

Governance, Risk and Best Value Committee

10.00am, Tuesday 18 February 2020

The EDI Group – Update Report – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Housing, Homelessness and Fair Work Committee has referred the attached report to the Governance, Risk and Best Value Committee for consideration.

Laurence Rockey

Head of Strategy and Communications

Contact: Sarah Stirling, Committee Services

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Referral Report

The EDI Group – Update Report

2. Terms of Referral

- 2.1 On 20 January 2020, an update was provided to the Housing, Homelessness and Fair Work Committee on the progress of the transition strategy for the EDI Group Limited, which aimed to close the group and its subsidiary companies and bring their projects and assets into the Council.
- 2.2 The Housing, Homelessness and Fair Work Committee agreed:
 - 2.2.1 To note the report.
 - 2.2.2 To agree that an updated copy of the chart at Appendix 2 which showed the delays in the projected timeline would be circulated.
 - 2.2.3 To refer the report to the Governance, Risk and Best Value Committee for consideration.

3. Background Reading/ External References

- 3.1 Minute of the Housing, Homelessness and Fair Work Committee of 20 January 2020
- 3.2 [Housing, Homelessness and Fair Work Committee of 20 January 2020 – Webcast](#)

4. Appendices

- 4.1 Appendix 1 – Report by the Executive Director of Place

Housing, Homelessness and Fair Work Committee

10.00am, Monday, 20 January 2020

The EDI Group – Update report

Executive/routine Wards	Executive All
Council Commitments	1, 2, 10, 50

1. Recommendations

- 1.1 It is recommended that Committee notes the report and refers it to the Governance, Risk and Best Value Committee for consideration.

Paul Lawrence

Executive Director of Place

Contact: David Cooper, Service Manager - Development

E-mail: david.cooper@edinburgh.gov.uk | Tel: 0131 529 6233

Report

The EDI Group – Update report

2. Executive Summary

- 2.1 This report updates members on the progress of the transition strategy for The EDI Group Limited which aims to close it and its subsidiary companies and bring their projects and assets into the Council.

3. Background

- 3.1 The EDI Group Limited (“EDI”) is an arm’s length company of the City of Edinburgh Council. On [7 February 2017](#) and [23 February 2017](#), the Economy Committee and the Finance and Resources Committee respectively agreed to close EDI and its subsidiaries and bring certain activities and assets in-house. On [2 November 2017](#), the Housing and Economy Committee agreed a transition strategy for the closure.
- 3.2 Progress reports are being provided on a six-monthly basis.

4. Main report

- 4.1 The transition strategy continues to be implemented. All ongoing projects are now being delivered by Council officers and most EDI assets have transferred to the Council or otherwise been disposed of.
- 4.2 The EDI Board, which as previously noted now comprises only elected members, continues to meet quarterly. A scheme of delegation has been agreed which enables minor and routine decisions to be taken by Council officers.
- 4.3 Appendix 1 provides updates on each project/subsidiary company. The majority of these still have a green RAG status as there has been no change in circumstance and the remain on track for closure in line with the original strategy. In three cases projects have been moved to an amber RAG status.
- 4.4 The first is the Market Street Hotel project where financial settlement has not yet been reached and as such the date for closure of this company has been delayed. The profit from this project is also likely to be less than originally envisaged and the projected special dividend to the Council has been revised down accordingly.

- 4.5 The second is Craigmillar/PARC where a final offer from Places for People is awaited in relation to Plots K and L. This process has been delayed as a result of difficulties finalising title boundaries with Registers of Scotland. This process is now complete and will allow Places for People to finalise its offer. At the current time this is an impact on programme only as the amount being offered for the site is not yet known.
- 4.6 The third is Fountainbridge where there is still work in progress (WIP) that may be of value to the Council's development partner once appointed, and as such the corporate closure has been delayed allowing any potential payment for the WIP to take place. This is a pragmatic delay and has an impact on programme only.
- 4.7 The programme in terms of projects transferring into the Council and estimated corporate closure dates is set out in Appendix 2. This reflects the changes identified above. While it is now envisaged that some projects/subsidiaries will take longer to close than originally thought, the overall timescales for full corporate closure remain unchanged at Q3 2022.
- 4.8 The audited consolidated financial statements for The EDI Group Limited for the year ended 31 December 2018 were approved by the EDI Board on 8 August 2019. The overall financial performance was a net loss of £0.46m (compared to a loss of £2.9m in 2017) and retained earnings of £1.4m (compared to £1.9m in 2017). This is in line with transition strategy assumptions. The independent auditor opined that the statements gave a true and view of the state of the company and were properly prepared in line with International Financial Reporting Standards and the requirements of the Companies Act 2006. The directors' report and consolidated financial statements (including the independent auditor's report) are attached as Appendix 3.

5. Next Steps

- 5.1 The company activities will continue through to full corporate closure and update reports will be provided to the Committee.
- 5.2 This report will be referred to Governance, Risk and Best Value Committee so the year-end financial position can be reviewed.

6. Financial impact

- 6.1 This report is for noting and there are no financial impacts directly arising from this decision.
- 6.2 The projected special dividend to the Council from closing EDI is currently £8.225m. This is lower than the £8.5m previously reported to the Committee, largely due to lower-than-projected profits on the Market Street hotel development.

7. Stakeholder/Community Impact

- 7.1 Consultation and engagement with local communities and delivery partners is ongoing as part of individual projects.

8. Background reading/external references

- 8.1 “The EDI Group Ltd – Transition Strategy” – report to the Housing and Economy Committee, [2 November 2017](#) (B agenda)
- 8.2 [“The EDI Group – Update Report – report to the Housing and Economy Committee, 6 June 2019](#)

9. Appendices

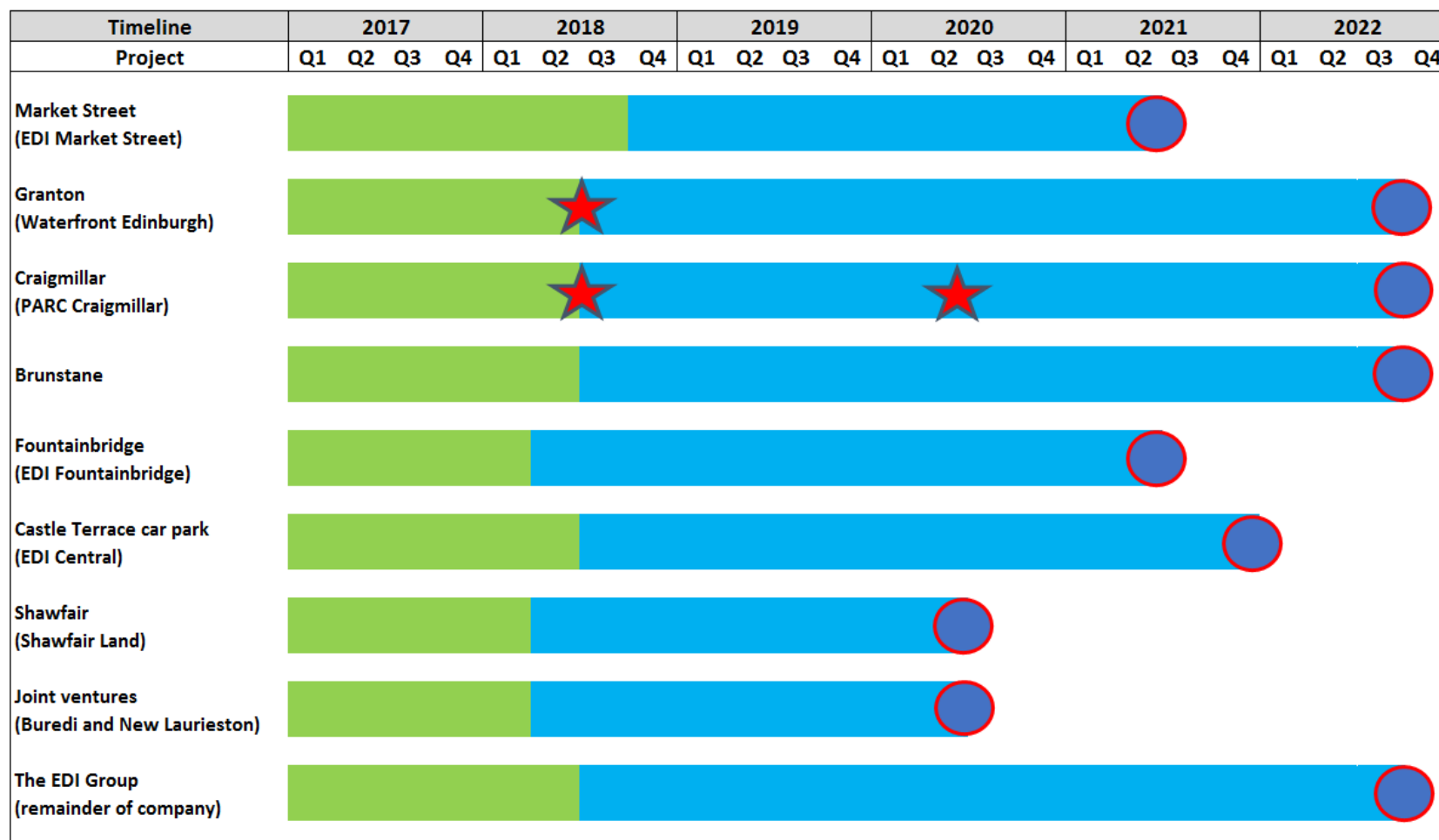
- 9.1 Appendix 1 – Project updates
- 9.2 Appendix 2 – Project timelines
- 9.3 Appendix 3 – The EDI Group Limited: Directors' report and consolidated financial statements for the year ended 31 December 2018

