

Governance, Risk and Best Value Committee

10.00am, Tuesday 24 January 2023

The EDI Group – annual update for the year ending 31 December 2021 – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine
Wards All
Council Commitments

1. For Decision/Action

- 1.1 The Housing, Homelessness and Fair Work Committee has referred The EDI Group – annual update for the year ending 31 December 2021 to the Governance, Risk and Best Value Committee for information.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Emily Traynor, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: emily.traynor@edinburgh.gov.uk

Referral Report

The EDI Group – annual update for the year ending 31 December 2021

2. Terms of Referral

- 2.1 On 1 December 2022, the Housing, Homelessness and Fair Work Committee considered a report which updated its members on the progress of the transition strategy for The EDI Group Limited which aimed to close it 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 refer the report to the Governance, Risk and Best Value Committee for information.
 - 2.2.3 To note ward members would be provided with information and progress updates on the remaining land at New Brunstane (the east field).

3. Background Reading/ External References

- 3.1 [Webcast of the Housing, Homelessness and Fair Work Committee of 1 December 2022](#)
- 3.2 Minute of the Housing, Homelessness and Fair Work Committee of 1 December 2022

4. Appendices

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

Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 1 December 2022

The EDI Group – annual update for the year ending 31 December 2021

Executive/routine Wards Council Commitments	Executive All
---	------------------

1. Recommendations

- 1.1 It is recommended that Housing Homelessness and Fair Work 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 – annual update for the year ending 31 December 2021

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.
- 3.2 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.
- 3.3 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 delivered by Council officers and the majority of EDI assets have transferred to the Council or otherwise disposed of.
- 4.2 The EDI Board, comprising two 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 an update on each remaining project and Appendix 2 sets out the residual property assets held by the EDI group.
- 4.4 The audited consolidated financial statements for The EDI Group Limited, for the year ending 31 December 2021, were approved by the EDI Board on 21 September 2022. The overall financial performance was a net profit of £1.096m (compared to a net loss of £3.195m in the year ending 31 December 2020) and retained earnings of

negative £1.4m (compared to negative £2.5m in the year ending 31 December 2020). The Group had a cash balance of £3.254m as of 31 December 2021.

- 4.5 The independent auditor opined that the statements gave a true 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 Committee.

6. Financial impact

- 6.1 The projected special dividend to the Council from closing EDI is currently forecast at £8.288m. This is a reduction on the original forecast 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, but is a slight improvement upon the projected figure of £8.073m reported on [4 November 2021](#).

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 – Annual Update – report to the Housing, Homelessness and Fair Work Committee, [4 November 2021](#).

9. Appendices

- 9.1 Appendix 1 – Project updates.
- 9.2 Appendix 2 – Residual property assets held by EDI.
- 9.3 Appendix 3 – The EDI Group Limited: Directors' report and consolidated financial statements for the year ended 31 December 2021.

Appendix 1 – Project updates

Market Street (EDI Market Street Limited)	
Description Subsidiary company of EDI set up to take forward a hotel development on Market Street.	
Position as of December 2022 The Market Street hotel achieved practical completion in November 2018. Council officers acting on behalf of EDI have settled financial claims with the purchaser and the contractor. All transactions have been completed and this company is no longer needed. This company is planned to be struck-off during 2022.	
RAG status	Green
Granton Waterfront (Waterfront Edinburgh Limited; Waterfront Edinburgh (Management) Limited; Caledonia Waterfront (Harbour Road) Limited)	
Description (Formerly) land and buildings at Granton Waterfront	
Position as of December 2022 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. One of the two Waterfront Edinburgh Limited (WEL) subsidiary companies has been transferred up to The EDI Group, while the other is planned to be struck-off during 2022. This company is planned to be struck-off following a final check of company assets.	
RAG status	Green
Craigmillar (PARC Craigmillar Limited; PARC Craigmillar Developments Limited)	
Description Land and buildings at Craigmillar.	
Position as of June 2022 PARC Craigmillar holds two assets: the White House and the South Park at Greendykes (Greendykes plots K and L have transferred to the Council). Legal agreements to which PARC Craigmillar was a party have been novated to the Council. It is anticipated that the remaining assets will transfer to the Council in late-2022/early-2023, following which the Board will be requested to approve the closure of this company.	
RAG status	Green
Brunstane (The EDI Group Limited)	
Description A housing development site with planning permission in place on land owned by EDI and option agreement in place with adjoining landowner. The Council also has an entitlement for profit share in relation to access rights.	
Position as of December 2022 The sale of the west field at New Brunstane concluded missives in mid-2021. The remaining land at New Brunstane (the east field) is currently being marketed. Following the sale of the remaining land, the closure of EDI can begin.	
RAG status	Green
Fountainbridge (EDI Fountainbridge Limited)	
Description EDI Fountainbridge was established to take forward the redevelopment of a brownfield development site owned by the Council.	
Position as of December 2022 The Council has now appointed Cruden Homes as the pre-development partner for the redevelopment of the site. The work in progress held by EDI Fountainbridge was not of value to the Council and so it required to be written off. All transactions have been	

