to create a Christmas story bespoke for Jersey including partnering with a number of retailers in town and a showcase 'Christmas Light Switch On' using virtual technology. A video from a different perspective showed Santa's special 2020 Christmas message as he works hard to get the lights turned on and ready for everyone to enjoy. The video was created to encourage islanders to shop local and help bring the start of this year's Christmas festivities to life, particularly for children and to bring some Christmas cheer to residents and retailers as they make the most of what was to be a more challenging Christmas than normal.

Social Value (continued)

Run from Home - Marathon Mile

One of our objectives is to promote well-being and active lifestyles and for the second year running, we sponsored the Marathon Mile which forms part of the Standard Chartered Jersey Marathon as one of Jersey's largest sporting / Community events of the year. The whole event usually attracts over 2,500 participants, 400 volunteers and raising thousands of pounds for charities each year.

In response to the Government of Jersey's Covid-19 restrictions for events and mass gatherings, the organisers and sponsors took the decision to cancel the annual Standard Chartered Jersey Marathon event. Determined to provide a focal point for the running community, it was agreed that a 'Run from Home' challenge should be launched which incorporated the Standard Chartered Marathon, the Ravenscroft Relay Race and the Company sponsored Marathon Mile.

The Run from Home Challenge allowed each of the three categories to take place, where participants could complete the distance in their own location and in their own time between 1st – 16th October. A 'Marathon Mile' course was also set up at Les Jardins de le Mer for anyone to participate.

A mini spin-off Age-Group live race of the Marathon Mile took place on the 14th October at the Waterfront with 20 finalists competing in each age category throughout the afternoon. In total nearly six hundred people participated in the Run from Home challenge and the event welcomed the abilities and ages from six-year-olds to seventy-two-year-olds.

Fundraising was central to the Run from Home Challenge and with the support of participants the event raised approximately £4,200 for the two official charities: Futuremakers by Standard Chartered and St John's Ambulance.

Social Value (continued)

Climate Stripes for Jersey

We were delighted to support the Government of Jersey with the Climate Stripes, a mural painted by local artist Ian Rolls over the summer. Taking the Island's recorded average annual temperatures since records began in 1894, the mural highlights the island is not immune from the effects of global warming and will help raise awareness of Jersey's climate change. The mural is visible on the lower rear wall of Cineworld, adjacent to the underpass.

Unfortunately, the mural was vandalised at the end of the year, but Ian Rolls and the Government of Jersey turned this negative action into a positive and highlighted that conversation is critical on a subject that affects the entire planet. Ian has masterfully covered up the graffiti with more artwork which has made the mural more interesting and promotes open dialogue on climate change.

EV Charging and EVie cars and bikes now available at the Waterfront

In collaboration with the Company and EVie on-demand electric mobility club, Jersey Electricity has invested in four new 22kW public charging bays and two 7kW EVie charge points in the Waterfront Underground Car Park. This recent installation brings the total number of public Evolve charging bays to 47 and increases EVie's charge point stations to four.

We are committed to supporting sustainable means of transport and reducing the reliance on the private car. With the growing popularity of on-demand electric bikes and electric vehicles, EVie has revolutionised how islanders think about their use of transport and how they get around the island. The Company has provided a dedicated area in Marina Gardens for EVie electric bikes and we are keen to continue working with EVie on future residential developments to provide a carpool for residents' use.

The Company is focused on constructing sustainable buildings and sustainable communities. The Company also recognises the benefits of electric vehicles in reducing harmful emissions, improving local air quality and lowering carbon levels, all of which helps us move towards the Government of Jersey's target of carbon neutrality by 2030.'

Social Value (continued)

Pride of Jersey 2020 Awards

Once again, we were delighted to sponsor the 'Child of the Year' award for the fifth consecutive year at the Jersey Evening Post (JEP) Pride of Jersey Awards 2020.

These awards give us an opportunity to celebrate remarkable individuals who have gone beyond all expectations and have helped to enhance the lives of others around them.

Due to the first wave of Covid-19, the awards were launched slightly later in the hope that the final would take place in December rather than September. A record 36,887 votes were cast this year for the 153 nominees across 14 categories.

In response to the Government of Jersey's Covid-19 restrictions for events and mass gatherings, the organisers took the difficult decision to postpone the awards ceremony which will now take place in 2021.

Social Value (continued)

Portraits of Jersey in Covid-19 photographic exhibition at the Weighbridge

We were delighted to support Dasa Wharton Photography and the Parish of St Helier to provide one of the three locations to display Dasa's photography exhibition 'Portraits of Jersey in Covid-19'.

Ten freestanding large-scale displays travelled to various locations in St Helier which included the Royal Square, Don Monument in Parade Gardens and Weighbridge Square from 25 September - 6 November.

The project provided a thought-provoking visual record of an extraordinary time in global history and how it affected and continues to affect our way of life in Jersey.

Social Value (continued)

Corporate partnerships

The Company supports local organisations that have a strong focus on Jersey's history, culture and environment and we were pleased to continue as a corporate partner of the National Trust for Jersey and Jersey Trees for Life.

National Trust Jersey
Patron: HRH The Prince of Wales

Living Wage

The Company is in the process of applying for 'Living Wage' Accreditation that will not only ensure directly employed staff are paid at least the Living Wage, but also those that we contract and sub-contract on any of the Company's activities.

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 Memorandum has not been reviewed since it was first drafted in 2011 and is recognised as being deficient in several respects. The Government of Jersey is currently reviewing the relationship between itself and the various States owned bodies and it is anticipated that a new MoU will be agreed during 2021.

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 and specifically for:

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

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

The Board members also scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives. In accordance with good corporate governance, the Board is supported by an Audit & Risk Committee and a Remuneration & Nomination Committee 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.

Corporate Governance Report (continued)

Board Composition

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

One of the independent directors is appointed by the Board to undertake the role of Senior Independent Director (SID).

The principal role of the SID is:

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

Appointments to the Board are subject to a formal, rigorous and transparent procedure, and an effective succession plan is maintained for the Board, following recommendations from the Remuneration & Nomination Committee. Both appointments and succession plans are based on merit and objective criteria and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Independence

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

Membership of both Committees is comprised solely of Non-Executive Directors. These Committee members are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resource in order to carry out their duties. A report of the Audit & Risk Committee is provided on pages 39-40 and a report of the Remuneration & Nomination Committee is provided on 41-44.

