Housing, Homelessness and Fair Work Committee

10.00am, Tuesday, 3 December 2024

The EDI Group – annual update for the year ending 31 December 2023

Executive/routine	**Executive**
Wards	**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.

Gareth Barwell

Interim Executive Director of Place

Contact: Kyle Drummond, Programme Development Officer

E-mail: kyle.drummond@edinburgh.gov.uk | Tel: 0131 529 4849

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

The EDI Group – annual update for the year ending 31 December 2023

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.

3. Background

3.1 The EDI Group Limited (EDI) is an arm's length company of the 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. On 2 November 2017, the then Housing and Economy Committee agreed a transition strategy for the closure.

4. Main report

4.1 The transition strategy is now largely delivered. All ongoing projects are now managed by Council officers and the majority of EDI assets have been transferred to the Council or otherwise disposed of. Most group companies are now dissolved.

4.2 The EDI Board, comprising three 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/companies. A Green, Amber, Red assessment is provided on the progress with closure of each. Green indicates that there are no issues to be resolved, and the company/project is now on track to be closed. Amber indicates that there are issues still to be resolved but that there is action is underway, and the issues are resolvable. Red reflects a position whereby there is a fundamental challenge that prevents company closure. 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 2023, were approved by the EDI Board on 20 August

2024. The overall financial performance was a net loss of £0.284m (compared to a restated net loss of £0.985m in the year ending 31 December 2022) and retained earnings of negative £3.024m (compared to negative £2.595m in in the year ending 31 December 2022). The cash balance was £4.115m as of 31 December 2023 (compared to £4.317m in in the year ending 31 December 2022). The audited consolidated financial statements are attached as Appendix 3.

5. Next Steps

5.1 The company activities will continue through to full corporate closure and annual 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 to be £7.847m. This is a reduction on the original forecast figure of £8.5m, reflecting the loss sustained by EDI on the Market Street hotel development, write-downs on property valuations associated with COVID-19, higher than anticipated tax liabilities on the sale of land at Brunstane East, and other costs arising such as contributions to remedial works on unadopted roads and costs associated with the South Park and the leased land at West Shore Road.

7. Equality and Poverty Impact

7.1 N/A.

8. Climate and Nature Emergency Implications

8.1 N/A.

9. Risk, policy, compliance, governance and community impact

9.1 N/A.

10. Background reading/external references

10.1 N/A

11. Appendices

Appendix 1 – Project updates.

Appendix 2 – Residual property assets held by EDI.

Appendix 3 – The EDI Group Limited: Directors' report and consolidated financial statements for the year ended 31 December 2023.

Appendix 1 – Project updates

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 Q4 2024 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. Waterfront Edinburgh (Management) Limited has now been dissolved while Waterfront Edinburgh Limited is in liquidation. A residual leasehold interest has been identified which is in the process of being transferred to the Council. Caledonia Waterfront (Harbour Road) Limited is a joint venture in which The EDI Group Limited owns a 42.5% stake. The company cannot be wound-up until an agreement has been reached with the joint venture partner. On 12 March 2024, EDI agreed to transfer this interest to C.E.C. Holdings Limited ("CECH"), the parent company of EDI. On 18 June 2024, the CECH Board agreed to acquire the interest. Officers are now working on the practicalities of the transfer.	
RAG status	Amber
Craigmillar (PARC Craigmillar Limited; PARC Craigmillar Developments Limited)	
Description Land and buildings at Craigmillar.	
Position as of Q4 2023 PARC Craigmillar holds two residual assets: the White House and the South Park at Greendykes. Legal agreements to which PARC Craigmillar was a party have been novated to the Council. It is now anticipated that the remaining assets will transfer to the Council in early-2025, following which the Board will be requested to approve the closure of PARC Craigmillar Limited. Officers are also working with Scottish Water to agree the vesting (adoption) of drainage assets previously developed by PARC. PARC Craigmillar Developments Limited is now in liquidation.	
RAG status	Amber
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 Q4 2023 The sale of the west field at New Brunstane to Dandara and of the east field at New Brunstane to Cala are currently underway. The sale of the west field experienced a delay of several months due to a requirement for a separate tax reference from HRMC arising.	
RAG status	Amber

