Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 5 November 2020

The EDI Group – update report

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

1. Recommendations

1.1 It is recommended that Committee;

1.1.1 notes the report; and

1.1.2 refers the report to the Governance, Risk and Best Value Committee.

Paul Lawrence

Executive Director of Place

Contact: David Cooper, Commercial Development and Investment Senior Manager

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.

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 The programme in terms of projects transferring into the Council and estimated corporate closure dates is set out in Appendix 1. Appendix 2 provides updates on each project.

4.4 The audited consolidated financial statements for The EDI Group Limited for the year ended 31 December 2019 were approved by the EDI Board on 8 September 2020. The overall financial performance was a net profit of £1.96m (compared to a loss of £0.46m in 2018) and retained earnings of £2.4m (compared to £1.4m in 2017). This is in line with transition strategy assumptions. The independent auditor opined that the statements gave a true and fair 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 continue to be provided to the Committee.

6. Financial impact

6.1 The projected special dividend to the Council from closing EDI is currently £7.525m. This is a further reduction on the original figure of £8.5m, reflecting the loss sustained by EDI on the Market Street hotel development coupled with write-downs on property valuations associated with Covid-19.

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

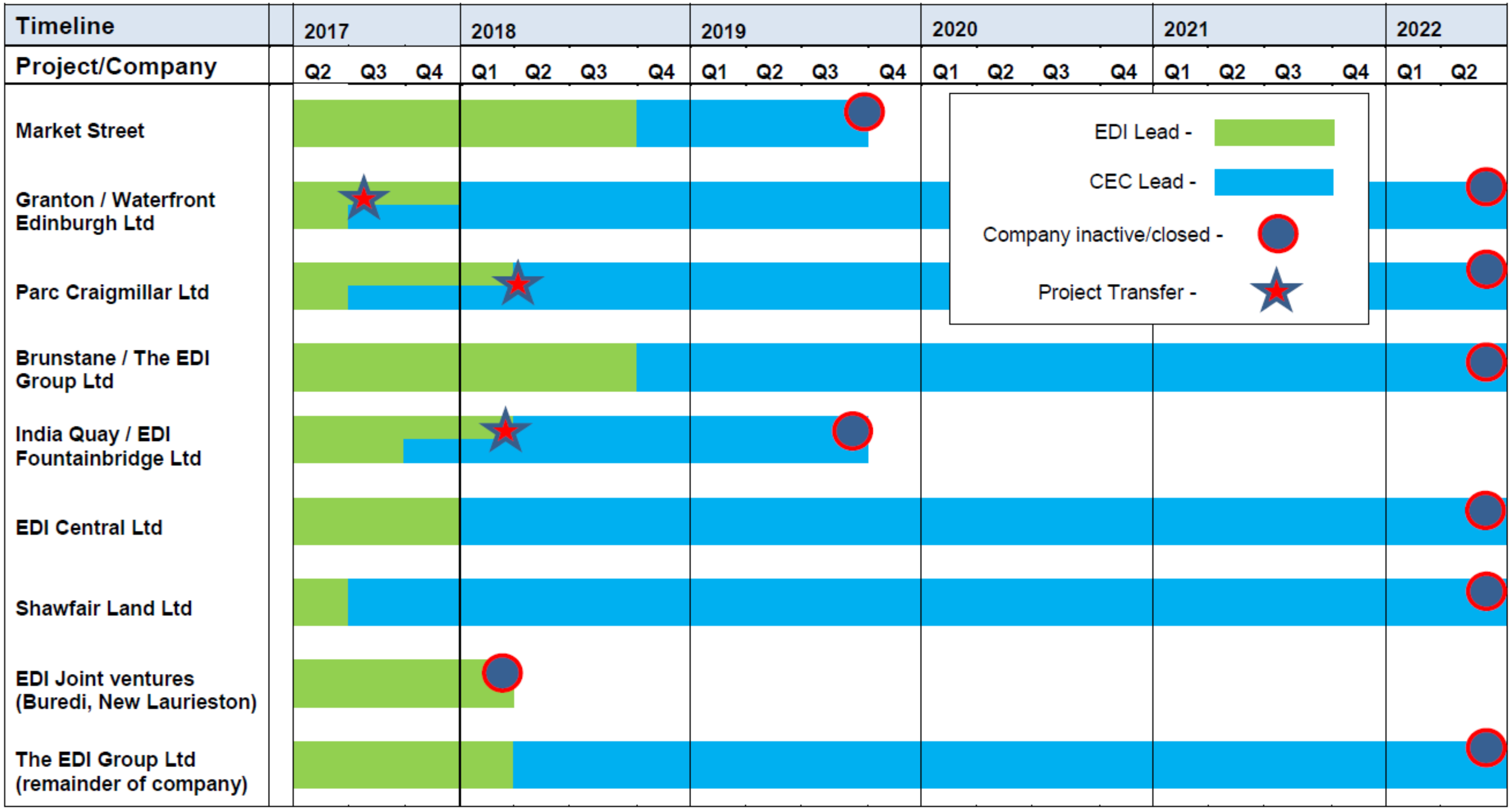
9.1 Appendix 1 – Original project timeline.