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 on the matters at hand.

The Board met five times during 2020.

Board attendee	Number of meetings entitled to attend	Number of meetings attended
Nicola Palios (Chair)*	2	2
Paul Masterton (Chair)***	5	5
Ann Santry	5	5
Tom Quigley	5	5
Richard Barnes	5	5
Nicholas Winsor**	3	3
Lee Henry	5	5
Simon Neal	5	5

* Retired 19 June 2020
** Appointed 20 July 2020
*** Appointed as Chair 20 July 2020

In addition to formal board meetings, the board held regular briefing calls with the Managing Director and Finance Director - particularly in the early days of the pandemic - and participated in multiple ad-hoc advisory meetings to assist the leadership team. The strategy day for 2020 was postponed due to the pandemic and will be held in 2021. Board members provided further support in meetings with the Shareholder.

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.

Corporate Governance Report (continued)

Board Assessment (continued)

The Board's policy is to carry out an externally facilitated evaluation every three years and an internal one on an annual basis. Altair Partners Limited was appointed in 2019 to conduct an independent board effectiveness review in accordance with good governance practice. During 2020 the Board implemented the recommendations of the Altair report.

During the year, an internal evaluation was undertaken. The process involves each member of the Board to complete a detailed questionnaire and once complete, the results are collated and summarised, discussed at Board level and a list of outcomes and actions determined.

The outcomes and actions agreed from the 2020 evaluation assessment are:

- Strategy Day' to be arranged post Covid
- Development of the Executive team including addressing succession planning & key person risks
- Board development including composition and succession planning
- New areas of board focus to include sustainability / technology
- Staff engagement to include more participation at board meetings
- Length of board packs to be reduced.

Internal Control

The Board has overall responsibility for the maintenance of the Company's system of internal control, including its effective operation and for reviewing its appropriateness, following any change to business operation(s), 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 establishes procedures to manage risk, oversee the effectiveness of the Company's risk management systems, internal financial controls and internal control framework in order to identify, assess, manage and monitor key financial and business risks.

The Committee determines the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives and makes appropriate recommendations to the Board.

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

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

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.

By order of the Board

Ann Santry

Ann Santry
Senior Independent Director
6 April 2021

Audit & Risk Committee Report

The Audit & Risk Committee operates under a charter agreed by the Board. The Audit & Risk Committee is responsible for:

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

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

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

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

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

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

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

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

The Audit & Risk Committee is composed of Non-Executive Directors including Tom Quigley (Chairman), Ann Santry, Nicholas Winsor and Richard Barnes. The meetings provide a forum for discussions with the external and internal auditor. Meetings are also attended by invitation, by the Chair, 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 principal and emerging risks to achieving their business objectives and ensuring that they 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 principal and emerging 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 evaluates 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 four times during 2020.

Committee member attendee	Number of meetings entitled to attend	Number of meetings attended
Tom Quigley (Chair)	4	4
Richard Barnes **	2	2
Paul Masterton*	3	3
Ann Santry	4	4
Nicholas Winsor **	2	2
In Attendance		
Paul Masterton*		1
Lee Henry		4
Simon Neal		4
E&Y LLP		4
Bracken & Rothwell		1

* ceased being a member on 22 July 2020 following appointment as Chair of the Board
** appointed on 22 July 2020 as Committee member

Audit & Risk Committee Report (continued)

Committee Evaluation

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

During the year, an internal evaluation was undertaken wherein each member of the Committee completed a detailed questionnaire and the outcomes and actions agreed from the 2020 evaluation assessment were as follows:

- Property valuation training to be arranged for Non-Executive Directors
- Advisers to present to the Board every 6 months on the state of the local property market
- Auditors to present further detail on how other property development companies report their valuations.

By order of the Audit & Risk Committee

T.K. Quigley

Tom Quigley
Chair of the Audit & Risk Committee
6 April 2021

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 twice a year.

The Remuneration & Nomination Committee members are currently Non-Executive Directors, Nicholas Winsor (Chairman), Ann Santry 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 making recommendations to the Board.

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

In identifying suitable candidates, the Committee:

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

Appointments

In line with our Board succession plan, Nicola Palios retired as Chair of the Board on 19 June 2020. The process for appointing the Chair of the Company involves the Jersey Appointments Commission (JAC) and their appointee was involved through the whole process.

The Committee commenced a recruitment search process for a replacement for Mrs. Palios as Chair and Non-Executive Director in September 2019. This process involved the use of an external search consultant and the JAC were consulted at every stage.

After an extensive and targeted search, which included both local and national advertising, the process resulted in only four candidates being eligible for short-listing, with 2 candidates subsequently withdrawing from the process having accepted other positions. The two remaining candidates were interviewed but the interview panel concluded that neither of the two remaining candidates should be appointed as Chair, given the circumstances facing the Company.

Given the exceptional risks arising from the Covid-19 pandemic, the Board, considered that the priority was for the Company to have stability in its governance particularly the Chair position.

Accordingly, the Board reached the unanimous decision that it would be in the overall best interests of the Company for the Company's senior independent director, Paul Masterton, to be appointed as Chair to coincide with Mrs. Palios' retirement.

Remuneration & Nomination Committee Report
(continued)

Appointments (continued)

Mr Masterton is a highly experienced Non-Executive Director and Chair, with an in-depth understanding of Jersey, from both a business and political perspective. He was the senior independent director of the Company from 2017 and is a local resident.

The appointment of an existing Non-Executive Director to the Chair position left a vacancy and Nicholas Winsor - who was one of the shortlist candidates for the position of Chair - was considered a strong candidate for this position. Mr Winsor is a highly qualified banker and senior business leader, with strong links to Jersey. He also has extensive NED experience.

The States Assembly voted in favour of the following:

1. Appointment of Paul Masterton as Chair;
2. Extension of appointments of Paul Masterton and Ann Santry (over 9 years);
3. Appointment of Nicholas Winsor as an additional Non-Executive Director; and
4. Change to the Articles of Association of the Company.