Joint ventures (Buredi Limited, New Laurieston (Glasgow) Limited)	
Description Inactive joint venture companies.	
Position as of Q4 2024 Agreement has been reached with joint venture partners to close the two companies. Buredi Limited has been struck-off. The striking-off of New Laurieston (Glasgow) Limited, which is being taken forward by The Miller Group, is ongoing, with a final tax return being prepared.	
RAG status	Green
The EDI Group Limited (remainder of company)	
Description The parent company of all subsidiaries.	
Position as of Q4 2024 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 2025 as some transactions have not yet completed.	
RAG status	Amber

Appendix 2 – Residual property assets held by EDI

Asset	Owner	Status
South Park, Greendykes (MID168446)	PARC Craigmillar Limited	Land at Greendykes, Craigmillar on which the South Park (a new park with SUDS infrastructure beneath it) has being developed. On 25 June 2024, the Finance and Resources Committee agreed to acquire the land from PARC.
White House, 70 Niddrie Mains Road (MID2609)	PARC Craigmillar Limited	A historic former roadhouse in Craigmillar, currently leased to Community Alliance Trading Enterprises Limited which operates it as a restaurant and function space. On 27 April 2022, the Board approved in principle the transfer of the asset to the Council. This transfer has been delayed by lease negotiations and ongoing repair work and is now expected to take place in 2025.
Land at New Brunstane (MID92904)	The EDI Group Limited	Greenfield development land at Brunstane owned by The EDI Group Limited. The West Field (25 hectares) has been sold to Dandara East Scotland Limited for a housing development of 641 to 676 units. The East Field (14 hectares of developable land, with an estimated capacity of 464+ units), is being sold to Cala.
West Harbour Road, plots D & E (MID120543)	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 EDI owns a 42.5% interest with the remainder being owned by Caledonian Regeneration Investments Limited. It has been agreed to sell EDI's interest to C.E.C. Holdings Limited.
Land at West Shore Road (MID108695)	Waterfront Edinburgh Limited	A small plot of land south of West Shore Road, ultimately subleased to SP Energy Networks for a substation. On 25 January 2024, the Finance and Resources Committee agreed to acquire the leasehold interest from WEL.

Appendix 3

Financial Statements

31 December 2023

THE EDI GROUP LIMITED

Consolidated financial statements

For the year ended 31 December 2023

THE EDI GROUP LIMITED

Company Information

For the year ended 31 December 2023

Board of Directors	I Whyte J Meagher	
Company secretary	MacRoberts LLP	
Company registration	*Registered office:*	Waverley Court 4 East Market Street Edinburgh EH8 8BG
	Registered number:	SC110956
Bankers	The Royal 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 the 2023 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 and the remaining land at 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 6 years.

Current development activity and post balance sheet events

The sale of land at Brunstane West is nearing completion with the receipt of a deposit in March 2024 and a first stage payment expected by mid-2024. The remaining land at Brunstane East has been marketed, bids assessed and a preferred purchaser approved by the EDI Board in October 2023, with the deal expected to complete by 2026.

Our performance

The financial performance of the group in 2023 was a net loss of £284k compared to a restated net loss of £985k in 2022. Retained earnings increased from negative £2.7m to negative £3m. The major factor influencing the year's results has been administrative expenses with no sales.

The group had a cash balance of £4.1m (2022: £4.3m). The sales expected in 2024 will be profitable and will bring retained earnings into a positive position which would enable a dividend to be declared subject to Board approval, in line with the transition strategy.

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 20 August 2024 and signed on its behalf by:

J Meagher
Director
4 East Market Street
Edinburgh
EH8 8BG

The Directors present their annual report and audited financial statements for the year ended 31 December 2023.

Principal activities and business review

Details of principal activities, market circumstances and risk and performance indicators are included in the Strategic Report. The results for the year are set out on page 9.

There were no dividends paid during the financial year (2022: nil).

Directors

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

I Whyte
J Meagher

Political and charitable contributions

The company made no political or charitable contributions during the year (2022: nil).

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 Group 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.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, 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 and the requirements of the Companies Act 2006.