9.2 Appendix 2 – Updated project timeline.

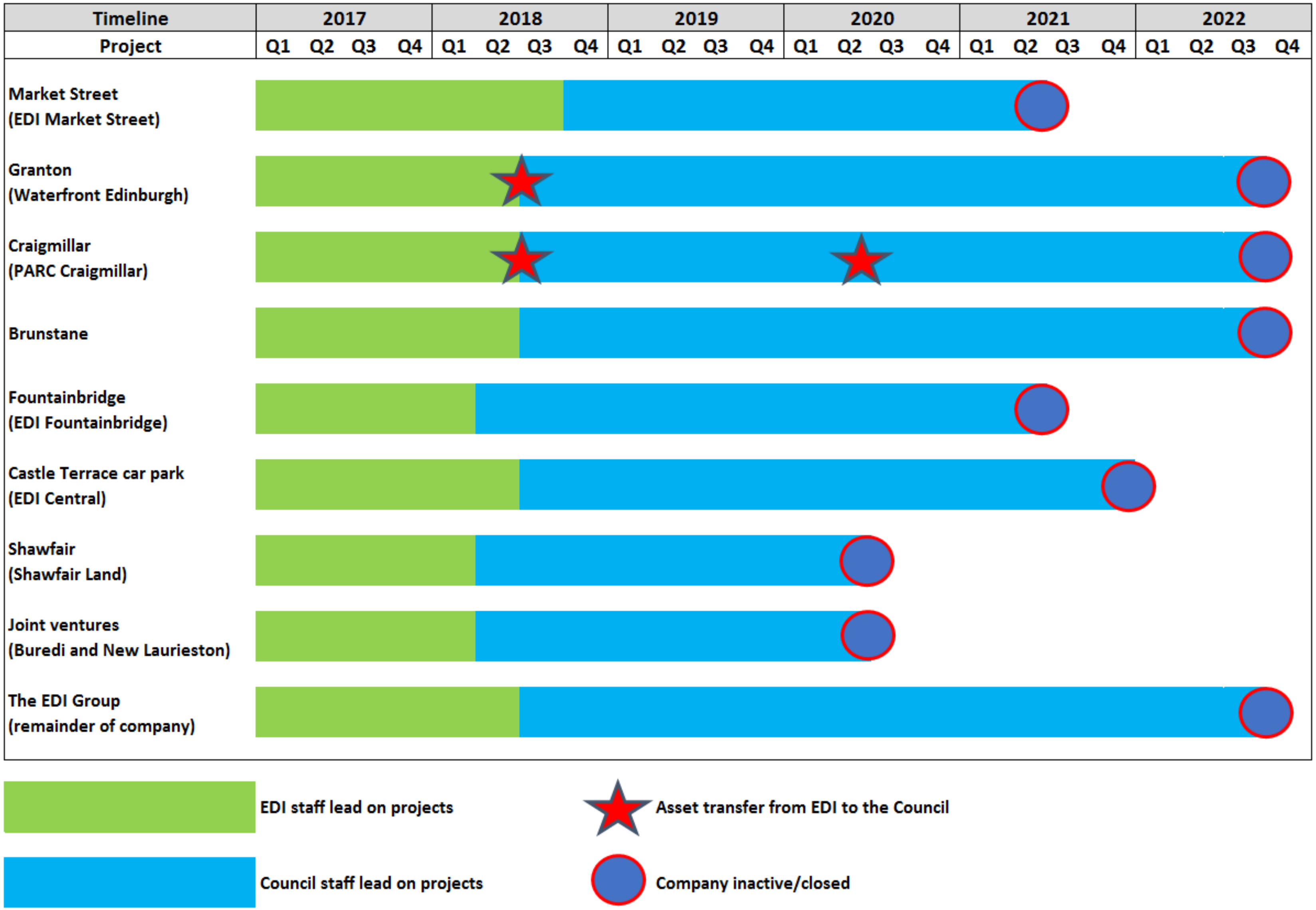
9.3 Appendix 3 – Project updates.