The change in the Articles allows the Company to appoint up to two additional Non-Executive Director and altered the term of appointment from a fixed three-year period to a period of up to three years.

Subsequently, the Board engaged independent firm, Berwick Partners to lead the search for one additional NED which resulted in 46 candidates putting their names forward, 6 of which were shortlisted. Following interviews, a candidate has been selected and the appointment currently awaits approval from the States Assembly.

Committee Evaluation

The Committee works with the Chair of the Board to lead the annual Committee evaluation process. During the year, an internal evaluation was undertaken wherein each member of the Committee completed a detailed questionnaire and the outcomes and actions agreed from the 2020 evaluation assessment were as follows:

- HR audit to be undertaken
- More professional HR input for reporting to the Committee
- More relevant data to be provided for salary reviews
- Implement the use of staff surveys for feedback to the Committee
- Reference the Committee evaluation in the Annual Report & Accounts and to describe the actions being taken as a result of the review.

Board Profile

The current profile of the Board is as follows:

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

* relates to an Executive Director.

Non-Executive Director Remuneration

As per the Memorandum of Understanding, any changes to the level of remuneration paid to Non-Executive Directors are 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. An external review of non-executive pay was undertaken in 2020, following which no increase in remuneration for 2021 was proposed. It was recommended a further review be undertaken at the end of 2021.

Executive Director Remuneration

Remuneration structures are simple with no equity participation (share ownership) by the Directors. Salaries are established by reference to those prevailing in the open market generally for directors of 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.

As referenced in last year's report, the 2019 review of executive remuneration identified that while fixed pay is broadly in line with market, the incentive scheme is materially below market median. Discussions with the Shareholder about the best way to resolve this are ongoing.

Remuneration & Nomination Committee Report
(continued)

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 Strategic Business Plan, that is prepared annually and agreed with the Shareholder.

For 2020 a Balanced Scorecard approach has been adopted to assess the level of Executive bonus payable, dependant on the progress made against the aforementioned objectives. The Shareholder has been consulted and has approved the content of the Scorecard.

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

During 2020 the Executive Director pay was reviewed against external sources and base pay was found to be below the market median. An increase of 2% of base salaries was approved for 2021.

Employee salaries were also benchmarked to comparator companies and pay rises were approved for those with base salaries that were found to be below median levels.

The 2021 average increase of all salary recommendations is 1.4%.

Directors' Remuneration

	Salary / Fees £	Benefits £	Bonus £	Pension £	2020 Total £	2019 Total £
Executive Directors						
Lee Henry	179,000	1,885	26,850	26,850	234,585	234,711
Simon Neal	144,250	-	21,638	21,637	187,525	186,200
Non-Executive Directors						
Nicola Palios*	18,767	-	-	-	18,767	40,000
Ann Santry	22,000	-	-	-	22,000	22,000
Paul Masterton**	30,070	-	-	-	30,070	22,000
Richard Barnes	22,000	-	-	-	22,000	22,000
Tom Quigley	25,000	-	-	-	25,000	25,000
Nicholas Winsor***	9,864	-	-	-	9,864	-
Total	**450,951**	**1,885**	**48,488**	**48,487**	**549,811**	**551,911**

* Retired 19 June 2020
** ceased being a member on 22 July 2020 when appointed as Chair of the Board
*** Appointed 20 July 2020

The Remuneration & Nomination Committee met three times during 2020.

Committee member attendee	Number of meetings entitled to attend	Number of meetings attended
Nicholas Winsor (Chair)*	2	2
Ann Santry ***	3	3
Paul Masterton **	2	2
Richard Barnes	3	3
In Attendance: Lee Henry Paul Masterton **		3 1

* appointed on 22 July 2020
** ceased being a member on 22July 2020 following appointment as Chair of the Board
*** 1 meeting as Chair of the Committee and 2 as a member

Remuneration & Nomination Committee Report
(continued)

Workforce engagement

Towards the end of the year, the Charter was updated to reflect the changes to the UK Corporate Governance Code wherein the Committee is required to disclose more details on workforce engagement and wider remuneration considerations. The Company will implement this engagement during 2021.

Diversity & Inclusion

The Committee Recognises that the Company will benefit from greater levels of diversity both at Board level and in the Company as a whole, particularly in respect of gender-balance.

The Company has agreed to participate in the Government of Jersey ("GoJ") I WILL ("Inspiring Women into Leadership") initiative offering women working within GoJ the opportunity to experience working with an external board of directors, to enhance their and develop their leadership skills through observation and engagement with Non-Executive Directors. A recruitment process commenced in March 2021.

The composition of our employees by gender is presented below:

	2020		2019	
	Male	Female	Male	Female
Company	46%	54%	43%	57%
Senior leadership team	60%	40%	60%	40%
Board	85%	15%	71%	29%

As the Charter was updated during December, in order to comply with the amended provisions, the Company is in the process of updating its Equality & Diversity Policy and setting clear objectives during 2021. The Company is committed to providing a workplace where colleagues are treated fairly and able to give their best.

By order of the Remuneration & Nomination Committee

Nicholas Winsor
Chair of the Remuneration & Nomination Committee
6 April 2021


SAINT YVES SERVICES

Summary of Benefits from the Company to the Government of Jersey

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 and the Company's name changed to its current identity and in the second half of 2011, a new board was appointed to take the new remit forward.

WEB was set up with £20m of capital and had £20.2m of land transferred to it providing a total equity base of £40.2m. The land was professionally valued at the time of transfer. Between 1996 to 2012, 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 the Company'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	-	-	-	840
2013	816	-	-	-	816
2014	817	-	-	-	817
2015	1,000	-	100	-	1,100
2016	-	-	1,000	-	1,000
2017	-	-	-	-	-
2018	-	497	2,177	-	2,674
2019	2,000	2,993	-	-	4,993
2020	326	-	-	4,674	5,000
	5,799	**3,490**	**3,277**	**4,674**	**17,240**

In addition to the £13.9m and £17.24m set out above, net assets have increased from the £40.2m invested to £78.21m as at 31 December 2020.