Appendix 1 – Project updates

Market Street (EDI Market Street)	
Description	
Subsidiary company of EDI set up to take forward a hotel development on Market Street.	
Position as of January 2020	
The Market Street hotel achieved practical completion in November 2018, nine months behind the originally envisaged completion date. Council officers acting on behalf of EDI are continuing to negotiate with the contractor and the client to settle financial claims. The dissolution of EDI Market Street is now expected to be delayed until 2021.	
RAG status	Amber
Granton (Waterfront Edinburgh)	
Description	
Land and buildings at Granton along with shares in a joint venture with land in Granton.	
Position as of January 2020	
The land and buildings wholly owned by Waterfront Edinburgh have been transferred to the Council and now form part of the wider Granton Waterfront regeneration project led by the Housing and Regeneration service. The Council's interest in the joint venture company is being managed by Council officers reporting to the EDI Board with work on an exit strategy ongoing. The projected company closure date remains 2022.	
RAG status	Green
Craigmillar (PARC Craigmillar)	
Description	
Land and buildings at Craigmillar.	
Position as of January 2020	
The transfer of assets from PARC Craigmillar to the Council (including the loan book for shared equity properties) has been completed other than The White House, and the South Park, both of which should transfer in 2020. A final offer is awaited in relation to the sale of plots K and L in Greendykes South. The options agreement will be renounced once final transfers have taken place. The projected company closure date remains 2022.	
RAG status	Amber
Brunstane (The EDI Group)	
Description	
Housing development site with planning permission in place on land owned by EDI and option agreement in place with adjoining land owner. The Council also has an entitlement for profit share in relation to access rights.	
Position as of January 2020	
The sale of the land is underway and is expected to be completed in early 2020.	
RAG status	Green
Fountainbridge (EDI Fountainbridge)	
Description	
Brownfield development site owned by the Council.	
Position as of January 2020	
The Council is in the process of appointing a development partner to take forward the development of the site on behalf of the Council. It is anticipated that the partner will be appointed in Q1 2020. There is 'work in progress' within EDI Fountainbridge from which it is anticipated value can be realised via the development partner, so the dissolution of the company has been postponed until after the partner is appointed and final accounts have been submitted.	
RAG status	Amber

Castle Terrace car park (EDI Central)	
Description EDI Central is entitled to payments from NCP as settlement following a court case regarding a lease arrangement at the Castle Terrace car park.	
Position as of January 2020 One further payment is due in 2020; this will be paid up to The EDI Group and then on to the Council via a dividend. This is being overseen by the Council's Finance service. The projected company closure date has been brought forward to 2021.	
RAG status	Green
Shawfair (Shawfair Land)	
Description Shawfair Land formerly held a security over land at the South East Wedge.	
Position as of January 2020 Shawfair Land has released the security in return for a cash payment. Once final accounts for the company have been audited and submitted to Companies House, officers will proceed with winding-up the company. It is expected that the company will be wound-up during 2020.	
RAG status	Green
Joint ventures (Buredi and New Laurieston (Glasgow))	
Description Inactive joint venture companies that previously carried out private housing developments.	
Position as of January 2020 Agreement has been reached with joint venture partners to close the two companies. The Buredi joint venture has been wound-up. The winding-up of the New Laurieston (Glasgow) joint venture, which is being taken forward by The Miller Group, is slightly behind schedule but expected to be completed in early-2020.	
RAG status	Green
The EDI Group (remainder of company)	
Description The parent company of all subsidiaries.	
Position as of January 2020 Other than Brunstane, no projects sit directly within the parent company. The Council will oversee the repayment of loans and capital up to 2021 as PARC Craigmillar and EDI Central receive payments and pay these up to the parent company. The projected company closure date remains 2022.	
RAG status	Green

Appendix 2 – Project timelines at Jan 2020



EDI staff lead on projects



Asset transfer from EDI to the Council



Council staff lead on projects



Company inactive/closed

Financial Statements

31 December 2018



THE EDI GROUP LIMITED
Directors' report and consolidated financial statements
For the year ended 31 December 2018

Contents	Page
Company information	1
Strategic report	2
Directors' report	3 - 4
Independent auditor's report to the members of The EDI Group Limited	5 - 7
Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
Consolidated Statement of Financial Position	9
Company Statement of Financial Position	10
Consolidated and Company Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes	13 - 40

THE EDI GROUP LIMITED

Company information

For the year ended 31 December 2018

Board of directors K Campbell
L Cameron
I Whyte

Company registration *Registered office:* Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Registered number: SC110956

Bankers The Royal Bank of Scotland plc
Bank of Scotland plc

Auditor Scott-Moncrieff
Chartered Accountants & Statutory Auditor
Exchange Place 3
Sempole Street
Edinburgh
EH3 8BL

THE EDI GROUP LIMITED

Strategic report

For the year ended 31 December 2018

The Directors present their strategic report and audited financial statements for 2018 financial year.

Principal activities, business review and future developments

The EDI Group Limited (EDI) is a company limited by shares which is incorporated and domiciled in Scotland. It is a wholly owned subsidiary of the City of Edinburgh Council and run as an arm's length operation with the role of investing in the development of land and buildings which are surplus to the Council's operational requirements and leading on the property aspects of regeneration in specific areas of the City.

In February 2017 the Council conducted a review of its approach to the use of surplus land and its interactions with the property market. The Council concluded that the group will have no future pipeline of projects and therefore took the decision that the group and this company should begin a process of managed closure. The Council as shareholder has instructed the directors to begin this process.

The company has now ceased development activities other than the Market Street, Fountainbridge and Brunstane projects and the majority of the remaining land and buildings transferred to the Council in May 2018. There will be a reduced level of development and property related activity for the next few years. Non-property assets will be realised in accordance with their contractual terms and external liabilities and obligations will be settled in full. Financial projections for the closure process show that the group and each company will have sufficient funds to meet all external liabilities and obligations and to repay share capital in full. The intention is that each company will become dormant with a timespan covering 2 to 10 years.

Current development activity:

The Market Street hotel construction reached practical completion in November 2018 and negotiations on financial claims are in the final stages. The transfer of assets from PARC Craigmillar to the City of Edinburgh Council has been completed other than plots K and L, The Whitehouse and two park developments. The sale of land at Brunstane is expected to complete in 2019.