9.4 Appendix 4 – The EDI Group Limited: Directors' report and consolidated financial statements for the year ended 31 December 2019.

Appendix 1 – Original project timeline



Appendix 2 – Updated project timeline



Appendix 3 – Project updates

Please note RAG Status is in relation to performance against programme.

Market Street (EDI Market Street)	
Description Subsidiary company of EDI set up to take forward a hotel development on Market Street.	
Position as of November 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 have now settled financial claims with the client and the contractor. The dissolution of EDI Market Street remains scheduled for 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 November 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 two WEL subsidiary companies are in the process of being transferred up to The EDI Group to allow closure of WEL. The projected company closure date remains 2022.	
RAG status	Green
Craigmillar (PARC Craigmillar)	
Description Land and buildings at Craigmillar.	
Position as of November 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. The transfer of these assets has been delayed and is now expected to take place in early 2021. The sale of plots K and L has also been delayed and there is a risk that the sale price will be lower than previously reported. 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 November 2020 The sale of the land is underway. This has been delayed due to COVID-19 but is expected to be completed in Q4 2020. At present there is no expectation that the sale price will be lower than forecast.	
RAG status	Amber
Fountainbridge (EDI Fountainbridge)	
Description Brownfield development site owned by the Council.	
Position as of November 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. This process has been delayed and it is now anticipated that the partner will be appointed in Q4 2020/Q1 2021. 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 November 2020 All payments due to EDI Central have been received and paid up to The EDI Group. Officers are now progressing the dissolution of the company which is projected to be completed in 2021.	
RAG status	Green
Shawfair (Shawfair Land)	
Description Shawfair Land formerly held a security over land at the South East Wedge.	
Position as of November 2020 Shawfair Land has released the security in return for a cash payment. Final accounts for the company have been audited and submitted to Companies House and officers are beginning to wind-up the company.	
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 November 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 expected to be completed during 2020.	
RAG status	Green
The EDI Group (remainder of company)	
Description The parent company of all subsidiaries.	
Position as of November 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

Financial Statements

31 December 2019

EDIGROUP

THE EDI GROUP LIMITED

Directors’ report and consolidated financial statements

For the year ended 31 December 2019

Contents	**Page**

THE EDI GROUP LIMITED

Company information

For the year ended 31 December 2019

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	Azets Audit Services Statutory Auditor Exchange Place 3 Semple Street Edinburgh EH3 8BL	

The Directors present their strategic report and audited financial statements for 2019 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 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 as the companies move towards closure. 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 were finalised in spring 2020. 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 2020.

Our performance

The financial performance of the group in 2019 was a net profit of £1.962m compared to a loss of £0.46m in 2018. Retained earnings increased to £2.4m from £1.4m. 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 £5.3m (2018: £2.3m) and the sales expected in 2020 will be profitable. A dividend of £1.047m was declared in 2019 and it is envisaged that further 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, including the impact of COVID-19. 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 September 2020 and signed on its behalf by:

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

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

Principal activities and business review

Details of principal activities, market circumstances and risk and performance indicator are included in the Strategic Report. The directors recommend payment of a dividend at the year-end of £1,046,788 (2018: £nil).

Directors

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

K Campbell
L Cameron
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.

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

On 7 September 2020, Group Audit Services Limited trading as Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

Azets Audit Services are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

This report was approved by the board on 8 September 2020 and signed on its behalf by:

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

Opinion

We have audited the financial statements of The EDI Group Limited for the year ended 31 December 2019 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 2019 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.