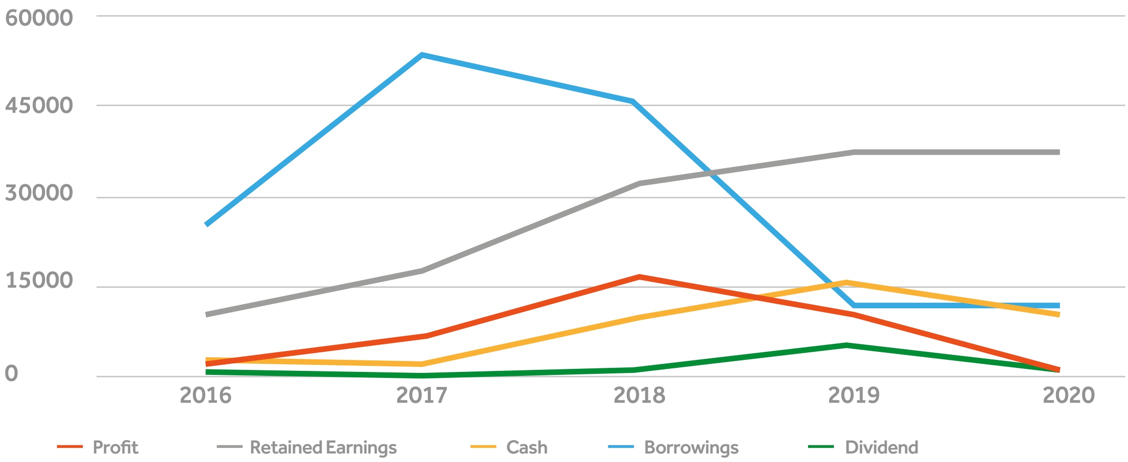
Summary of benefits accruing from JDC (continued)

In total, the financial benefit to the Government of Jersey is £64.49m of which £48.36m has been generated since the change in operating model to Jersey Development Company. The £48.36m represents a 112% return on the equity from the point of transition to Jersey Development Company which equates to a 13% annual return on the 2011 equity position:

	£ 000s
Public Infrastructure 1996 - 2012	13,923
Dividend since 2012	5,799
Dividend in specie (asset transfer) since 2012	3,490
Public infrastructure since 2012	3,277
Committed funds for Public Infrastructure	4,674
Net assets at 31 December 2020 (less committed funds for Public Infrastructure)	73,532
Initial Capital	(40,200)
Total benefit to the Government of Jersey	**64,495**

Key headline trends for the Company from 2016 to 2020 are shown in the diagram below and shows a significant increase in profits and retained earnings since 2017. Due to the nature of the Company's operations, profits are volatile.

Headlines from 2016 - 2020
£ 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 for 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.

The Company 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.

Directors' Report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

Incorporation

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

Principal Activities

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

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

The Company's mission is to 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 54. A dividend of £326,055 was declared and paid during the year (2019: £4,993,555) as detailed in note 18.

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

Paul Masterton (Chair)
(Retired as Senior Independent Director, Appointed Chair on 20 July 2020).

Nicola Palios (Chair)
(Retired 19 June 2020)

Ann Santry CBE
(Appointed Senior Independent Director on 22 July 2020)

Tom Quigley

Richard Barnes

Nicholas Winsor MBE
(Appointed 20 July 2020)

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 have assessed the Group's financial stability and liquidity for the period up to 30 June 2022, being not less than 12 months from the date of the financial statements, which consider the Group's current obligations and commitments, combined with a significant reduction in investment property income and direct or indirect property sales. The Group's financial statements are therefore prepared on a going concern basis. Further details of the Group's going concern review are provided in note 2.1 of the financial statements.

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

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

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

By order of the Board

P Lasleton

For and on behalf of
The States of Jersey Development Company Limited
6 April 2021

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 2020, 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 24, 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern up to the 30 June 2022.

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

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of 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 themselves. 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
- 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 49, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement, due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud, rests with both those charged with governance of the company and management.

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

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

(continued)

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

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

This description forms part of our auditor's report.

Use of our report

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

Andrew Jonathan Dann, FCA
for and on behalf of Ernst & Young LLP
Jersey, Channel Islands
6 April 2021

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Rental Income	4.1	2,896	4,635
Gain on disposal of subsidiaries	19	-	9,374
Revenue from contracts with customers	4.2	1,145	527
Net gain on investment property held at fair value through profit or loss	5	115	1,200
Net gain on assets held for sale at fair value through profit or loss	10	-	24
Other income		71	137
Income		**4,227**	**15,897**
Service charge expense		(977)	(350)
Pre-development expenses	4.7	(403)	-
Share of loss on joint venture	15	(271)	(10)
Employee benefits and other remuneration expense	4.3	(1,209)	(1,400)
Premises and establishment expense		(163)	(160)
Estate management expense	4.4	(440)	(957)
Depreciation of property, plant and equipment	6	(44)	(24)
Depreciation of right-of-use assets	7	(152)	(178)
Impairment of right-of-use assets	7	-	(24)
Expected credit losses of trade and other receivables	9	(227)	-
Other expenses	4.5	(248)	(486)
Total expense before finance costs		**(4,134)**	**(3,589)**
Finance income		360	265
Finance costs		(450)	(959)
Finance costs - net		**(90)**	**(694)**
Operating profit		**3**	**11,614**
Impairment of inventory	8	-	(1,180)
Settlement of pension obligation	23	-	**(656)**
Profit for the year		**3**	**9,778**

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

The notes on pages 59 to 88 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investment property	5	33,205	33,090
Property, plant and equipment	6	81	91
Right-of-use Asset	7	164	316
Trade and other receivables	9	7,307	7,235
Net Investment in the finance lease	7	6	118
Investment in a Joint Venture	15	6,929	7,000
		47,692	**47,850**
Current Assets			
Inventories	8	20,075	18,997
Trade and other receivables	9	795	1,166
Net Investment in the finance lease	7	115	120
Short-term deposits		12,524	12,508
Cash and cash equivalents		10,116	15,386
Total Current Assets		**43,625**	**48,177**
Total Assets		**91,317**	**96,027**
Equity			
Equity attributable to equity holders of the Company			
Share capital	11	20,000	20,000
Capital contribution		20,196	20,196
Retained earnings		38,009	38,332
Total Equity		**78,205**	**78,528**
Liabilities			
Non-current liabilities			
Borrowings	12	10,408	11,095
Lease Liabilities	7	20	284
Trade and other payables	14	73	135
Total non-current liabilities		**10,501**	**11,514**
Current liabilities			
Borrowings	12	687	664
Lease Liabilities	7	264	270
Retention money payable	13	-	605
Trade and other payables	14	1,660	4,446
Total current liabilities		**2,611**	**5,985**
Total liabilities		**13,112**	**17,499**
Total equity and liabilities		**91,317**	**96,027**

The consolidated financial statements were approved by the Board of Directors on 6 April 2021 and signed on their behalf

by D Lastan Director.