Directors' responsibilities statement (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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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. 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 the auditor

We, the Directors of the company who held office at the date of approval of these financial statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditor is unaware; and
- we have taken all the steps that we ought to have taken as Directors in order to make ourselves aware of any relevant audit information and to establish that the company's 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 20 August 2024 and signed on its behalf by:

J Meagher
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 2023 which comprise Consolidated and Parent Company Statement of Profit or Loss, Consolidated and Parent Company Statement of Financial Position, Consolidated and Parent Company Statement of Changes in Equity, Consolidated and Parent 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 2023 and of the group's loss 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; 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 – Financial statements prepared on a basis other than going concern

We draw attention to note 2b in the financial statements, which describe the basis of preparation. The Directors have prepared the financial statements on a basis other than going concern as the group has begun a process of closure and ceased all development activities other than the sale of remaining land. 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 group and 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.

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 group and 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.

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.

Allison Gibson, Senior Statutory Auditor
For and on behalf of Azets Audit Services
Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:

THE EDI GROUP LIMITED

Consolidated and Parent Company Statement of Profit or Loss
For the year ended 31 December 2023

		Consolidated Group		Parent Entity	
		2023	Restated 2022	2023	2022
	Note	£'000	£'000	£'000	£'000
Continuing Operations					
Revenue	3	-	-	-	-
Cost of sales		-	(256)	-	-
Gross profit/(loss)		-	(256)	-	-
Administrative expenses		(433)	(692)	(387)	(196)
(Loss)/profit from operations	4	(433)	(948)	(387)	(196)
Finance income	6	168	36	1	1
Finance costs	7	(87)	(81)	(87)	(81)
Other income	5	15	8	10	460
(Loss)/profit before income tax expense		(337)	(985)	(463)	184
Income tax credit	8	53	-	34	-
(Loss)/profit for the year from continuing operations		(284)	(985)	(429)	184
Net (loss)/profit for the year		(284)	(985)	(429)	184
Attributable to:					
Equity holders of the parent		(284)	(985)	(429)	184

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 2023

		Consolidated Group	
Assets	**Note**	**2023 £'000**	**Restated 2022 £'000**
Non-current assets			
Investment property	9	248	248
Investments in joint ventures and associates	10	268	268
Total non-current assets		516	516
Current assets			
Cash and cash equivalents	16	4,115	4,317
Trade and other receivables	12	102	183
Inventories	11	4,368	4,267
Total current assets		8,585	8,767
TOTAL ASSETS		9,101	9,283
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	17	8,500	8,500
Retained earnings	18	(2,962)	(2,678)
Total equity		5,538	5,822
Liabilities			
Current liabilities			
Trade and other payables	13	453	511
Total current liabilities		453	511
Non-current liabilities			
Other financial liabilities	14	2,240	2,240
Provisions	15	870	710
Total non-current liabilities		3,110	2,950
Total liabilities		3,563	3,461
TOTAL EQUITY AND LIABILITIES		9,101	9,283

The financial statements were approved by the board of Directors and authorised for issue on 20 August 2024 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

Company Statement of Financial Position

As at 31 December 2023

		Parent Entity	
Assets	**Note**	**2023 £'000**	**2022 £'000**
Non-current assets			
Investments in subsidiaries, joint ventures and associates	10	7,653	7,653
Total non-current assets		7,653	7,653
Current assets			
Cash and cash equivalents	16	36	71
Trade and other receivables	12	107	271
Inventories	11	4,368	4,267
Total current assets		4,511	4,609
TOTAL ASSETS		12,164	12,262
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	17	8,500	8,500
Retained earnings	18	(3,024)	(2,595)
Total equity		5,476	5,905
Liabilities			
Current liabilities			
Trade and other payables	13	4,298	4,117
Total current liabilities		4,298	4,117
Non-current liabilities			
Other financial liabilities	14	2,240	2,240
Provisions	15	150	-
Total non-current liabilities		2,390	2,240
Total liabilities		6,688	6,357
TOTAL EQUITY AND LIABILITIES		12,164	12,262

The financial statements were approved by the board of Directors and authorised for issue on 20 August 2024 and are signed on its behalf by:

J Meagher, Director

I Whyte, Director

Company number: SC110956

The accompanying notes for part of these financial statements

Consolidated and Parent Company Statement of Changes in Equity

As at 31 December 2023

Group

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	-	8,500	(1,693)	6,807
Loss from continuing operations (restated)	-	-	(985)	(985)
Balance at 31 December 2022 (restated)	-	8,500	(2,678)	5,822
Balance at 1 January 2023	-	8,500	(2,678)	5,822
Loss from continuing operations	-	-	(284)	(284)
Balance at 31 December 2023	-	8,500	(2,962)	5,538

Company

	Capital contribution reserve £'000	Contributed equity £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	30	8,500	(2,809)	5,721
Profit from continuing operations	-	-	184	184
Transfer from capital contribution reserve	(30)	-	30	-
Balance at 31 December 2022	-	8,500	(2,595)	5,905
Balance at 1 January 2023	-	8,500	(2,595)	5,905
Loss from continuing operations	-	-	(429)	(429)
Balance at 31 December 2023	-	8,500	(3,024)	5,476

The capital contribution reserve represents the excess of fair value over the amount paid for the shareholdings either gifted or sold to the group. Following the liquidation of the relevant shareholdings during the prior year, a transfer has been made from the capital contribution reserve to retained earnings.

The accompanying notes form part of these financial statements.

THE EDI GROUP LIMITED

Consolidated and Parent Company Statement of Cash Flows

For the year ended 31 December 2023

	Note	Consolidated Group		Parent Entity	
			Restated		
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Cash flow from operating activities					
Net (loss)/profit for year		(284)	(985)	(429)	184
Adjustments for:					
Interest received		(168)	(36)	(1)	(1)
Interest paid		87	81	87	81
(Increase)/decrease in inventories		(101)	995	(101)	(27)
Decrease/(increase) in receivables		47	2,593	164	(129)
(Decrease)/increase in payables		(24)	(1,142)	181	14
Increase/(decrease) in provisions		160	(398)	150	-
Net cash flows (used in)/generated from operating activities		(283)	1,108	51	122
Cash flow from investing activities					
Interest received		168	36	1	1
Disposal of investments in subsidiaries, joint ventures and associates		-	-	-	(238)
Net cash flows generated from/(used in) investing activities		168	36	1	(237)
Cash flow from financing activities					
Interest paid		(87)	(81)	(87)	(81)
Net cash flows used in financing activities		(87)	(81)	(87)	(81)
Net (decrease)/increase in cash and cash equivalents		(202)	1,063	(35)	(196)
Cash and cash equivalents at beginning of year		4,317	3,254	71	267
Cash and cash equivalents at end of year	16	4,115	4,317	36	71

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 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 Group has adopted, where applicable, the following new and amended IFRSs as of 1 January 2023:

- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2023 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 2023, and with potential effect.

International Accounting Standards and Interpretations	Effective for periods beginning on or after
• Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	1 January 2024
• IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)	1 January 2024
• IAS 1 Presentation of Financial Statements (Amendment – Non- current Liabilities with Covenants)	1 January 2024
• Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7)	1 January 2024
• Lack of Exchangeability (Amendment to IAS 21)	1 January 2025

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. 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 Company) and its controlled entities as defined in accounting standard IAS 27 “Consolidated and Separate Financial Statements”. A list of controlled entities appears in note 10 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.

2. 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.

In the case of New Laurieston (Glasgow) Limited, The EDI Group's share of losses exceed the value of its interest in the company, therefore no further losses have been recognised.

In the case of Caledonia Waterfront (Harbour Road) Limited, the investment is exempt from being consolidated using the equity accounting method as permitted by paragraph 17 of IAS 28 "Investments in Associates and Joint Ventures". Instead, the investment is accounted for at cost less provision for permanent impairment in the financial statements.

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.

2. Significant accounting policies (cont'd)

d. Income tax (cont'd)

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

e. 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.

f. 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.

g. 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.

2. Significant accounting policies (cont'd)

h. 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 group and company have 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.

Loans

Loans are initially recognised at fair value and then held at amortised cost using the effective interest rate method of calculation. The effective interest rate charge for the year is included in finance costs in the statement of profit or loss.

i. Investment property

Investment property is property held to generate rental income and/or for capital appreciation.