Our performance

The financial performance of the group in 2018 was a net loss of £0.46m compared to a loss of £2.9m in 2017. Retained earnings reduced to £1.4m from £1.9m. As anticipated, while the year's results have been influenced by the implementation of the closure strategy described above, the longer-term position remains in line with transition strategy assumptions.

The group had a cash balance of £2.3m (2017: £2.7m). The sales expected in 2019 will be profitable and cash balances are expected to be higher at the end of 2019. No dividend was proposed or paid in 2018 but a dividend of £1.047m was agreed by the Board on 25 June 2019 and as part of the closure strategy it is envisaged that dividends will be paid in 2020.

Risks and environment

Although the scope of our activity has reduced significantly, the risk factors influencing the remaining assets are a combination of the general economy of Edinburgh and the national housing market. The Shareholder and the directors recognise that the process of managing the completion of our current activities and transition of the remaining projects to Council control and management has brought specific financial, legal, administration and people risks and these have been managed.

This report was approved by the board on 8 August 2019 and signed on its behalf by:

L M Cameron
Director
4 East Market Street
Edinburgh
EH8 8BS



THE EDI GROUP LIMITED

Directors' report

For the year ended 31 December 2018

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

Principal activities and business review

Details of principal activities, market circumstances and risk and performance indicator are included in the Strategic Report. The directors do not recommend payment of a dividend at the year-end (2017: £nil).

Directors

The directors who held office during the year, and subsequently, were as follow:

E Adair	- Resigned 30 May 2018
G Barrie	- Resigned 14 March 2018
K Campbell	- Appointed 27 March 2018
L Cameron	
H Rutherford	- Resigned 30 May 2018
I Whyte	

Political and charitable contributions

The company made no political or charitable contributions during the year.

Going concern

As described in the Strategic Report, the group's ultimate shareholder, The City of Edinburgh Council, has concluded that the group should begin a process of closure. The company has now ceased development activities other than the Market Street and Brunstane projects.

The opinion of the directors is that the decision of the shareholder and the active implementation of the decision will lead to the company ceasing to trade in the future and it is therefore not appropriate to prepare the accounts on a going concern basis.

The closure strategy approved by both the shareholder and the directors is that all land and buildings which are not actively in development will transfer to the Council at book value and all liabilities due to the Council will be settled at book value. Much of this activity has now concluded or is in the process of concluding. Third party financial assets will be realised and third party liabilities will be settled according to their contractual terms.

In these accounts each asset and liability will be valued to reflect the closure strategy intention for that asset or liability. The details are described in the notes.

The Company, and the Group, as part of a regular evaluation of liquidity risk, has modelled the principal risks and uncertainties in its cash flow projections for the envisaged closure strategy. After discussions with the shareholder and after assessing the availability of cash balances under a range of scenarios, the Directors have formed the opinion that the Company has sufficient resources to meet all external liabilities and obligations and to repay its share capital in full.

Responsibilities of the directors

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

THE EDI GROUP LIMITED

Directors' report (continued)

For the year ended 31 December 2018

Responsibilities of the directors (continued)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. 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.

Disclosure of information to auditor

In so far as the directors are aware:

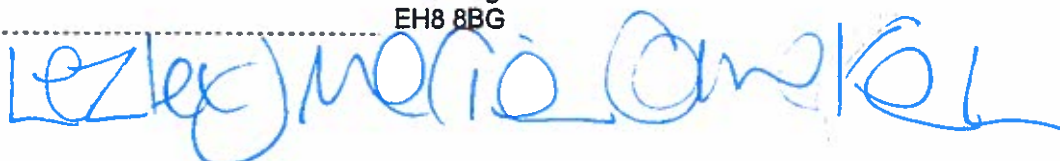
- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The auditor, Scott-Moncrieff, is deemed to be reappointed under Section 487 (2) of the Companies Act 2006.

This report was approved by the board on 8 August 2019 and signed on its behalf by:

L M Cameron
Director
4 East Market Street
Edinburgh
EH8 8BG



THE EDI GROUP LIMITED

Independent auditor's report to the members of The EDI Group Limited

For the year ended 31 December 2018

Opinion

We have audited the financial statements of The EDI Group Limited for the year ended 31 December 2018 which comprise consolidated statement of profit or loss and other comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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 audit opinion.

Emphasis of matter – Basis of preparation

We draw attention to notes 2 and 2b in the financial statements, which describe the basis of preparation. The directors have prepared the financial statements using a non-going concern basis of accounting as they consider that the company is not a going concern. Our opinion is not modified in respect of this matter.

THE EDI GROUP LIMITED

Independent auditor's report to the members of The EDI Group Limited (continued)

For the year ended 31 December 2018

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

THE EDI GROUP LIMITED

Independent auditor's report to the members of The EDI Group Limited (continued)

For the year ended 31 December 2018

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 and 4, 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 company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Nick Bennett, *Senior Statutory Auditor*

For and on behalf of Scott-Moncrieff, Statutory Auditor

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 8 August 2019

THE EDI GROUP LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Continuing Operations			
Revenue	3	3,350	3,848
Cost of sales		(2,527)	(3,697)
Gross (loss)/profit		823	151
Government grant release	21	138	183
Administrative expenses		(1,280)	(2,512)
Work in progress written off		60	(2,681)
(Loss)/Profit from operations	4	(259)	(4,859)
Loss on disposal		(82)	(10)
Finance income	6	54	61
Finance costs	7	(152)	(218)
Other income	5	4	5
Loss/(gain) on settlement	26	(152)	733
Movement in fair value of investment property	11	-	80
(Loss)/profit before income tax expense		(587)	(4,208)
Income tax credit	8	128	1,264
(Loss)/profit for the year from continuing operations		(459)	(2,944)
Net (loss)/profit for the year		<u>(459)</u>	<u>(2,944)</u>
Attributable to:			
Equity holders of the parent		<u>(459)</u>	<u>(2,944)</u>
Other comprehensive income:			
Items that will be reclassified subsequently to profit and loss			
Increase in fair value of available for sale financial assets		-	14
Tax relating to items that will be reclassified	8	-	-
		-	14
Items that will not be reclassified subsequently to profit and loss			
Actuarial gain/(loss) on defined benefit pension scheme	26	-	591
Tax relating to items that will not be reclassified	8	-	(351)
		-	240
Other comprehensive income/(expenditure)		-	254
Total comprehensive (expenditure)/income for the year		<u>(459)</u>	<u>(2,690)</u>
Attributable to:			
Equity holders of the parent		<u>(459)</u>	<u>(2,690)</u>

The accompanying notes form part of these financial statements.

THE EDI GROUP LIMITED
Consolidated Statement of Financial Position
As at 31 December 2018

		Consolidated Group	
	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	10	-	27
Investment property	11	220	430
Investments in joint ventures and associates	13	269	269
Available for sale financial assets	12	-	619
Deferred tax asset	22	-	-
Total non-current assets		489	1,345
Current assets			
Cash and cash equivalents	23	2,333	2,689
Trade and other receivables	15	5,167	8,195
Inventories	14	9,595	10,703
Total current assets		17,095	21,587
TOTAL ASSETS		17,584	22,932
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	24	8,500	8,500
Retained earnings		1,442	1,901
Capital contribution reserve		-	-
Total equity		9,942	10,401
Liabilities			
Non-current liabilities			
Other financial liabilities	17	-	3,500
Retirement benefit obligation	26	-	567
Provisions	17	-	-
Total non-current liabilities		-	4,067
Current liabilities			
Trade and other payables	16	2,382	3,052
Current tax payable	16	-	2
Provisions	19	1,289	2,581
Other financial liabilities	18	3,971	2,691
Deferred income	21	-	138
Total current liabilities		7,642	8,464
Total liabilities		7,642	12,531
TOTAL EQUITY AND LIABILITIES		17,584	22,932

The financial statements were approved by the board of directors and authorised for issue on 8 August 2019 and are signed on its behalf by:


Lezley Marion Cameron, Director


K Campbell, Director

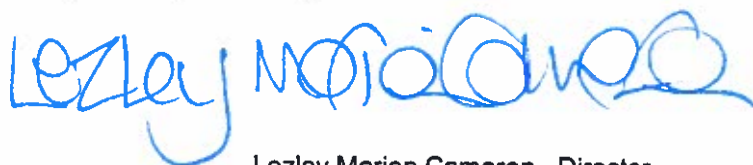
Company number: SC110956

The accompanying notes form part of these financial statements.