The notes on pages 59 to 88 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

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

	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		-	-	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	18	-	-	(4,994)	(4,994)
At 31 December 2019		**20,000**	**20,196**	**38,332**	**78,528**

The notes on pages 59 to 88 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit for the year		3	9,778
Adjustment for:			
- Share of loss on joint venture	15	271	10
- Depreciation of property, plant and equipment	6	44	24
- Depreciation of right-of-use assets	7	152	178
- Impairment of right-of-use assets	7	-	24
- Net gain on investment property held at fair value through profit or loss	5	(115)	(1,200)
- Net gain on assets held for sale held at fair value through profit or loss	10	-	(24)
- Expected credit losses of trade and other receivables	9	227	-
- Plant, property and equipment written down	6	3	-
- Impairment of inventory	8	-	1,180
- Finance expense (net)		90	693
- Gain on disposal of subsidiaries	19	-	(9,374)
- Pre-development expenses		(403)	-
Changes in working capital:			
- Decrease in retention receivable		-	195
- (Decrease) in retention payable	13	(605)	(566)
- (Increase) in trade and other receivables		(510)	(1,856)
- (Decrease) in trade and other payables		(838)	(703)
- (Increase) in inventories	8	(1,091)	(2,389)
Cash generated from operations		**(1,752)**	**(4,030)**
Interest received		105	82
Interest paid		(427)	(1,056)
Net cash generated from operating activities		**(2,074)**	**(5,004)**
Cash flows from investing activities			
Proceeds from the sale of non-current assets held for sale	10	-	3,763
Acquisition of Property, plant & equipment	6	(37)	(70)
Loan advances to Joint Venture	20	-	(3,450)
Receipt of rent from net investment in the finance lease	7	121	63
Proceeds from sale of subsidiaries	19	-	58,920
Placement of bank deposits		-	(12,500)
Net cash used from investing activities		**84**	**46,726**
Cash flows from financing activities			
Repayment of borrowings	12	(663)	(35,889)
Repayment of lease liabilities	7	(292)	(292)
Dividend paid		(2,326)	-
Net cash used in financing activities		**(3,280)**	**(36,181)**
Net increase / (decrease) in cash and cash equivalents		**(5,270)**	**5,541**
Cash and cash equivalents at the beginning of the year		15,386	9,845
Cash and Cash Equivalents at the end of the year		**10,116**	**15,386**

The notes on pages 59 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.

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

Going concern
The Covid-19 pandemic caused a significant negative economic impact on Island businesses during the year. Management has assessed the Group's financial stability and liquidity for the period up to 30 June 2022 being not less than 12 months from the date of the financial statements, which consider the Group's current obligations and commitments combined with a significant reduction in investment property income and direct or indirect property sales.

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.

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

Standards, amendments and interpretations to existing standards that are effective and are relevant have been adopted by the Group
The Directors have considered all relevant amendments and interpretations that apply for the first time in 2020 and believe that they do not have a material impact on the consolidated financial statements of the Group.

Standards, amendments and interpretations to existing standards that are relevant and are not yet effective and have not been early adopted by the Group
The Directors have considered all relevant accounting standards that are in issue which are not yet effective for accounting periods beginning on 1 January 2020 and believe that early adopting these standards would not have a material impact on the financial statements of the Group.

Notes to the consolidated financial statements (continued)

2.2 Basis of Consolidation

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.

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.

Notes to the consolidated financial statements (continued)

2.4 Investment property (continued)

Transfers are made to (or from) investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. For a transfer from investment property to inventories, the deemed cost for subsequent accounting is the fair value at the date of change in use.

When the Group disposes of a property at fair value in an arms-length transaction, the carrying value immediately 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.

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
Computer equipment	3 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 at disposal date and are included in the Consolidated Statement of Comprehensive Income.

2.6 Leases

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all 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.

Notes to the consolidated financial statements (continued)

2.6 Leases (continued)

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.

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

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost and 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 using the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

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.

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.

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.

Notes to the consolidated financial statements (continued)

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

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

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

2.7 Inventories

The Group's inventories comprise 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. 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 marketplace. Fair value is also determined independently by professional individuals, holding recognised and relevant professional qualifications, at the discretion of the Board.

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

2.8 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 subsequent to this date.

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

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

After 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 control 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 joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the consolidated financial statements (continued)

2.9 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 simplified approach, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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 marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified 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 and short-term deposits.

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

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation; or
- to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  a) the Group has transferred substantially all the risks and rewards of the asset, or
  b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Notes to the consolidated financial statements (continued)

2.9 Financial instruments (continued)

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past 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.

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.

Notes to the consolidated financial statements (continued)

2.9 Financial instruments (continued)

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

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

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

2.10 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.

2.11 Deposits

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

2.12 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.

2.13 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 recognised 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.

2.14 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.

Notes to the consolidated financial statements (continued)

2.15 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.

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.

Notes to the consolidated financial statements (continued)

2.15 Revenue Recognition (continued)

a) Revenue from contracts with customer (continued)

Property management charges

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

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.

2.16 Finance Income and costs

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

2.17 Expenses

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

2.18 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.

Notes to the consolidated financial statements (continued)

2.19 Dividend distribution

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

2.20 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) 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.

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.

Notes to the consolidated financial statements (continued)

2.20 Significant accounting judgements, estimates and assumptions (continued)

Significant accounting estimates and assumptions (continued)

b) Valuation of investment property (continued)

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

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

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

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

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

c) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. 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.

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

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

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 9.

Notes to the consolidated financial statements (continued)

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.