completed and this company is no longer needed. This company is planned to be struck-off during 2022.	
RAG status	Green
Castle Terrace car park (EDI Central Limited)	
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 December 2022 All payments due to EDI Central have been received and paid up to The EDI Group. All transactions have been completed and this company is no longer needed. This company is planned to be struck-off during 2022.	
RAG status	Green
Shawfair (Shawfair Land Limited)	
Description Shawfair Land formerly held a security over land at the South East Wedge.	
Position as of December 2022 Shawfair Land has released the security in return for a cash payment which has been paid up to The EDI Group. All transactions have been completed and this company is no longer needed. This company is planned to be struck-off during 2022.	
RAG status	Green
Joint ventures (Buredi Limited, New Laurieston (Glasgow) Limited)	
Description Inactive joint venture companies that previously carried out private housing developments.	
Position as of December 2022 Agreement has been reached with joint venture partners to close the two companies. The Buredi joint venture has been struck-off. The striking-off of the New Laurieston (Glasgow) joint venture, which is being taken forward by The Miller Group, is now expected to be completed during 2022.	
RAG status	Green
Dormant subsidiaries (EDI (Industrial) Limited, Edinburgh Retail Investments Limited))	
Description Dormant subsidiary companies.	
Position as of December 2022 Both companies were struck-off in 2019.	
RAG status	Green
The EDI Group Limited (remainder of company)	
Description The parent company of all subsidiaries.	
Position as of December 2022 Other than New Brunstane and shares in the joint venture company Caledonia Waterfront (Harbour Road) Limited, no projects sit directly within the parent company. The projected company closure date is now expected to be 2023 as some transactions will now complete during 2022.	
RAG status	Amber

Appendix 2 – Residual property assets held by EDI

Asset	Owner	Status
Greendykes land at South Park	PARC Craigmillar Limited	Land at Greendykes, Craigmillar on which the South Park (a new park with SUDS infrastructure beneath it) is being developed with seeding now underway. The land is planned to be sold to the Council in late-2022/early-2023 once the park is complete. It is assumed to have nil value.
White House, 70 Niddrie Mains Road	PARC Craigmillar Limited	A historic former roadhouse in Craigmillar, currently leased to Community Alliance Trading Enterprises Limited which operates as a restaurant and function space. On 27 April 2022, the Board approved in principle the transfer of the asset to the Council. The transaction is expected to take place by early 2023.
Land at New Brunstane	The EDI Group Limited	Greenfield development land at Brunstane owned by The EDI Group Limited. The West Field (25 hectares) is being sold to Dandara East Scotland Limited for a housing development of 641 to 676 units. Marketing of the East Field (14 hectares) is underway with a preferred bidder projected to be identified by March 2023.
West Harbour Road, plots D & E	The EDI Group Limited	Brownfield development land at West Harbour Road in Granton Waterfront owned by the joint venture company Caledonia Waterfront (Harbour Road) Limited in which The EDI Group Limited (WEL) owns a 42.5% interest with the remainder being owned by Caledonian Regeneration Investments Limited (CRIL). EDI is currently negotiating with CRIL around options for taking forward the development of the land.

Financial Statements

31 December 2021



EDI GROUP

THE EDI GROUP LIMITED

Directors' report and consolidated financial statements

For the year ended 31 December 2021

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 – 8
Consolidated and Parent Company Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Company Statement of Financial Position	11
Consolidated and Company Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Notes	14-34

THE EDI GROUP LIMITED

Company information

For the year ended 31 December 2021

Board of directors	K Campbell (resigned 30 June 2022) L Cameron (resigned 30 June 2022) I Whyte J Meagher (appointed 30 June 2022)	
Company secretary	MacRoberts LLP	
Company registration	<i>Registered office:</i>	Waverley Court 4 East Market Street Edinburgh EH8 8BG
	<i>Registered number:</i>	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 EDI GROUP LIMITED

Strategic report

For the year ended 31 December 2021

The Directors present their strategic report and audited financial statements for 2021 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 with the majority of the land and buildings transferred to the Council in May 2018 and the remaining land at Greendykes and Brunstane subject to sale negotiations. There has been, and will continue to be, a minimal level of development and property related activity for the remainder of the company's lifespan. 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 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 7 years.