THE EDI GROUP LIMITED
Company Statement of Financial Position
As at 31 December 2018

		Parent Entity 2018 £'000	2017 £'000
Non-current assets	Note		
Property, plant and equipment	10	-	27
Investments in subsidiaries, joint ventures and associates	13	7,592	7,951
Deferred tax assets	22	-	-
Total non-current assets		<u>7,592</u>	<u>7,978</u>
Current assets			
Cash and cash equivalents	23	243	112
Trade and other receivables	15	4,557	5,858
Inventories	14	4,119	3,999
Total current assets		<u>8,919</u>	<u>9,969</u>
TOTAL ASSETS		<u><u>16,511</u></u>	<u><u>17,947</u></u>
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	24	8,500	8,500
Retained earnings		2,573	4,111
Capital contribution reserve		30	30
Total equity		<u>11,103</u>	<u>12,641</u>
Liabilities			
Non-current liabilities			
Other financial liabilities	17	-	3,500
Retirement benefit obligation	26	-	567
Total non-current liabilities		<u>-</u>	<u>4,067</u>
Current liabilities			
Trade and other payables	16	3,168	435
Current tax payable	16	-	-
Other financial liabilities	18	2,240	-
Provisions	19	-	804
Total current liabilities		<u>5,408</u>	<u>1,239</u>
Total liabilities		<u>5,408</u>	<u>5,306</u>
TOTAL EQUITY AND LIABILITIES		<u><u>16,511</u></u>	<u><u>17,947</u></u>

The financial statements were approved by the board of directors and authorised for issue on 8 August 2019 and are signed on its behalf by:



Lezley Marion Cameron, Director



K Campbell, Director

Company number: SC110956

The accompanying notes form part of these financial statements.

THE EDI GROUP LIMITED
Consolidated and Company Statement of Changes in Equity
As at 31 December 2018

Group

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	2,200	8,500	2,391	13,091
Release of capital contribution reserve	(2,200)	-	2,200	-
Loss from continuing operations	-	-	(2,944)	(2,944)
Other comprehensive income for the year	-	-	254	254
Balance at 31 December 2017	-	8,500	1,901	10,401
Balance at 1 January 2018	-	8,500	1,901	10,401
Release of capital contribution reserve	-	-	-	-
Loss from continuing operations	-	-	(459)	(459)
Other comprehensive income for the year	-	-	-	-
Balance at 31 December 2018	-	8,500	1,442	9,942

Company

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	870	8,500	2,195	11,565
Profit from continuing operations	-	-	836	836
Other comprehensive income for the year	-	-	240	240
Release of capital contribution reserve	(840)	-	840	-
Balance at 31 December 2017	30	8,500	4,111	12,641
Balance at 1 January 2018	30	8,500	4,111	12,641
Profit from continuing operations	-	-	(1,538)	(1,538)
Other comprehensive income for the year	-	-	-	-
Release of capital contribution reserve	-	-	-	-
Balance at 31 December 2018	30	8,500	2,573	11,103

The capital contribution reserve represents the excess of fair value over the amount paid for the shareholdings either gifted or sold to the group.

The accompanying notes form part of these financial statements.

THE EDI GROUP LIMITED
Consolidated Statement of Cash Flows
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Total comprehensive (loss)/profit for year		(459)	(2,690)
<i>Adjustments for:</i>			
Taxation credit		(128)	(913)
Depreciation		27	68
Interest received		(54)	(53)
Interest paid		152	218
Loss on disposal of available for sale assets		82	10
Net revaluations of non-current assets		-	(129)
Release of deferred grant income		(138)	(183)
Decrease in inventories		1,108	1,762
Decrease/(Increase) in receivables		3,028	(2,217)
(Decrease)/Increase in payables		(1,962)	1,516
Decrease in defined benefit obligation		(415)	(1,190)
Taxation received/(paid)		(26)	218
Net cash flows from operating activities		<u>1,215</u>	<u>(3,583)</u>
Cash flow from investing activities			
Purchase of plant, property and equipment		-	(17)
Proceeds from sale of available for sale assets		747	111
Interest received		54	53
Net cash flows from investing activities		<u>801</u>	<u>147</u>
Cash flow from financing activities			
(Decrease)/Increase in loan stock borrowings		(2,220)	1,590
Interest paid		(152)	(218)
Net cash flows from financing activities		<u>(2,372)</u>	<u>1,372</u>
Net decrease in cash and cash equivalents		(356)	(2,064)
Cash and cash equivalents at beginning of year		2,689	4,753
Cash and cash equivalents at end of year	23	<u><u>2,333</u></u>	<u><u>2,689</u></u>

The accompanying notes form part of these financial statements

THE EDI GROUP LIMITED
Notes to the Financial Statements
For the year ended 31 December 2018

1. Presentation of financial statements

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 from presenting a Company Statement of Profit or Loss and Other Comprehensive Income.

New accounting standards adopted during the year

The company has adopted the following amended IFRS as of 1 January 2018:

- IAS 1 "Presentation of Financial Statements": this amendment arises from the issue of IFRS 9 and deals with the abolition of the available-for-sale category of financial assets, the presentation and disclosure of gains and losses arising on financial assets stated at amortised cost, and takes account of the revised reclassification rules under IFRS 9 as compared with IAS 39.
- IAS 39 "Financial Instruments: Recognition and Measurement": this amendment arises from the issue of IFRS 9 and primarily removes items from the scope of the standard, insofar as they dealt with by IFRS 9.
- IAS 40 "Investment Property": this amendment clarifies the requirement to transfer a property to or from investment property when (and only when) there is a change in use. This amendment has not had any impact on the company.
- IFRS 7 "Financial Instruments: Disclosures": this amendment arises from the issue of IFRS 9. The amendment reflects the replacement of the four categories of financial asset under IAS 39 with the three under IFRS 9. All of the IFRS 7 disclosures by category of financial asset have had to be altered to reflect the new categorisation.
- IFRS 9 "Financial Instruments": this standard replaces IAS 39, dealing with classification, recognition and measurement, de-recognition, impairment and hedge accounting (except for macro hedging) in relation to financial instruments. Parc Craigmillar Limited's available for-sale financial assets were therefore reclassified and held at fair value as of 1 January 2018 with movements being taken to profit-and-loss prior to their disposal during the year. Whilst this amendment has had a significant impact on the recognition and measurement of the company's financial instruments, there is not considered to be a material impact on the financial statements in the current or previous year.

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2018, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
IFRS 16, Leases	1 January 2019
IAS 12, Income Taxes*	1 January 2019
* Not yet adopted for use in the European Union	

The directors have reviewed the requirements of the new standards and interpretations listed above and they are not expected to have a material impact on the group's financial statements in the period of initial application.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

1. Presentation of financial statements (cont'd)

New standards and interpretations issued and adopted early

The International Accounting Standards Board ("IASB") and IFRIC have also issued the following accounting standard, with an effective date for financial years beginning after the date of these financial statements, which has been adopted early:

<i>International Accounting Standards and Interpretations</i>		<i>Effective for annual periods beginning on or after</i>
IFRS 15	Revenue from contracts with customers	1 January 2018

The above accounting standard has been adopted with a date of initial application of 1 January 2015.

The adoption of the above accounting standard has had a significant impact on measuring revenue from contracts with customers. By early adopting this standard, revenue on contracts with customers has been recognised in line with the prescribed accounting treatment. See further details at the 'Revenue recognition' accounting policy in note 2 to these financial statements.