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

31 December 2020	Less than 1 year £'000	Between 1-2 years £'000	Between 2-5 years £'000	Over 5 years £'000	Total £'000
Liabilities					
Trade and other payables:					
- Trade and other payables (excluding accruals)	699	53	20	-	**772**
- Accruals	960	-	-	-	**960**
Lease liabilities	292	24	-	-	**316**
Interest-bearing borrowings	1,065	1,065	5,323	6,388	**13,841**

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

31 December 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)	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**

Notes to the consolidated financial statements (continued)

3. Financial Risk Management (continued)

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.

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 significant expected credit losses. Generally, trade receivables are referred to Petty Debts court.

At 31 December 2020, the Group had one customer (2019: nil) that owed more than £250,000 and accounted for approximately 70% (2019: nil%) of all the receivables outstanding. ECL on the customer has arisen because of business disruption due to Covid-19 pandemic. Based on the available information, the Group believes that it can recover 50% of the outstanding dues of the amount owed and balance 50% has been recorded as ECL.

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

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

As at 31 December 2020, 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.

Notes to the consolidated financial statements (continued)

3. Financial Risk Management (continued)

c) Credit risk (continued)

The Group's investment in the joint venture as at 31 December 2020 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 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 generally the respective ECLs arising on all the other assets are negligible as at 31 December 2020.

As at the 31 December 2020, the Group had the following credit risk exposures:

	2020 £'000	2019 £'000
Non-current assets		
Loan to Joint Venture	7,147	7,129
Other receivables	160	106
Net Investment in the finance lease	6	118
	7,313	**7,353**
Current assets		
Amounts due from related parties	-	205
Trade receivables	595	856
Other receivables	151	96
GST Refund	8	-
Deposits	12,524	12,508
Net Investment in the finance lease	115	120
Cash and cash equivalents	10,116	15,386
	23,509	**29,171**
	30,822	**36,524**

As at 31 December 2020, the Group 's maximum exposure to credit risk was £30,821,981 (2019: £36,524,266) and it had a concentration of credit risk of £10,116,090 (2019: £15,385,791) with its bankers / brokers and a concentration of credit risk of £7,146,627 (2019: £7,129,068) with its Joint Venture.

d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in interest bearing assets and liabilities, to the extent that these are exposed to general and specific market movements. Management sets limits on the exposure to interest rate risk that may be accepted which are monitored 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

Any borrowings issued as variable rates expose the Group to cash flow interest rate risk. The Group currently has long-term fixed rate borrowings (Note 12).

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 analyses 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 2020, 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.

Notes to the consolidated financial statements (continued)

3. Financial Risk Management (continued)

d) Market risk (continued)

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

	2020 £'000	2019 £'000
Income from investment property	2,283	2,652
Income from inventory property	569	1,929
Income from right-of use assets	44	54
	2,896	**4,635**

Income arising from inventory property in 2019 relates to rental income from IFC 5 prior to its sale.

4.2 Revenue from contract with customers

	2020 £'000	2019 £'000
Service charge income	925	315
Property management charges	220	212
	1,145	**527**

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 which relate to the construction project known as Horizon, as disclosed at Note 16, and Trenton Square.

4.3 Employee benefits and other remuneration expense

	Notes	2020 £'000	2019 £'000
Wages & salaries		1,018	1,150
Social security		41	44
Pension costs for defined contribution plans	22	101	113
Pension costs (Public Employees Contributory Retirement Scheme)	23	-	7
Other staff related expenses		49	86
		1,209	**1,400**

The average number of employees in 2020 was 12 (2019: 13).

Notes to the consolidated financial statements (continued)

4. Revenue and expenses (continued)

4.4 Estate management expense

	2020 £'000	2019 £'000
Waterfront car park	216	679
Other	224	278
	440	**957**

Estate management expenses arising from the Waterfront car park include non-recurring expenses of £147,000 (2019: £441,330).

4.5 Other expenses

	2020 £'000	2019 £'000
Legal, consultancy and professional	90	220
Audit services	73	72
PR and Marketing	27	54
Community Engagements	41	38
Plant, property and equipment written down	3	-
Loss on right-of-use assets transferred to net investment in the finance lease	-	66
Other	14	36
	248	**486**

4.6 Finance costs

	2020 £'000	2019 £'000
Interest on borrowings	426	928
Interest on lease liabilities	22	20
Total interest expense	**448**	**948**
Bank charges	2	11
	450	**959**

4.7 Pre-development expenses

Pre-development expenses of £402,902 (2019: £nil) relate to ground investigations and professional fees incurred on the future development at South Hill. Even though the NRV of the site is higher than cost, as the site remains outside of the Group's ownership at the year end, the cost has been written off.

Notes to the consolidated financial statements (continued)

5. Investment property

	2020 Leasehold £'000	2019 Leasehold £'000
As at 1 January	33,090	34,590
Additions	-	-
Disposal	-	(2,700)
Net gain in the fair value of investment properties	115	1,200
As at 31 December	**33,205**	**33,090**

The Group's investment property is measured at fair value. The Group held 3 classes of investment property as at 31 December 2020 all located in Jersey being a car park, leisure centre and a public square.

Segment	Waterfront Car Park £'000	Waterfront Leisure Centre £'000	Public Square £'000	2020 Total £'000
Fair Value Hierarchy	3	3	3	
As at 1 January 2020	**15,500**	**17,340**	**250**	**33,090**
Additions during the year	-	-	-	-
Disposal during the year	-	-	-	-
Net gain / (loss) from fair value adjustments	-	-	115	115
As at 31 December 2020	**15,500**	**17,340**	**365**	**33,205**

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 2019	**14,500**	**17,340**	**2,500**	**250**	**34,590**
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 2019	**15,500**	**17,340**	**-**	**250**	**33,090**

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

At each financial year end, the Executive Directors:

- 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.

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

Investment Property	Valuation technique	Significant unobservable inputs	Anticipated net income £ / Net Yield %	
			2020	2019
Waterfront Car Park	"All risk yield comparison" (refer below)	Annual rental revenue	£1,106,913	£1,128,158
		Net Yield p.a.	7.03%	7.17%
Waterfront Leisure Centre	"All risk yield comparison" (refer below)	Annual rental revenue	£1,191,721	£1,181,000
		Net Yield p.a.	6.77%	6.71%
Public Square	"All risk yield comparison" (refer below)	Annual rental revenue	£29,679	£24,928
		Net Yield p.a.	7.85%	9.62%

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.