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.

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 Azets Audit Services
Chartered Accountants
Statutory Auditor

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 8 September 2020

THE EDI GROUP LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Continuing Operations			
Revenue	3	5,020	3,350
Cost of sales		(2,627)	(2,527)
Gross profit		2,393	823
Government grant release	18	-	138
Administrative expenses		(666)	(1,280)
Work in progress written off		(733)	60
Profit/(loss) from operations	4	994	(259)
Loss on disposal		(1)	(82)
Finance income	6	44	54
Finance costs	7	(156)	(152)
Other income	5	1,499	4
Loss on settlement	21	-	(152)
Movement in fair value of investment property	11	28	-
Profit/(loss) before income tax expense		2,408	(587)
Income tax (charge)/credit	8	(446)	128
Profit/ (loss) for the year from continuing operations		1,962	(459)
Net profit/(loss) for the year		1,962	(459)
Attributable to:			
Equity holders of the parent		1,962	(459)

There are no other items of comprehensive income or expense in the current year or prior year and therefore no Statement of Comprehensive Income is shown.

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	Consolidated Group 2019 £'000	2018 £'000
Non-current assets			
Investment property	11	248	220
Investments in joint ventures and associates	12	269	269
Total non-current assets		517	489
Current assets			
Cash and cash equivalents	19	5,326	2,333
Trade and other receivables	14	5,219	5,167
Inventories	13	9,244	9,595
Total current assets		19,789	17,095
TOTAL ASSETS		20,306	17,584
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	20	8,500	8,500
Retained earnings		2,357	1,442
Capital contribution reserve		-	-
Total equity		10,857	9,942
Liabilities			
Current liabilities			
Trade and other payables	15	3,542	2,382
Current tax payable	15	-	-
Other financial liabilities	16	4,799	3,971
Provisions	17	1,108	1,289
Total current liabilities		9,449	7,642
Total liabilities		20,306	7,642
TOTAL EQUITY AND LIABILITIES		20,306	17,584

The financial statements were approved by the board of directors and authorised for issue on 8 September 2020 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.

Company Statement of Financial Position

As at 31 December 2019

	Note	Parent Entity 2019 £'000	2018 £'000
Non-current assets			
Investments in subsidiaries, joint ventures and associates	12	7,416	7,592
Total non-current assets		7,416	7,592
Current assets			
Cash and cash equivalents	19	1,874	243
Trade and other receivables	14	3,391	4,557
Inventories	13	4,139	4,119
Total current assets		9,404	8,919
TOTAL ASSETS		16,820	16,511
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	20	8,500	8,500
Retained earnings		2,704	2,573
Capital contribution reserve		30	30
Total equity		11,234	11,103
Liabilities			
Current liabilities			
Trade and other payables	15	3,346	3,168
Current tax payable	15	-	-
Other financial liabilities	16	2,240	2,240
Total current liabilities		5,586	5,408
Total liabilities		5,586	5,408
TOTAL EQUITY AND LIABILITIES		16,820	16,511

The financial statements were approved by the board of directors and authorised for issue on 8 September 2020 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.

Consolidated and Company Statement of Changes in Equity

As at 31 December 2019

Group

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	-	8,500	1,901	10,401
(Loss) from continuing operations	-	-	(459)	(459)
Balance at 31 December 2018	-	8,500	1,442	9,942
Balance at 1 January 2019	-	8,500	1,442	9,942
Profit from continuing operations	-	-	1,962	1,962
Dividends declared	-	-	(1,047)	(1,047)
Balance at 31 December 2019	-	8,500	2,357	10,857

Company

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	30	8,500	4,111	12,641
Profit from continuing operations	-	-	(1,538)	(1,538)
Balance at 31 December 2018	30	8,500	2,573	11,103
Balance at 1 January 2019	30	8,500	2,573	11,103
Profit from continuing operations	-	-	1,178	1,178
Dividends declared	-	-	(1,047)	(1,047)
Balance at 31 December 2019	30	8,500	2,704	11,234