Whilst the adoption of the above accounting standard has a significant impact on measuring revenue from contracts with customers, there is not considered to be a material impact on the financial statements in the previous year. There have therefore been no transitional adjustments required to the financial statements.

2. Statement of significant accounting policies

The consolidated financial statements of The EDI Group Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

a. Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard IAS 27 "Consolidated and Separate Financial Statements". A list of controlled entities appears in note 13 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has left the economic entity during the year its operating results have been included until the date control ceased.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

2. Statement of significant accounting policies (cont'd)

b. Going concern

The opinion of the directors is that the decision of the shareholder to cease development activities and the active implementation of that decision will lead to the company ceasing to trade in the future and it is therefore not appropriate to prepare the accounts on a going concern basis.

The closure strategy approved by both the shareholder and the directors is that all land and buildings which are not actively in development will transfer to the Council at book value and all liabilities due to the Council will be settled at book value. Third party financial assets will be realised and third party liabilities will be settled according to their contractual terms

In these accounts each asset and liability will be valued to reflect the closure strategy intention for that asset or liability. The details are described in the notes.

The Company, and the Group, as part of a regular evaluation of liquidity risk, has modelled the principal risks and uncertainties in its cash flow projections for the envisaged closure strategy. After discussions with the shareholder and after assessing the availability of cash balances under a range of scenarios, the Directors have formed the opinion that the Company has sufficient resources to meet all external liabilities and obligations and to repay its share capital in full.

c. Investments in associates and joint ventures

The group's share of its associates' / joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate / joint venture equals or exceeds its interest in the associate / joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate / joint venture.

Unrealised gains on transactions between the group and its associates / joint ventures are eliminated to the extent of the group's interest in the associates / joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

d. Income tax

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

2. Statement of significant accounting policies (cont'd)**d. Income tax (continued)**

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

e. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Plant and equipment

The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

Given the closure strategy outlined in Note 2b, the useful life of all classes of fixed assets was reassessed and adjusted in the prior year. The remaining life of all asset classes was assessed as being to 30 June 2018, to coincide with the vacation of the company's offices.

All fixed assets were therefore fully depreciated in the year.

Derecognition and disposal

An item of furniture or equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the year the asset is derecognised.

f. Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

g. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

2. Statement of significant accounting policies (cont'd)

g. Leases (cont'd)

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

h. Inventories

Inventory is stated at the lower of cost and net realisable value. Cost relates to purchase costs and direct labour costs incurred in bringing the inventories up to a saleable state.

i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare 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.

All other borrowing costs are recognised in income in the period in which they are incurred.

j. Impairment

The carrying value of all assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of all assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of the asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

k. Employee entitlements and benefits

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to the balance sheet date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at an amount that is considered to approximate the present value of the estimated future cash outflows to be made for those entitlements.

The group contributes to a variety of money purchase schemes for employees and to a defined benefits scheme operated on behalf of local council employees. Contributions to the schemes are charged to the profit and loss account as they arise. The assets of the scheme are held separately from those of the company in independently administered funds. The group has fully adopted the accounting principles as required by International Accounting Standard 19 – Employee Benefits.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

2. Statement of significant accounting policies (cont'd)

l. Financial instruments

Financial instruments are measured initially at cost, which is the fair value of what was paid or received to acquire or incur them.

After initial recognition, financial assets and liabilities may be classified into the following categories: financial assets or liabilities at fair value through profit or loss; held to maturity investments; available for sale financial assets; loans and receivables and other financial liabilities at amortised cost.

The company has the following categories of financial assets and liabilities:

Trade and other receivables

Trade and other receivables are initially measured at fair value, which is the original invoice amount, and subsequently measured at amortised cost, using the effective interest method. A provision for impairment is accounted for when management deems that specific receivable balances will not be collected. The amount of the impairment loss is recognised in the income statement. Bad debts are written off when they are identified as being irrecoverable.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect would not be material.

m. Investment property

Investment property is property held to generate rental income and/or for capital appreciation. Investment property is initially measured at fair value and subsequently revalued annually to its fair value at the balance sheet date.

Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

n. Investments

Investments in subsidiary and associated undertakings are stated at cost less provision for permanent impairment.

o. Available for sale financial assets

Available for sale assets arise when the company sells a property under a shared equity scheme and represents a percentage of the value of the property sold.

Available for sale financial assets are initially measured at fair value and subsequently revalued annually at its fair value at the balance sheet date.

Gains or losses arising from changes in the fair value of available for sale financial assets are included in net profit or loss for the period in which they arise.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

2. Statement of significant accounting policies (cont'd)

p. Revenue

Revenue is measured at the fair value of consideration received from income from the group's ordinary activities. Revenue is stated received net of discounts, sales and other taxes. Revenue from sales is recognised when persuasive evidence of an arrangement exists, the significant risks and rewards of ownership have been transferred to the buyer, the price is fixed and determinable and collectively probable.

Rentals receivable under operating leases are recognised in the income statement over the term of the lease on a straight line basis.

Revenue from dividend income is recognised when the rights of the shareholder to receive the payment are determined.

q. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the group.

Revenue recognition

Under IFRS 15 there is a requirement to recognise revenue as and when a performance obligation is satisfied. The primary activity of the company is project management in relation to the construction of a hotel. Upon completion of this they will receive a fixed sum of £1.5m. As the performance obligation in relation to this is satisfied over time the attributable revenue should therefore be recognised in line with this. The directors have taken the view that the best estimation of attributable revenue is based on an output method measured by the stage of completion of the hotel at the year-end date, as this amounts to services rendered in completion of their performance obligation.

The output method is based on invoices received by independent contractors at the year-end which detail the value of completion to date. The amount of revenue to be recognised is then measured as a percentage of actual completion to date against the expected total cost of completion.

Given the company's experience in the sector, reliance can be placed on the budgeted cost of the project, therefore using this as a benchmark is deemed to be a faithful depiction of the stage of completion of the contract.

Transaction price allocated to the remaining performance obligations

	2018
	£
Project management of Market Street Hotel	-

The hotel was handed over to HMI on 23 November 2018.

r. Key estimates – impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

2. Statement of significant accounting policies (cont'd)

s. Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Further details of the provisions recognised in the year can be found at note 19.

t. Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

- i. Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

u. Grants receivable

Grants are accounted for by the company when receivable.

Grants receivable in respect of contributions to fixed assets in course of construction and property development work in progress costs are credited to deferred income.

Where grants are given for a specific purpose they are released to the profit and loss account to match the cost of completed project

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

3. Revenue

An analysis of revenue is as follows:

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Rental income	5	47	-	-
Rendering of services	798	594	-	-
Property sales	2,547	3,207	1,050	-
	<u>3,350</u>	<u>3,848</u>	<u>1,050</u>	<u>-</u>

4. Profit from operations

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
After charging				
Auditor's remuneration:				
Audit	35	47	5	17
Non-Audit	7	12	2	7
Operating lease rentals:				
Plant and machinery	75	75	75	75
Depreciation and other amounts written off tangible fixed assets:				
Owned	<u>27</u>	<u>68</u>	<u>27</u>	<u>68</u>

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

5. Other income

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Rental income	4	5	-	-
	<u>4</u>	<u>5</u>	<u>-</u>	<u>-</u>

Rental income is from investment properties in relation to property development in Parc Craigmillar Limited.