Current development activity:

The Market Street hotel construction reached practical completion in November 2018 and negotiations on financial claims completed in 2020. The transfer of assets from PARC Craigmillar to the City of Edinburgh Council has been completed. The sale of land at Brunstane is expected to complete in 2022.

Our performance

The financial performance of the group in 2021 was a net profit of £1.1m compared to a loss of £3.2m in 2020. Retained earnings increased from negative £2.5m to negative £1.4m. The major factor influencing the year's results has been property sales.

The group had a cash balance of £3.3m (2020: £6.1m). The sales expected in 2022 will be profitable and no dividends expected in 2022 to allow the retained earnings to recover from the write off.

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 21 September 2022 and signed on its behalf by:

J Meagher
Director
4 East Market Street
Edinburgh
EH8 8BG

THE EDI GROUP LIMITED

Directors' report

For the year ended 31 December 2021

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

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 £Nil (2020: £1,750,000).

Directors

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

K Campbell	(resigned 30 June 2022)
L Cameron	(resigned 30 June 2022)
I Whyte	
J Meagher	(appointed 30 June 2022)

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 sale of remaining land at Greendykes and Brunstane.

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 UK adopted International Accounting Standards.

THE EDI GROUP LIMITED

Directors' report (continued)

For the year ended 31 December 2021

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

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 21 September 2022 and signed on its behalf by:

J Meagher
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 2021

Opinion

We have audited the financial statements of The EDI Group Limited for the year ended 31 December 2021 which comprise consolidated and parent company 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 UK adopted International Accounting Standards.

In our opinion:

- the financial statements give a true and fair view of the state of the group and parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 group and parent 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 2021

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 parent company 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 2021

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 group and parent 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 group or the parent 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

THE EDI GROUP LIMITED

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

For the year ended 31 December 2021

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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
Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 21 September 2022

THE EDI GROUP LIMITED

Consolidated and Parent Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Note	Consolidated Group		Parent Entity	
		2021 £'000	2020 £'000	2021 £'000	2020 £'000
Continuing Operations					
Revenue	3	2,660	174	-	-
Cost of sales		-	(2)	-	-
Gross profit		2,660	172	-	-
Administrative expenses		(280)	(406)	(3,259)	(316)
Work in progress written off		(1,194)	(2,898)	-	-
Profit/(loss) from operations	4	1,186	(3,132)	(3,259)	(316)
Loss on disposal		-	-	-	-
Finance income	6	4	28	1	5
Finance costs	7	(101)	(95)	(101)	(93)
Other income	5	5	5	-	-
Impairment charge on investments		-	-	-	-
Profit/(loss) before income tax expense		1,094	(3,194)	(3,359)	(404)
Income tax (charge)/credit	8	2	(1)	-	-
Profit/ (loss) for the year from continuing operations		1,096	(3,195)	(3,359)	(404)
Net profit/(loss) for the year		1,096	(3,195)	(3,359)	(404)
Attributable to:					
Equity holders of the parent		1,096	(3,195)	(3,359)	(404)

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.

THE EDI GROUP LIMITED

Consolidated Statement of Financial Position

As at 31 December 2021

		Consolidated Group	
	Note	2021 £'000	2020 £'000
Non-current assets			
Investment property	10	248	248
Investments in joint ventures and associates	11	268	267
Total non-current assets		516	515
Current assets			
Cash and cash equivalents	17	3,254	6,052
Trade and other receivables	13	2,776	2,837
Inventories	12	5,262	9,321
Total current assets		11,292	18,210
TOTAL ASSETS		11,808	18,725
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	18	8,500	8,500
Retained earnings		(1,415)	(2,511)
Total equity		7,085	5,989
Liabilities			
Current liabilities			
Trade and other payables	14	1,375	3,931
Other financial liabilities	15	2,240	4,799
Provisions	16	1,108	4,006
Total current liabilities		4,723	12,736
Total liabilities		4,723	12,736
TOTAL EQUITY AND LIABILITIES		11,808	18,725

The financial statements were approved by the board of directors and authorised for issue on 21 September 2022 and are signed on its behalf by:

J Meagher, Director

I Whyte, 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 2021

	Note	Parent Entity	
		2021 £'000	2020 £'000
Non-current assets			
Investments in subsidiaries, joint ventures and associates	11	7,415	7,415
Total non-current assets		<u>7,415</u>	<u>7,415</u>
Current assets			
Cash and cash equivalents	17	267	563
Trade and other receivables	13	142	3,067
Inventories	12	4,240	4,213
Total current assets		<u>4,649</u>	<u>7,843</u>
TOTAL ASSETS		<u><u>12,064</u></u>	<u><u>15,258</u></u>
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	18	8,500	8,500
Retained earnings		(2,809)	550
Capital contribution reserve		30	30
Total equity		<u>5,721</u>	<u>9,080</u>
Liabilities			
Current liabilities			
Trade and other payables	14	4,103	3,938
Other financial liabilities	15	2,240	2,240
Total current liabilities		<u>6,343</u>	<u>6,178</u>
Total liabilities		<u>6,343</u>	<u>6,178</u>
TOTAL EQUITY AND LIABILITIES		<u><u>12,064</u></u>	<u><u>15,258</u></u>

The financial statements were approved by the board of directors and authorised for issue on 21 September 2022 and are signed on its behalf by:

J Meagher, Director

I Whyte, 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 2021

Group

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	-	8,500	2,434	10,934
Profit from continuing operations	-	-	(3,195)	(3,195)
Dividends declared	-	-	(1,750)	(1,750)
Balance at 31 December 2020	-	8,500	(2,511)	5,989
Balance at 1 January 2021	-	8,500	(2,511)	5,989
Profit from continuing operations	-	-	1,096	1,096
Balance at 31 December 2021	-	8,500	(1,415)	7,085

Company

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	30	8,500	2,704	11,234
Profit from continuing operations	-	-	(404)	(404)
Dividends declared	-	-	(1,750)	(1,750)
Balance at 31 December 2020	30	8,500	550	9,080
Balance at 1 January 2021	30	8,500	550	9,080
Loss from continuing operations	-	-	(3,359)	(3,359)
Balance at 31 December 2021	30	8,500	(2,809)	5,721

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 2021

	Note	2021 £'000	2020 £'000
Cash flow from operating activities			
Total comprehensive profit/(loss) for year		1,096	(3,195)
<i>Adjustments for:</i>			
Taxation charge/(credit)		(2)	1
Interest received		(4)	(28)
Interest paid		101	95
(Increase)/decrease in inventories		4,059	(77)
(Increase)/decrease in receivables		61	2,382
Increase/(decrease) in payables		(5,455)	3,364
Taxation paid		2	(1)
Net cash flows from operating activities		<u>(142)</u>	<u>2,541</u>
Cash flow from investing activities			
Proceeds from sale of available for sale assets		-	2
Interest received		4	28
Net cash flows from investing activities		<u>4</u>	<u>30</u>
Cash flow from financing activities			
Dividends paid		-	(1,750)
Increase/(decrease) in loan stock borrowings		(2,559)	-
Interest paid		(101)	(95)
Net cash flows used in financing activities		<u>(2,660)</u>	<u>(1,845)</u>
Net increase in cash and cash equivalents		(2,798)	726
Cash and cash equivalents at beginning of year		6,052	5,326
Cash and cash equivalents at end of year	17	<u><u>3,254</u></u>	<u><u>6,052</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 2021

1. Presentation of financial statements

The company's financial statements have been prepared in accordance with UK adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006.

New accounting standards adopted during the year

Adoption of new and revised standards

The following standards and interpretations are mandatory for the first time for the year ended 31 December 2021 but are either not applicable or have no material impact on the Group's financial statements; IBOR Reform and its Effects on Financial Reporting – Phase 2 and Covid-19 Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).

The Group has adopted, where applicable, the following new and amended IFRSs as of 1 January 2021:

- IBOR Reform and its Effects on Financial Reporting – Phase 2
- IFRS 16; Leases, Amendment – Covid-19 Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2021 are considered to have no significant or material effect on the Group's financial statements.

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 2021, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
Annual Improvements to IFRS: 2018 – 2020 Cycle	1 January 2022
IFRS 3; Business Combinations (Amendment – Conceptual Framework)	1 January 2022
IAS 37; Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	1 January 2022
IAS 16; Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	1 January 2022
IFRS 17; Insurance Contracts (including amendments issued on 25 June 2020)	1 January 2023
IAS 1; Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current, including deferral or effective date)	1 January 2023
IAS 1; Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies) (issued on 12 February 2021)	1 January 2023
IAS 8; Accounting Policies (Amendment – Changes in Accounting Estimates and Errors; Definition of Accounting Estimates) (issued on 12 February 2021)	1 January 2023
IAS 12; Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a single transaction) (issued on 7 May 2021)	1 January 2023

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 Group's 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 UK adopted International Accounting Standards in accordance with the provisions of the Companies Act 2006.