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flow from operating activities			
Total comprehensive profit/(loss) for year		1,962	(459)
Adjustments for:			
Taxation charge/(credit)		446	(128)
Depreciation		-	27
Interest received		(44)	(54)
Interest paid		156	152
Loss on disposal of available for sale assets		1	82
Net revaluations of non-current assets		(28)	-
Release of deferred grant income		-	(138)
Decrease in inventories		351	1,108
(Increase)/Decrease in receivables		(52)	3,028
Increase/(decrease) in payables		979	(1,962)
Decrease in defined benefit obligation		-	(415)
Taxation paid		(446)	(26)
Net cash flows from operating activities		3,325	1,215
Cash flow from investing activities			
Proceeds from sale of available for sale assets		(1)	747
Interest received		44	54
Net cash flows from investing activities		43	801
Cash flow from financing activities			
Dividends paid		(1,047)	-
Increase/(decrease) in loan stock borrowings		828	(2,220)
Interest paid		(156)	(152)
Net cash flows used in financing activities		(375)	(2,372)
Net decrease in cash and cash equivalents		2,993	(356)
Cash and cash equivalents at beginning of year		2,333	2,689
Cash and cash equivalents at end of year	19	5,326	2,333

The accompanying notes form part of these financial statements

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 following standards and interpretations are mandatory for the first time for the year ended 31 December 2019 but are either not applicable or have no material impact on the Group financial statements; IFRS 16 – Lease, IFRIC 23 – Uncertainty over income tax treatments, Amendments to IFRS 9 Financial Instruments – on prepayment features with negative compensation, Amendments to IAS 28 Investments in Associates – on long term interests in associates and joint ventures, Amendments to IAS 19 Employee Benefits – on plan amendment, curtailment or settlement, Annual improvements 2015-2017.

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 2019, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
IFRS 3, Amendments to IFRS 3 – definition of a business	1 January 2020
IAS 1 and IAS 8, Amendments to IAS 1 and IAS 8 on the definition of material	1 January 2020
Conceptual Framework, Revised Conceptual Framework for Financial Reporting	1 January 2020
IFRS 17, Insurance Contracts	1 January 2021

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are either not applicable or not expected to have a material impact on the financial statements in the period of initial application.

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.

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. Most of these transfers have now taken place, with the Whitehouse expected to transfer within the next 12 months. Third party financial assets will be realised and third party liabilities will be settled according to their contractual terms

In these accounts each remaining 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.

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

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.

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.

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

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. 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.

h. 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.

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

i. 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.

j. 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.

k. 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.

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

l. 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.

m. Investments

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

n. 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.

o. 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

	2019
	£
Project management of Market Street Hotel	-

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

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

p. 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.

q. 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 17.

r. 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.

s. 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

3. Revenue

An analysis of revenue is as follows:

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Rental income	-	5	-	-
Rendering of services	-	798	-	-
Property sales	5,020	2,547	-	1,050
	5,020	3,350	-	1,050

4. Profit from operations

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
After charging				
Auditor's remuneration:				
Audit	42	35	12	5
Non-Audit	9	7	4	2
Operating lease rentals:				
Plant and machinery	-	75	-	75
Depreciation and other amounts written off tangible fixed assets: Owned	-	27	-	27

5. Other income

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Overage receipt	1,000	-	-	-
Compensation for option renunciation	499	-	-	-
Rental income	-	4	-	-
	1,499	4	-	-

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

6. Finance income

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Other interest received	44	54	1,772	3
Transfer pricing interest on group balances	-	-	-	16
	44	54	1,772	19

7. Finance costs

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
On secured loan stock held by the City of Edinburgh Council	156	152	156	179
	156	152	156	179

8. Income tax expense

	2019 £'000	2018 £'000
Current tax:		
- Adjustments in respect of prior periods	(87)	-
- Group relief receivable	-	(128)
- Current tax on income for the period	533	-
Current tax credit for year attributable to the company and its subsidiaries	446	(128)
Total deferred tax	-	-
	446	(128)

The tax (credit)/charge is allocated in the financial statements as follows:		
Profit and loss account	446	(128)
Statement of comprehensive income	-	-

Domestic income tax is calculated at 19.00% (2018: 19.00%) 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:

	2019 £'000	2018 £'000
Profit/(loss) on ordinary activities before taxation	2,408	(587)
Tax on (loss)/profit at the effective rate of corporation tax of 19% (2018 – 19%)	458	(111)
Effects of:		
Expenses that are not taxable for tax purposes	-	36
Non-taxable income	(5)	-
Exempt ABGH Transfers	-	-
Deferred tax asset not recognised	5	(24)
Fixed asset differences	-	-
Accounting adjustments and transfers	-	(2)
Adjustments in respect of prior periods	1	-
Adjust deferred tax to average rate	(13)	(27)
Group relief surrendered	(177)	(118)
Group relief claimed	177	118
Current tax charge/(credit) for year attributable to the company and its subsidiaries	446	(128)

9. Employee benefits expense

The group had no employees during the year (average number of persons employed in 2018: 7). The aggregate payroll costs incurred in the prior year, included within administrative expenses, were as follows:

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	-	421	-	421
Social security costs*	-	40	-	40
Other pension costs*	-	87	-	87
Other staff costs	-	7	-	7
Redundancy salary costs*	-	4	-	4
	-	559	-	559

* 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 2017 financial statements. The total redundancy costs were estimated at £804,000 (see note 17). Pension strain costs of £281,000 were included in 'Other pension costs' however only £186,000 of such costs were incurred during the prior 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 prior year. An additional £4,000 of redundancy salary costs were incurred when the costs crystallised in the prior year. As all redundancy costs crystallized in the prior year, no further costs were recognised in the current year.

Directors' remuneration
Group and company

	2019 £'000	2018 £'000
Directors' emoluments	-	55
Pension contributions**	-	13
Redundancy salary costs**	-	1
	-	69
Highest paid director:		
Directors' emoluments	-	55
Pension contributions**	-	13
Redundancy salary costs**	-	1
	-	69

No remuneration is paid to non-executive directors.
Retirement benefits are accruing to no directors (2018: one) under a defined benefit scheme.
Directors' remuneration costs disclosed above exclude employer's national insurance costs of £nil (2018: £15,000).

** As outlined above a provision was made for redundancy costs due to directors in 2017 which was incurred in 2018 because of the closure process

10.Property, plant and equipment

	Furniture and equipment £'000	Computer equipment £'000	Leasehold equipment £'000	Total £'000
Group				
Cost or valuation				
At beginning of year	58	82	64	204
At end of year	58	82	64	204
Depreciation				
At beginning of year	58	82	64	204
At end of year	58	82	64	204
Net book value				
At 31 December 2019	-	-	-	-
At 31 December 2018	-	-	-	-

	Furniture and equipment £'000	Computer equipment £'000	Leasehold equipment £'000	Total £'000
Company				
Cost or valuation				
At beginning of year	58	82	64	204
Additions	-	-	-	-
At end of year	58	82	64	204
Depreciation				
At beginning of year	58	82	64	204
Charge for year	-	-	-	-
At end of year	58	82	64	204
Net book value	-	-	-	-
At 31 December 2019				
At 31 December 2018	-	-	-	-

11. Investment property

	Investment property £'000
Group	
Valuation	
At 1 January 2019	220
Increase in fair value	28
At 31 December 2019	248
Net book value	
At 31 December 2019	248
At 31 December 2018	220

An investment property owned by the company was valued at £247,934 at 31 December 2019 by an internal Chartered Surveyor 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 (2018: £nil) along with direct operating expenses of £nil (2018: £nil).

The Scottish Ministers hold a standard security on a development property in respect of any amounts due to them by the company. The carrying value of this at the year-end is £nil. (2018: £nil)

Under the fair value hierarchy in IFRS 13 – Fair Value Measurement, investment property is deemed a level 2. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

12. Fixed asset investments

Group

	Joint Ventures & Associated Undertakings 2019 £'000	Joint Ventures & Associated Undertakings 2018 £'000
Post-acquisition reserves		
At 1 January and 31 December	269	269
Net book value		
Loans to and share of net assets in joint ventures and associated undertakings	269	269

Company

	Subsidiary undertakings £'000
Cost	
At 1 January 2019	7,592
Impairment charge	(176)
At 31 December 2019	7,416
Net book value	
At 31 December 2019	7,416
At 31 December 2018	7,592

12. Fixed asset investments (continued)

The directors assessed the recoverability of the investments in subsidiary undertakings and considered an impairment charge of £176,000 (2018: £359,000) 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.