6. Finance income

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest on bank deposits	-	8	-	-
Other interest received	54	53	3	-
Transfer pricing interest on group balances	-	-	16	2
	<u>54</u>	<u>61</u>	<u>19</u>	<u>2</u>

7. Finance costs

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
On secured loan stock held by the City of Edinburgh Council	152	205	179	203
Net return on pension assets	-	49	-	49
Gain on revaluation	-	(36)	-	-
	<u>152</u>	<u>218</u>	<u>179</u>	<u>252</u>

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

8. Income tax expense

	2018 £'000	2017 £'000
Current tax:		
- Adjustments in respect of prior periods		(218)
- Group relief receivable	(128)	(1,046)
Current tax credit for year attributable to the company and its subsidiaries	(128)	(1,264)
Total deferred tax	-	351
	(128)	(913)

The tax (credit)/charge is allocated in the financial statements as follows:

Profit and loss account	(128)	(1,264)
Statement of comprehensive income	-	351

Domestic income tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the loss per the income statement as follows:

	2018 £'000	2017 £'000
Loss/(profit) on ordinary activities before taxation	(587)	(4,208)
Tax on (loss)/profit at the effective rate of corporation tax of 19% (2017 – 19.25%)	(111)	(810)
Effects of:		
Expenses that are not taxable for tax purposes	36	448
Non-taxable income	-	(971)
Utilisation of tax losses	-	-
Deferred tax asset not recognised	(24)	(60)
Fixed asset differences	-	-
Other timing differences	-	347
Accounting adjustments and transfers	(2)	-
Adjustments in respect of prior periods	-	(218)
Adjust deferred tax to average rate	(27)	-
Group relief surrendered	118	1,046
Group relief claimed	-	-
Losses surrendered	(118)	(1,046)
Current tax credit for year attributable to the company and its subsidiaries	(128)	(1,264)

Notes to the Financial Statements (continued)

For the year ended 31 December 2018

9. Employee benefits expense

The average number of persons employed by the group (including directors) during the year was 7 (2017: 15), and at year end the group had no employees. The aggregate payroll costs of these persons, included within administrative expenses, were as follows:

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	421	711	421	711
Social security costs*	40	107	40	107
Other pension costs*	87	406	87	406
Other staff costs	7	27	7	27
Net pension fund services gains	-	85	-	85
Redundancy salary costs*	4	494	4	494
	<u>559</u>	<u>1,830</u>	<u>559</u>	<u>1,830</u>

* As noted in note 2b, the group is ceasing to trade and redundancy costs were incurred in 2018 as a consequence. Due to the requirements of IAS 19 – Employee Benefits, the group determined that the conditions were met for the provision of redundancy costs in the prior year financial statements. The total redundancy costs were estimated at £804,000 (see note 19). Pension strain costs of £281,000 were included in 'Other pension costs' however only £186,000 of such costs were incurred during the year, with the remaining unused provision credited against administrative expenses. Employer's national insurance costs associated with the redundancy costs of £29,000 were included in 'Social security costs', with an additional £6,000 of national insurance payments incurred when the costs crystallised in the year. An additional £4,000 of redundancy salary costs were incurred when the costs crystallised in the year.

Directors' remuneration
Group and company

	2018 £'000	2017 £'000
Directors' emoluments	55	105
Pension contributions**	13	84
Redundancy salary costs**	1	83
	<u>69</u>	<u>272</u>
Highest paid director:		
Directors' emoluments	55	105
Pension contributions**	13	84
Redundancy salary costs**	1	83
	<u>69</u>	<u>272</u>

No remuneration is paid to non-executive directors.

Retirement benefits are accruing to one (2017: one) director under a defined benefit scheme. Directors' remuneration costs disclosed above exclude employer's national insurance costs of £15,000 (2017: £21,000).

** As outlined above provision was made for redundancy costs due to directors in the prior which were incurred in 2018 because of the closure process. Total redundancy costs relating to directors equalling £155,000 were provided for in the prior year. Included within 'Pension contributions' above was £65,000 of pension strain costs relating to redundancies, of which only £54,000 was incurred with the remaining provision credited to administrative expenses. Social security costs relating to redundancies for directors equal to £7,000 were provided for in the prior year and incurred in 2018. An additional £1,000 of redundancy salary costs were incurred when the costs crystallised in the year.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

10. Property, plant and equipment

	Furniture and equipment £'000	Computer equipment £'000	Leasehold equipment £'000	Total £'000
Group				
<i>Cost or valuation</i>				
At beginning of year	58	82	64	204
Additions	-	-	-	-
At end of year	58	82	64	204
<i>Depreciation</i>				
At beginning of year	52	76	49	177
Charge for year	6	6	15	27
At end of year	58	82	64	204
<i>Net book value</i>				
At 31 December 2018	-	-	-	-
At 31 December 2017	5	6	15	27

	Furniture and equipment £'000	Computer equipment £'000	Leasehold equipment £'000	Total £'000
Company				
<i>Cost or valuation</i>				
At beginning of year	58	82	64	204
Additions	-	-	-	-
At end of year	58	82	64	204
<i>Depreciation</i>				
At beginning of year	52	76	48	177
Charge for year	6	6	16	27
At end of year	58	82	64	204
<i>Net book value</i>				
At 31 December 2018	-	-	-	-
At 31 December 2017	5	6	16	27

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

11. Investment property

	Investment property £'000
Group	
<i>Valuation</i>	
At 1 January 2018	430
Sale during the year	(210)
	<hr/>
At 31 December 2018	220
	<hr/>
Net book value	
At 31 December 2018	220
	<hr/>
At 31 December 2017	430
	<hr/>

An investment property owned by Waterfront Edinburgh Limited was valued at £210,000 at 31 December 2017. This investment property was sold on 23 May 2018. The related rental income up until the point of sale recognised in the income statement during the year was £1,124 (2017: £8,948) along with direct operating expenses of £4,332 (2017: £11,017).

An investment property owned by Parc Craigmillar Limited was valued at £220,000 at 31 December 2017 by Messrs GVA Grimley, Chartered Surveyors on the basis of open market value for existing use. The valuation was carried out in accordance with the Practice Statement in RICS Appraisal and Valuation Manual. The related rental income recognised in the Statement of Profit or Loss and Other Comprehensive Income was £nil (2017: £nil) along with direct operating expenses of £nil (2017: £nil).

The directors, who are not qualified surveyors, are of the opinion that the fair value of the investment property continues to be £220,000 on the basis that the City of Edinburgh Council have, since the year end, offered to purchase the property from the company at this value.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

12. Available for sale financial assets

	Available for sale financial assets £'000
Group	
<i>Cost</i>	
At 1 January 2018	619
Sales	(619)
Increase in fair value	-
At 31 December 2018	-
<i>Net book value</i>	
At 31 December 2018	-
At 31 December 2017	619

Parc Craigmillar Limited has retained an interest of up to 25% in certain residential development properties which were sold under a shared equity scheme. These assets are disclosed as 'Available for sale financial assets'. During the year these assets were sold to the City of Edinburgh Council as part of the transition strategy.

13. Fixed asset investments

Group

	Joint Ventures & Associated Undertakings 2018 £'000	Joint Ventures & Associated Undertakings 2017 £'000
<i>Post-acquisition reserves</i>		
At 1 January and 31 December	269	269
<i>Net book value</i>		
Loans to and share of net assets in joint ventures and associated undertakings	269	269

Company

	Subsidiary undertakings £'000
<i>Cost</i>	
At 1 January 2018	7,951
Impairment charge	(359)
At 31 December 2018	7,592
<i>Net book value</i>	
At 31 December 2018	7,592
At 31 December 2017	7,951

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

13. Fixed asset investments (continued)

The directors assessed the recoverability of the investments in subsidiary undertakings and considered an impairment charge of £359,000 (2017: £919,000) was appropriate to write down the value of the investments in subsidiary undertakings.

The principal companies in which the company's interest is more than 10% are as follows:

	Principal Activity	Country of Registration	Percentage of Ordinary Share Capital Held
EDI (Industrial) Limited	Non-trading	Scotland	100%
Edinburgh Retails Investments Limited	Non-trading	Scotland	100%
EDI Central Limited	Property development	Scotland	100%
Shawfair Land Limited	Property development	Scotland	100%
Parc Craigmillar Limited	Regeneration	Scotland	100%
Parc Craigmillar Developments Limited (Subsidiary of Parc Craigmillar Limited)	Property development	Scotland	100%
Waterfront Edinburgh Limited	Property development and regeneration	Scotland	100%
Waterfront Edinburgh (Management) Limited (subsidiary of Waterfront Edinburgh Limited)	Non-trading	Scotland	100%
Caledonia Waterfront (Harbour Road) Limited (associate of Waterfront Edinburgh Limited)	Property development and letting of properties	Scotland	42.5%
New Laurieston (Glasgow) Limited	Property development	Scotland	45%
EDI Market Street Limited	Property development	Scotland	100%
EDI Fountainbridge Limited	Property development	Scotland	100%

All companies where greater than 50% of the share capital is held have been consolidated.