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. 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.

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

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 2017.

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. 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)

k. 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.

l. Investments

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

m. 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.

n. Critical accounting estimates and judgements

In applying the accounting policies, the Directors may at times, be required to make critical accounting judgements and estimates about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the Directors consider are relevant.

Key estimates:

- i. *Investment property valuation* – the Directors assess the valuation of the investment property at each reporting date by evaluating conditions specific to the Group that may lead to a revaluation of the asset.
- ii. *Provisions* – provisions are based on estimated costs provided by external professionals. The Directors review provisions regularly to assess how reasonable and accurate they are.

o. 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 16.

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

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

p. 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.

q. 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 2021

3. Revenue

An analysis of revenue is as follows:

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Property sales	2,660	174	-	-
	<u>2,660</u>	<u>174</u>	<u>-</u>	<u>-</u>

4. Profit from operations

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
After charging				
Auditor's remuneration:				
Audit	37	42	13	12
Non-Audit	6	7	2	2
	<u>6</u>	<u>7</u>	<u>2</u>	<u>2</u>

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

5. Other income

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Rental income	5	5	-	-
	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>
	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>-</u></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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Other interest received	4	28	1	5
	<u>4</u>	<u>28</u>	<u>1</u>	<u>5</u>
	<u><u>4</u></u>	<u><u>28</u></u>	<u><u>1</u></u>	<u><u>5</u></u>

7. Finance costs

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
On secured loan stock held by the City of Edinburgh Council	101	95	101	93
	<u>101</u>	<u>95</u>	<u>101</u>	<u>93</u>
	<u><u>101</u></u>	<u><u>95</u></u>	<u><u>101</u></u>	<u><u>93</u></u>

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

8. Income tax expense

	2021 £'000	2020 £'000
Current tax:		
- Adjustments in respect of prior periods	-	-
- Tax adjustments, reliefs and transfer	(2)	1
- Current tax on income for the period	-	-
	<u>(2)</u>	<u>1</u>
Current tax (credit)/charge for year attributable to the company and its subsidiaries	(2)	1
Total deferred tax	-	-
	<u>(2)</u>	<u>1</u>
The tax (credit)/charge is allocated in the financial statements as follows:		
Profit and loss account	(2)	1
Statement of comprehensive income	-	-

Domestic income tax is calculated at 19% (2020: 19%) 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:

	2021 £'000	2020 £'000
Loss/(profit) on ordinary activities before taxation	(1,094)	3,194
Tax on (loss)/profit at the effective rate of corporation tax of 19% (2020: 19%)	208	(604)
Effects of:		
Expenses that are not taxable for tax purposes	4	-
Movement in deferred tax not recognised	(533)	-
Losses which cannot be utilised	3	-
Deferred tax asset not recognised	-	525
Fixed asset differences	-	-
Other timing differences	-	-
Accounting adjustments and transfers	-	-
Adjustments in respect of prior periods	(444)	-
Remeasurement of deferred tax for changes in tax rate	807	(1)
Adjust deferred tax to average rate	(47)	(1)
Group relief surrendered	-	131
Group relief claimed	-	(49)
	<u>(2)</u>	<u>1</u>
Current tax (credit)/charge for year attributable to the company and its subsidiaries	(2)	1

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

9. Property, plant and equipment

	Furniture and equipment £'000	Computer equipment £'000	Leasehold equipment £'000	Total £'000
Group and company				
<i>Cost or valuation</i>				
At beginning of year	58	82	64	204
At end of year	58	82	64	204
<i>Depreciation</i>				
At beginning of year	58	82	64	204
At end of year	58	82	64	204
<i>Net book value</i>				
At 31 December 2021	-	-	-	-
At 31 December 2020	-	-	-	-

10. Investment property

	Investment property £'000
Group	
<i>Valuation</i>	
At 1 January 2021	248
Increase/(decrease) in fair value	-
At 31 December 2021	248
<i>Net book value</i>	
At 31 December 2021	248
At 31 December 2020	248

An investment property owned by the company was valued at £247,934 at 31 December 2021 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 (2020: £nil) along with direct operating expenses of £nil (2020: £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 (2020: £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.