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

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

Yield sensitivity analysis

Investment Property	31 December 2020			31 December 2019		
	-0.5% £'000	0% £'000	+0.5% £'000	-0.5% £'000	0% £'000	+0.5% £'000
Waterfront Car Park	15,842	15,500	13,730	15,887	15,500	13,769
Waterfront Leisure Centre	18,737	17,340	16,137	18,762	17,340	16,119
Public Square	400	365	336	264	250	238

Notes to the consolidated financial statements (continued)

6. Property, plant and equipment

	Computer Equipment £'000	Office Equipment £'000	Estate Capital improvements £'000	Office Alterations £'000	Total £'000
Cost					
At 1 January 2020	-	12	41	70	123
Additions	37	-	-	-	37
Disposals / Write-offs	-	(6)	-	-	(6)
At 31 December 2020	**37**	**6**	**41**	**70**	**154**
Depreciation					
At 1 January 2020	-	4	16	12	32
Charge for year	7	1	8	28	44
Disposals / Write-offs	-	(3)	-	-	(3)
At 31 December 2020	**7**	**2**	**24**	**40**	**73**
Net Book Value					
At 31 December 2020	**30**	**4**	**17**	**30**	**81**
At 31 December 2019	-	8	25	58	91

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	2020 £'000	2019 £'000
As at 1 January	316	755
Remeasurement of restoration costs	-	(70)
Transfer to net investment in the finance lease	-	(167)
Charge for year	(152)	(178)
Impairment for the year	-	(24)
As at 31 December	**164**	**316**

Lease liabilities

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

	2020 £'000	2019 £'000
As at 1 January	554	832
Lease payments	(292)	(292)
Finance costs	22	14
As at 31 December	**284**	**554**

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

Notes to the consolidated financial statements (continued)

7. Leases (continued)

	2020 £'000	2019 £'000
Non-current Lease Liabilities	20	284
Current Lease Liabilities	264	270
	284	**554**

The following are the amounts recognised in profit or loss:

	2020 £'000	2019 £'000
Depreciation expense of right-of-use assets	152	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	22	20
Income from sub-leasing right-of-use assets	44	54

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

Amounts recognised in the statement of cash flows:

	2020 £'000	2019 £'000
Total cash outflow for leases	(292)	(292)
Total cash inflow for income from sub-leasing right-of-use assets	121	63

The Group does not have any leases that have not yet commenced.

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

	2020 £'000	2019 £'000
Finance lease Finance Income on the net investment in the finance lease	4	1
Operating lease Lease income recognised by the Group during the year is disclosed in Note 4.1		

Notes to the consolidated financial statements (continued)

7. Leases (continued)

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 a finance lease upon application and another one during the year 2019.

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

	2020 £'000	2019 £'000
Less than 1 year	121	124
One to two years	7	118
Two to three years	-	7
Three to four years	-	-
Four to five years	-	-
More than five years	-	-
Total undiscounted lease payments receivable	**128**	**249**
Unearned finance income	(7)	(11)
Net investment in the finance lease	**121**	**238**

	2020 £'000	2019 £'000
Non-current		
Net investment in the finance lease	115	118
Current		
Net investment in the finance lease	6	120
	121	**238**

Operating lease

Group as a lessor:

The Group leases its investment property and inventory property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment property. These leases have terms of between 8 to 15 years. All 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:

	2020 £'000	2019 £'000
Less than 1 year	1,192	1,182
One to two years	1,192	1,182
Two to three years	1,224	1,214
Three to four years	1,224	1,214
Four to five years	1,224	1,214
More than five years	2,138	3,333
Total undiscounted lease payments	**8,193**	**9,339**

Notes to the consolidated financial statements (continued)

8. Inventories

	2020 £'000	2019 £'000
Freehold land	1,823	1,823
Leasehold land	18,252	17,174
Leasehold building	-	-
Property under construction	-	-
	20,075	**18,997**

'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.

	Note	2020 £'000	2019 £'000
As at 1 January		18,997	62,348
Additions		1,091	2,389
Disposal	19	-	(44,560)
Transfer to pre-development costs written off	4.7	(13)	-
Impairment for the year		-	(1,180)
As at 31 December		**20,075**	**18,997**

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

The Board conclude that the NRV of all other inventory is greater than its carrying value as at 31 December 2020 and no impairment of inventory costs were identified.

During 2019, impairment of inventory amounted to £1,179,816 relating planning and design fees for IFC 4. The Esplanade Quarter 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.

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.

Notes to the consolidated financial statements (continued)

9. Trade and other receivables

Trade and other receivables under one year	Note	2020 £'000	2019 £'000
Amounts due from related parties	20	-	205
Trade receivables		822	856
Contract assets		151	96
GST Refund		8	-
Prepayments		41	9
Allowance for expected credit losses		(227)	-
		795	**1,166**

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

Trade and other receivables over one year	2020 £'000	2019 £'000
As at 1 January	-	-
Provision for expected credit losses	227	-
As at 31 December	**227**	**-**

Trade and other receivables over one year	2020 £'000	2019 £'000
Loan to Joint Venture	7,147	7,129
Other receivables	160	106
	7,307	**7,235**

10. Assets held for sale

The net gain on assets held for sale recognised at fair value through profit or loss for the year of £nil (2019: £23,952) was recognised in the Consolidated Statement of Comprehensive Income.

11. Share capital

Equity share capital	2020 £'000	2019 £'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.

	2020 £'000	2019 £'000
As at 1 January	11,759	47,648
Borrowings drawn down	-	-
Borrowings repaid	(664)	(35,889)
As at 31 December	**11,095**	**11,759**

	2020 £'000	2019 £'000
Non-current Bank borrowings	10,408	11,095
Current Bank borrowings	687	664
	11,095	**11,759**

The bank borrowings are secured on investment property to the value of £17.3m (2019: £17.3m) and bears average interest rate at 3.56% (2019: 2.76%). 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:

	2020 £'000	2019 £'000
Expiring within one year	-	-
Expiring beyond one year	6,000	6,000
	6,000	**6,000**

13. Retention money payable

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

	2020 £'000	2019 £'000
Current Retentions payable within 12 months	-	605
	-	**605**

Notes to the consolidated financial statements (continued)

14. Trade and other payables

Trade and other payables under 1 year	Note	2020 £'000	2019 £'000
Amounts due to related parties	20	100	3
Amounts due to related parties - dividend	18	-	2,000
Trade payables		131	211
Other liabilities		195	76
Provision for dilapidation		58	-
Accruals and deferred income		1,176	2,156
		1,660	**4,446**

Within accruals and deferred income is accrued interest amounting to £53,289 (2019: £60,274).