Where 50% or less of the share capital is held these companies have been consolidated using the equity accounting method. In the case of New Laurieston (Glasgow) Limited, The EDI Group's share of losses exceed the value of its interest in the company, and therefore no further losses have been recognised.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

14. Inventories

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Development properties and associated costs	<u>9,595</u>	<u>10,703</u>	<u>4,119</u>	<u>3,999</u>

15. Trade and other receivables

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current				
Trade receivables	1,217	1,298	-	-
Amounts owed by group & associated undertakings	150	1,073	4,463	5,685
Other debtors	2,018	1,422	11	71
Prepayments and accrued income	478	149	83	102
	<u>3,863</u>	<u>3,942</u>	<u>4,557</u>	<u>5,858</u>
Non-current				
Other debtors	1,304	4,253	-	-
	<u>5,167</u>	<u>8,195</u>	<u>4,557</u>	<u>5,858</u>

16. Trade and other payables

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade and other payables	304	1,174	39	64
Amounts due to group & associated undertakings	1,255	1,398	2,588	150
Other creditors	-	28	-	25
Corporation tax	-	2	-	-
Other taxation and social security	229	20	-	20
Accruals and deferred income	233	432	180	176
Retired benefit obligation	361	-	361	-
	<u>2,382</u>	<u>3,054</u>	<u>3,168</u>	<u>435</u>

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

17. Non-current liabilities

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Convertible unsecured loan stock (note 18)	-	-	2,240	3,500
Provisions (note 20)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,240</u>	<u>3,500</u>
	<u>-</u>	<u>-</u>	<u>2,240</u>	<u>3,500</u>

18. Convertible unsecured loan stock

The non-interest bearing loan stock is held by The City of Edinburgh Council, the company's ultimate parent undertaking. It bears no interest and is repayable on sale of associated land assets or cancellable on provision of community assets. Agreement has been reached with the Council that this loan stock will be settled as part of the closure process against the transfer of land and buildings to the Council.

The convertible unsecured loan stock is held by The City of Edinburgh Council, the company's parent undertaking. It bears interest at a variable rate and is repayable on 31 March 2018. The Council has agreed to the repayment being delayed and settled as part of the closure process against the transfer of land and buildings to the Council or in cash as assets are realised.

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Unsecured loan stock- non-interest bearing	1,731	2,691	-	-
Unsecured convertible loan stock 2018	2,240	3,500	2,240	3,500
	<u>3,971</u>	<u>6,191</u>	<u>2,240</u>	<u>3,500</u>
	<u>3,971</u>	<u>6,191</u>	<u>2,240</u>	<u>3,500</u>

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

19. Provisions – current liabilities

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<u>Infrastructure expenditure</u>				
Balance brought forward	736	716	-	-
Increase in provision for the year	-	87	-	-
Decrease in provision for the year	(272)	(67)	-	-
	<u>464</u>	<u>736</u>	<u>-</u>	<u>-</u>
<u>Consultancy expenditure</u>				
Balance brought forward	640	-	-	-
Increase in provision for the year	-	640	-	-
Decrease in provision for the year	(640)	-	-	-
	<u>-</u>	<u>640</u>	<u>-</u>	<u>-</u>
<u>Overspend on Market Street Project</u>				
Balance brought forward	401	-	-	-
Increase in provision for the year	-	401	-	-
Decrease in provision for the year	424	-	-	-
	<u>825</u>	<u>401</u>	<u>-</u>	<u>-</u>
<u>Redundancy costs</u>				
Balance brought forward	804	-	804	-
Increase in provision for the year	-	804	-	804
Decrease in provision for the year	(804)	-	(804)	-
	<u>-</u>	<u>804</u>	<u>-</u>	<u>804</u>
	<u>1,289</u>	<u>2,581</u>	<u>-</u>	<u>804</u>

Provisions for infrastructure expenditure required for a completed project has been spent and released in the year.

Provisions for consultancy expenditure utilised in the year relates to advisory and agency fees relating to the India Quay development. The actual cost crystallised during 2018 at £580k with the remainder of the provision written back as it was no longer required.

Provisions for overspend on Market Street Projects recognised in the year relates to potential cost overruns on the project which are unlikely to be recoverable.

As discussed in note 9, a provision for expected redundancy costs totalling £804,000 was recognised in the previous year. All costs were paid in the current year and there were no remaining objections. The unspent element of the provisions was released.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

20. Provisions – non-current liabilities

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance brought forward	-	500	-	-
Increase in provision for the year	-	-	-	-
Decrease in provision for the year	-	(500)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The group previously had obligations for further development costs under section 75 of the Town and Country Planning (Scotland) Act 1997 in relation to Waterfront Edinburgh Limited. The group now considers these remaining obligations to be extinguished, and therefore the provision created has been released during the current year.

21. Deferred income

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance brought forward	138	321	-	-
New grants in year	-	-	-	-
Grants released to profit and loss	(138)	(183)	-	-
	<u>-</u>	<u>138</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>138</u>	<u>-</u>	<u>-</u>

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

22. Deferred tax assets

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<i>Deferred tax</i>				
At beginning of year	-	351	-	351
Charge/(credit) for the year	-	(351)	-	(351)
At end of year	-	-	-	-

The elements of deferred tax are as follows:

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Pension scheme deficit	-	-	-	-
	-	-	-	-
Included in the accounts as follows:				
- Non-current asset	-	-	-	-
Deferred tax asset	-	-	-	-

23. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2018.

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	2,333	2,689	243	112

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

24. Contributed equity

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	8,500	8,500	8,500	8,500

The ordinary shares of £1 each carry one vote per share and participate in profits available for dividend pro rata.

25. Commitments

Commitments under non-cancellable operating leases are as follows.

Group and company	2018		2017	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Payments due for operating leases:				
- Within one year	-	-	71	3
- Between one and two years	-	-	71	3
- Between two and five years	-	-	100	5
	-	-	242	11

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

26. Employee benefits

The EDI Group Limited ("the Employer") ceased as an employer in the Lothian Pension Fund ("the Fund") on 31 October 2018.

The employees of the company were eligible for membership of the Local Government Pension Scheme administered by Lothian Pension Fund. This is a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss so as to spread the cost of pensions over employees' working lives with the company.

A qualified actuary determines the contributions. A formal actuarial valuation was performed at 31 March 2017. This was updated by the actuary on an IAS19 basis as of 31 December 2017. A subsequent actuarial valuation, in the current year, of the Employer was carried out to determine the liabilities that remained with the Fund on cessation and the final contribution due from the Employer (i.e. an adjustment to the Rates and Adjustments Certificate) as required under Regulation 62(2) of the Local Government Pension Scheme (Scotland) Regulations.

Funding position

		Valuation Results	Cessation Results
		31 December 2017	31 December 2018
		£'000	£'000
Liabilities			
	Active	2,155	-
	Deferred	1,146	1,763
	Pensioner	3,424	5,547
Total liabilities		6,725	7,311
Assets		6,158	6,950
Surplus/ (deficit)		<u>(567)</u>	<u>(361)</u>

As the assessed value of the past service liabilities on the cessation basis, valued on cessation 31 October 2018, is greater than the assessed value of the employer's asset share at the cessation date, a cessation deficit of £361,000 is payable to the Fund.