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

11. Fixed asset investments

Group

	Joint Ventures & Associated Undertakings 2021 £'000	Joint Ventures & Associated Undertakings 2020 £'000
<i>Post-acquisition reserves</i>		
At 1 January and 31 December	268	267
	<u>268</u>	<u>267</u>
<i>Net book value</i>		
Loans to and share of net assets in joint ventures and associated undertakings	268	267
	<u>268</u>	<u>267</u>

Company

	Subsidiary undertakings £'000
<i>Cost</i>	
At 1 January 2021	7,415
Decrease in provision	-
At 31 December 2021	7,415
	<u>7,415</u>
<i>Net book value</i>	
At 31 December 2021	7,415
	<u>7,415</u>
At 31 December 2020	7,415
	<u>7,415</u>

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

11. Fixed asset investments (continued)

The directors assessed the recoverability of the investments in subsidiary undertakings and considered an impairment charge of £nil (2020: £nil) 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 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 2021

12. Inventories

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Development properties and associated costs	5,262	9,321	4,240	4,213

13. Trade and other receivables

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Current				
Trade receivables	80	79	-	-
Amounts owed by group & associated undertakings	37	112	44	2,982
Other debtors	2,591	1,263	30	7
Prepayments and accrued income	68	78	68	78
	<u>2,776</u>	<u>1,532</u>	<u>142</u>	<u>3,067</u>
Non-current				
Other debtors	-	1,305	-	-
	<u>2,776</u>	<u>2,837</u>	<u>142</u>	<u>3,067</u>

14. Trade and other payables

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade and other payables	-	109	-	4
Amounts due to group & associated undertakings	1,128	1,777	3,880	1,918
Accruals and deferred income	247	2,045	223	2,016
	<u>1,375</u>	<u>3,931</u>	<u>4,103</u>	<u>3,938</u>

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

15. 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 loan stock was fully settled during the year following transfer of land in Parc Craigmillar Limited 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. 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Unsecured loan stock- non-interest bearing	-	2,559	-	-
Unsecured convertible loan stock	2,240	2,240	2,240	2,240
	<u>2,240</u>	<u>4,799</u>	<u>2,240</u>	<u>2,240</u>

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

16. Provisions

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<i>Infrastructure expenditure</i>				
Balance brought forward	1,108	1,108	-	-
Increase in provision for the year	-	-	-	-
Decrease in provision for the year	-	-	-	-
	<u>1,108</u>	<u>1,108</u>	<u>-</u>	<u>-</u>
<i>Work in progress</i>				
Balance brought forward	2,898	-	-	-
Increase in provision for the year	-	2,898	-	-
Decrease in provision for the year	(2,898)	-	-	-
	<u>-</u>	<u>2,898</u>	<u>-</u>	<u>-</u>
	<u>1,108</u>	<u>4,006</u>	<u>-</u>	<u>-</u>

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

Provisions for work in progress relates to the potential write off to work in progress as the value is unlikely to be recoverable. The provision was utilised during the current year.

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

17. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2021.

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash at bank and in hand	3,254	6,052	267	563

18. Contributed equity

	Consolidated Group		Parent Entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'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.

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

19. Related party transactions

The key management personnel of the company are considered to be the directors. No director receives remuneration (2020: nil). 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	(100,800)	(108,864)
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan for infrastructure works	101,101	(1,118,663)
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan stock	2,558,899	-
LPFI Limited	Company whose ultimate controlling party is the City of Edinburgh Council	EDI Fountainbridge Limited	Group tax relief payments	-	4,288

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

20. 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.

21. Financial Risk Management

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

	Consolidated group		Parent entity	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<u>Financial assets</u>				
Financial assets measured at amortised cost	5,993	8,699	365	563
	<u>5,993</u>	<u>8,699</u>	<u>365</u>	<u>563</u>
	2021 £	2020 £	2021 £	2020 £
<u>Financial liabilities</u>				
Financial liabilities measured at amortised cost	3,595	8,061	2,463	4,260
	<u>3,595</u>	<u>8,061</u>	<u>2,463</u>	<u>4,260</u>

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 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:

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

21. Financial Risk Management (continued)

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.

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 internal Chartered Surveyor 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.

THE EDI GROUP LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

22. Post Balance Sheet Events

Agreement has been reached to sell land at New Brunstane, with the transaction expected to finalise in late 2022.

In summer 2022, Waterfront Edinburgh Limited's interest in Caledonia Waterfront (Harbour Road) Limited was transferred to The EDI Group.