13. Inventories

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Development properties and associated costs	9,244	9,595	4,139	4,119

14. Trade and other receivables

	Consolidated Group		Parent Entity	
Current	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	85	1,217	-	-
Amounts owed by group & associated undertakings	522	150	3,299	4,463
Other debtors	1,960	2,018	-	11
Prepayments and accrued income	89	478	89	83
VAT recoverable	3	-	3	-
	2,659	3,863	3,391	4,557
Non-current				
Other debtors	2,560	1,304	-	-
	5,219	5,167	3,391	4,557

15. Trade and other payables

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables	206	304	1	39
Amounts due to group & associated undertakings	1,759	1,255	1,990	2,588
Corporation tax	-	-	-	-
Other taxation and social security	-	229	-	-
Accruals and deferred income	1,577	233	1,355	180
Retired benefit obligation	-	361	-	361
	3,542	2,382	3,346	3,168

16. 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 was originally due to be repaid on 31 March 2019. However, 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Unsecured loan stock- non-interest bearing	2,599	1,731	-	-
Unsecured convertible loan stock 2019	2,240	2,240	2,240	2,240
	4,799	3,971	2,240	2,240

17. Provisions

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Infrastructure expenditure				
Balance brought forward	464	736	-	-
Increase in provision for the year	644	-	-	-
Decrease in provision for the year	-	(272)	-	-
	1,108	464	-	-
Consultancy expenditure				
Balance brought forward	-	640	-	-
Decrease in provision for the year	-	(640)	-	-
	-	-	-	-
Overspend on Market Street Project				
Balance brought forward	825	401	-	-
Decrease in provision for the year	(825)	424	-	-
	-	825	-	-
Redundancy costs				
Balance brought forward	-	804	-	804
Decrease in provision for the year	-	(804)	-	(804)
	-	-	-	-
	1,108	1,289	-	-

Provisions for infrastructure expenditure required additional works to be provided for due to land sold in the year.

Provisions for consultancy expenditure utilised in the prior year related 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 prior year related to potential cost overruns on the project which were unlikely to be recoverable. As final negotiations were reached in the current year, the total provision was released against the cost of sales in the current year.

18. Deferred income

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance brought forward	-	138	-	-
Grants released to profit and loss	-	(138)	-	-
	-	-	-	-

19. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2019.

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Cash at bank and in hand	5,326	2,333	1,874	243

20. Contributed equity

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Allotted, called up and fully paid				
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.

21. 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.

Pension costs

As noted in note 2b, the group had 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 prior year and the final cessation valuation, was recorded as a 'Loss on settlement of the pension scheme' through the Statement of Profit or Loss and Other Comprehensive Income in the prior year:

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

As all liabilities relating to the pension fund were accounted for in the prior year, no further costs were incurred in the current year.

The cessation deficit, valued at 31 October 2018, of £361,000 was payable to the Fund at the end of the prior year. This amount was paid over during 2019.

22. 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	-	(2,240,000)
			Interest on loan	(155,786)	(124,544)
City of Edinburgh Council	Ultimate holding organisation	EDI Central Ltd	Rent and loan account	535,000	420,000
City of Edinburgh Council	Ultimate holding organisation	EDI Market Street Ltd	Profit element of construction contract	(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	827,876	(2,558,899)

23. 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.

24. Financial Risk Management

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

	Consolidated group		Parent entity	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Financial assets				
Financial assets measured at amortised cost	7,371	6,886	1,874	254

	2019	**2018**	**2019**	**2018**
	£	**£**	**£**	**£**
Financial liabilities				
Financial liabilities measured at amortised cost	7,690	4,015	3,596	2,505

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, tax payables and deferred income).

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 I 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.

24. 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 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.

25. Post Balance Sheet Events

Agreement has been reached to sell Greendykes plots K and L with the price currently under negotiation but expected to be in the region of £1.8-£1.9m. The transaction is expected to conclude by summer 2020.

Agreement has also been reached to sell land at New Brunstane, with the transaction expected to complete in September 2020.

The group carries out annual revaluations that ensures of all property, including investment property. All valuations were carried out internally, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020 has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

25. Post Balance Sheet Events (continued)

Our post year-end sales valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will keep the valuation of this property under review.