Pension costs

In the prior year the retirement benefit obligation was understood to be the final amount owed to the Fund, however the Cessation Valuation performed as at 31 October 2018 now reflects the fund deficit of the group:

	2018
	£'000
Payments made during year	441
Cessation valuation deficit	361
Total amount payable to scheme	802
Release of unrequired provision	(83)
2017 Net pension liability	(567)
Loss on settlement of scheme	<u>152</u>

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

26. Employee benefits (cont'd)

The tables below compare the present value of the scheme liabilities based on the actuary's assumptions with the estimated employer assets for the year ended 31 December 2017.

The amounts recognised in the Statement of Financial Position are determined as follows:

	2017 £'000
Fair value of plan assets	6,450
Present value of scheme liabilities	(7,750)
Gain on settlement of scheme	733
	<hr/>
Deficit in the scheme – pension liability	(567)
	<hr/>
Net pension liability at 31 December 2017	(567)
	<hr/> <hr/>

Movement in defined benefit obligation during the year:

	2017 £'000
At 1 January 2017	7,822
Current service cost	195
Interest cost on obligation	212
Plan participants contributions	44
Benefits paid	(182)
Actuarial losses arising from change in financial assumptions	73
Other actuarial gains	(280)
Actuarial gains arising from change in demographic assumptions	(134)
	<hr/>
At 31 December 2017	7,750
	<hr/> <hr/>

Movement in fair value of plan assets during the year:

	2017 £'000
At 1 January 2017	6,065
Benefits paid	(182)
Interest income on plan assets	163
Contributions by employer	110
Contributions by member	44
Return on assets excluding amounts included in net interest	250
	<hr/>
At 31 December 2017	6,450
	<hr/> <hr/>

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

26. Employee benefits (cont'd)

The amounts recognised in the Statement of Profit or Loss are as follows:

	2017 £'000
Interest received on pension scheme assets	(163)
Interest cost on pension scheme liabilities	212
Finance cost	40
Current service cost	195
Gain on settlement of scheme	(733)
	<u>489</u>

The amounts recognised in other comprehensive income are as follows:

	2017 £'000
Actuarial gains/(losses) in the defined benefit obligation	341
Actuarial gains in the fair value of defined benefit assets	250
	<u>591</u>

Financial Assumptions

The main financial assumptions underlying the actuarial assumptions are as follows:

	2017	Cessation Assumptions 31 October 2018
	%	%
Inflation/Pension increase rate	2.4	2.4
Salary increase rate	4.1	4.2
Discount rate	2.5	3.3

The valuation assumptions as for 2017 are those used for the most recent formal valuation of the Fund. For further information, please see the formal valuation report.

The cessation assumptions as at 31 October 2018 are those recommended by the Actuary for the valuation of the Employer on cessation from the Fund and are in line with the Fund's Funding Strategy Statement.

At the instruction of the City of Edinburgh Council, the cessation position was valued for the Employer using the Fund's ongoing funding assumptions rather than the more prudent assumptions that would ordinarily apply on cessation. The City of Edinburgh Council is acting as guarantor for the Employer's assets and liabilities post cessation and has agreed to this approach.

The cessation assumptions used are derived in the same manner as the previous formal valuation but updated to reflect market conditions as at 31 October 2018.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

26. Employee benefits (cont'd)

Mortality Assumptions:

		2017	Cessation assumptions 31 October 2018
Current Pensioners	Male	21.7 years	21.7 years
	Female	24.3 years	24.3 years
Future Pensioners	Male	24.7 years	24.7 years
	Female	27.5 years	27.5 years

The valuation funding assumptions are those used for the previous formal valuation of the Fund. Further details on the derivation of these mortality assumptions can be found in the Fund's formal valuation report.

Loss on settlement of scheme:

As noted in note 2b, the group has begun a process of closure. A redundancy programme occurred in 2018 and the group had no employees by the end of 2018, and the company's admission to the Lothian Pension Scheme ceased on 31 October 2018.

The difference of £235,000 between the 2017 liability of £567,000, the total of amounts paid to the scheme during the year and the final cessation valuation, has been recorded as a 'Loss on settlement of the pension scheme' through the Statement of Profit or Loss and Other Comprehensive Income.

27. Related party transactions

The key management personnel of the company are considered to be the directors. See note 9 for details of directors' emoluments. During the year group companies carried out the following transactions with related parties:

Related Party	Relationship	Group Company	Nature of Transaction	Value of transactions during year	Amount owed from/(to) at year end
				£	£
City of Edinburgh Council	Ultimate holding organization	The EDI Group Ltd	Loan stock	1,260,000	(2,240,000)
			Interest on loan	(151,829)	-
City of Edinburgh Council	Ultimate holding organisation	EDI Central Ltd	Rent and loan account	535,000	955,000
City of Edinburgh Council	Ultimate holding organisation	EDI Market Street Ltd	Profit element of construction contract	143,566	(31,834)
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan for infrastructure works	-	(1,219,764)
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan stock	1,452,846	(1,238,248)

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

28. Ultimate parent undertaking

The parent company is CEC Holdings Limited, a company registered in Scotland. The financial statements of the parent undertaking are available at their registered offices. The ultimate holding organisation is The City of Edinburgh Council.

29. Financial Risk Management

The group has the following categories of financial instruments at the balance sheet date:

	Consolidated group		Parent entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets				
Financial assets measured at amortised cost	6,886	9,642	254	183
	2018 £	2017 £	2018 £	2017 £
Financial liabilities				
Financial liabilities measured at amortised cost	4,015	6,176	2,505	3,765

Financial assets measured at amortised cost comprise cash at bank and in hand, trade receivables, accrued income, and other receivables (excluding VAT receivable balances, tax receivables and prepayments).

Financial liabilities measured at amortised cost comprise trade payables, accruals, provisions, other payables (excluding VAT payable balances,

Capital risk management

The company aims to manage its overall capital structure to ensure it continues to operate on an ongoing basis within the broad timescales set out in the transition strategy. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents. The Directors are closely involved in the running of the company and are therefore fully aware of the capital position of the company at any point in time and any changes that circumstances bring. As a result they are in a position to address any issues that may arise on a timely basis.

Risk management objectives

The Board is charged with the overall responsibility of establishing and monitoring the group's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by group. The group does not enter into or trade financial instruments for speculative purposes.

The main risks that the group is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

Market risk

Market risk is the risk that the value of the company's properties and sites under development may fall resulting in further write-offs to the income statement. The company manages this risk by carrying out sensitivity analysis for fluctuations in the property market. Included in market risk is interest rate risk, which is the risk that the expected receipts from deposits may fluctuate due to market conditions. The company monitors this risk but it is very unlikely to affect the company's overall liquidity.

THE EDI GROUP LIMITED
Notes to the Financial Statements (continued)
For the year ended 31 December 2018

29. Financial Risk Management (continued)

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the group. It arises from exposure to customers and for the parent company, also from amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the Board of Directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- Only banks and institutions with an acceptable credit rating are utilised;
- All potential customers are rated for credit worthiness taking into account their size, market position and financial standing;
- Customers that do not meet the groups credit policies may only purchase in cash or using recognised credit cards.

Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Ensuring that adequate unutilised borrowing facilities are maintained.

Fair values

The directors consider that the carrying values of all the group's financial assets and liabilities approximate their fair values at the balance sheet date.

The only financial instruments measured at fair value are available for sale financial assets. These are valued annually by an independent valuer, GVA, in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual.

The Directors therefore consider that the risk in relation to financial instruments at fair value is low.

30. Post-Balance Sheet Events

The Group reached agreement on a payment of £1m in relation to the discharge of a agreement pertaining to land sold in 2012, with the monies received on 1 August 2019. The Group is selling land at Greendykes South with a settlement date to be determined but expected to be in Summer 2019. Agreement has also been reached to sell Greendykes plots K and L for £2.1m with the transaction again expected to conclude during Summer 2019.

31. Contingent liabilities

There exists a contingent liability attributable to the potential for the settlement with HMI to be higher than the provision of £825k which has been included in the financial statements. Any additional liability will be confirmed once the ongoing discussions between parties have concluded.