Trade and other payables over 1 year	2020 £'000	2019 £'000
Provision for dilapidation	53	115
Other liabilities	20	20
	73	**135**

Provision for dilapidation	2020 £'000	2019 £'000
As at 1 January	115	211
Additions	-	-
Utilised	(4)	(102)
Unwinding of discount	-	6
As at 31 December	**111**	**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.

	2020 £'000	2019 £'000
Non-current		
Provision for dilapidation	53	115
Current		
Provision for dilapidation	58	-
	111	**115**

Notes to the consolidated financial statements (continued)

15. 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 2020 are set out below:

Summarised Consolidated Statement of Financial Position of Waterfront Development (6C) Limited:	2020 £'000	2019 £'000
Current assets, including cash and cash equivalents of £2,394,895 (2019: £2,114,285) and trade & other receivables of £19,833 (2019: £24,953)	44,532	35,798
Non-current assets	1,060	393
Current liabilities	(1,129)	(747)
Non-current liabilities including sales deposits £11,584,776 (2019: £8,112,577) and shareholder loan & borrowings of £22,543,254 (2019: £17,249,306)	(35,205)	(26,044)
Equity	**9,258**	**9,400**

	2020 £'000	2019 £'000
Group's share in equity - 50%	4,629	4,700
Fair value adjustment for gain upon initial recognition	2,300	2,300
Group's carrying amount	**6,929**	**7,000**

Summarised Consolidated Statement of Comprehensive Income of Waterfront Development (6C) Limited:	2020 £'000	2019 £'000
Revenue	33	-
Administrative expenses	(775)	(14)
Audit fees	(15)	(13)
Finance income (net)	-	-
Loss before tax	**(757)**	**(27)**
Income Tax expense	-	-
Deferred Tax	215	7
Loss for the year (continuing operations)	**(542)**	**(20)**
Total comprehensive loss for the year (continuing operations)	**(542)**	**(20)**
Group's share of loss for the year	(271)	(10)

The Group's share of the loss for the year was £271,077 (2019: £9,108).

For the year ended 31 December 2020, 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 2020, totalling £68.73m (2019: £73.8m).
Waterfront Development (6C) Limited is prohibited from distributing its profits without the consent from its two shareholders.

Notes to the consolidated financial statements (continued)

16. Commitments and contingencies

The Group has no significant contingent liabilities.

The Group's undrawn commitment to the Joint Venture as at 31 December 2020 was £325,000 (2019: £325,000).

Other than those disclosed in note 15 in relation to the joint venture, the Group has capital commitments of £nil (2019: £nil) in respect of developments under construction.

17. Taxation

Income Tax

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

The joint venture will 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.

18. Dividend

During the year:

a) a cash dividend for £326,055 (2019: £2,000,000) was declared and £nil (2019: £2,000,000) remained payable at the year end; and

b) the fair value of the dividend in-specie was £nil (2019: £2,993,555).

19. Subsidiaries

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

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

On 3 August 2020, JIFC (3) Limited and JIFC (2) Limited were renamed as IFC 2 Limited and IFC 3 Limited respectively.

Notes to the consolidated financial statements (continued)

19. Subsidiaries (continued)

Disposal of subsidiaries

No disposal of subsidiaries occurred in 2020. During 2019, 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 during 2019 were:

	JIFC (5) Limited £'000	Austen-Bartlett House Limited £'000	Total £'000
Non-current assets	-	-	-
Current assets (includes inventory of £44,560)	39,185	10,995	50,180
Non-current liabilities	-	-	-
Current liabilities	(340)	-	(340)
Net identifiable assets	**38,845**	**10,995**	**49,840**

The effects of disposal of these subsidiaries on cash flows during 2019 are as follows:

	JIFC (5) Limited £'000	Austen-Bartlett House Limited £'000	Total £'000
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)
Cash proceeds from disposal	46,594	12,326	58,920
Cash and cash equivalents disposed	-	-	-
Net cash inflow on disposal	**46,594**	**12,326**	**58,920**

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.

£nil (2019: £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 2020 was £nil (2019: £58,919,522).

Notes to the consolidated financial statements (continued)

20. Related party transactions

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

Name of related party	2020 (Income) / Expenses for the year £'000	2020 Outstanding at year end £'000	2019 (Income) / Expenses for the year £'000	2019 Outstanding at year end £'000
Key Management Personnel				
Key Management Personnel	734	76	603	91
Government of Jersey				
Rental income and re-imbursement of various expenses	(643)	(47)	(956)	202
Planning fees	-	-	156	-
Re-imbursement of expenses, stamp duty, subscriptions and sponsorship	53	(53)	17	(3)
Pension Contribution / Settlement	-	-	664	-
Ports of Jersey				
Rental income and re-imbursement of various expenses	(132)	-	(129)	3
Transactions with Joint Venture				
Joint Venture	(339)	-	(290)	-

The details regarding dividend for the year are disclosed in Note 18.

The Group advanced loans amounting to £nil (2019: £3.45m) to Waterfront Development (6C) Limited after it was recognised as a Joint Venture totalling to a year-end balance of £7.15m (2019: £7.13m).

21. 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.

22. 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 £101,417 (2019: £113,309).

23. 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 was 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"). 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 after payment of £659,159 in final settlement of the pre 1987 deficit.

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

24. Events after the reporting period

As at date, there are no adjusting or non-adjusting events after the reporting period.

JERSEY
DEVELOPMENT
COMPANY

Jersey Development Company,
First Floor, Dialogue House
2-6 Anley Street
St Helier
Jersey, JE2 3QE

Telephone: +44 (0) 1534 617449

Email: enquiries@jerseydevelopment.je