The value at the balance sheet date reflects the net realisable of this property.

j. Investments

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

2. Significant accounting policies (cont'd)

k. Revenue

Revenue is measured at the fair value of consideration received from income from the group's ordinary activities. Revenue is stated 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.

l. 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. *Provisions* – provisions are based on estimated costs provided by external professionals. The Directors review provisions regularly to assess how reasonable and accurate they are.

m. Provisions

Provisions are recognised when the group and 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 15.

n. 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.

o. Interest receivable

Interest income is recognised using the effective interest method.

3. Revenue

An analysis of revenue is as follows:

	Consolidated Group		Parent Entity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Property sales	-	-	-	-
	-	-	-	-

4. (Loss)/profit from operations

	Consolidated Group		Parent Entity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
After charging				
Auditor's remuneration:				
Audit	18	26	13	18
Non-Audit	4	3	3	2

5. Other income

	Consolidated Group		Parent Entity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Rental income	5	5	-	-
Distributions received	10	-	10	460
Other income	-	3	-	-
	15	8	10	460

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

Distributions received relate to the available funds from subsidiaries liquidated during the current and prior year.

6. Finance income

	Consolidated Group		Parent Entity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Other interest received	168	36	1	1
	168	36	1	1

7. Finance costs

	Consolidated Group		Parent Entity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
On secured loan stock held by the City of Edinburgh Council	87	81	87	81
	87	81	87	81

8. Income tax expense

	Consolidated Group		Parent Entity	
	2023 £'000	**2022 £'000**	**2023 £'000**	**2022 £'000**
Current tax:				
- Domestic	-	-	-	-
- Tax adjustments, reliefs and transfers	(53)	-	(34)	-
	(53)	-	(34)	-
The tax credit is allocated in the financial statements as follows:				
Statement of Profit and Loss	(53)	-	(34)	-
	(53)	-	(34)	-

The effective tax rate for the year ended 31 December 2023 is calculated at 23.52% (2022: 19%) of the estimated assessable (loss)/profit for the year.

The group and company have trade losses carried forward of £1,552,012 and £1,222,012 (2022: £1,355,588 and £1,072,055) respectively which has prudently not been recognised in the accounts.

The (credit)/charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	Consolidated Group		Parent Entity	
	2023 £'000	**Restated 2022 £'000**	**2023 £'000**	**2022 £'000**
(Loss)/Profit on ordinary activities before tax	(337)	(985)	(463)	184
Tax on (loss)/profit at the effective rate of corporation tax of 23.52% (2022: 19%)	(75)	(187)	(109)	35
Effects of:				
Expenses not deductible for tax purposes	1	11	1	18
Income not taxable for tax purposes	(2)	(3)	(2)	(115)
Movement in deferred tax not recognised	34	179	34	62
Chargeable gains	42	-	42	-
Adjustments in respect of prior periods	(53)	-	-	-
Group relief surrendered	-	-	34	-
Losses (surrendered)	-	-	(34)	-
Current tax (credit)/charge for year attributable to the company and its subsidiaries	(53)	-	(34)	-

9. Investment property

	Investment property £'000
Group	
Valuation	
At 1 January 2023	248
Increase/(decrease) in fair value	-
At 31 December 2023	248
Net book value	
At 31 December 2023	248
At 31 December 2022	248

An investment property owned by the group was valued at £247,934 at 31 December 2023 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 value at the balance sheet date reflects the net realisable value of this property.

The related rental income recognised in the Statement of Profit or Loss and Other Comprehensive Income was £nil (2022: £nil) along with direct operating expenses of £nil (2022: £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 (2022: £nil).

Under the fair value hierarchy in IFRS 13 – Fair Value Measurement, investment property is deemed to be 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.

10. Fixed asset investments

Group

	Joint Ventures & Associated Undertakings 2023 £'000	Joint Ventures & Associated Undertakings 2022 £'000
Post-acquisition reserves		
At 1 January and 31 December	268	268
Net book value		
Loans to and share of net assets in joint ventures and associated undertakings	268	268

Company

	Joint Ventures & Associated Undertakings £'000	Subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2023	268	7,385	7,653
Acquisition	-	-	-
Disposals	-	-	-
At 31 December 2023	268	7,385	7,653
Net book value			
At 31 December 2023	268	7,385	7,653
At 31 December 2022	268	7,385	7,653

The Directors assessed the recoverability of the investments in subsidiary undertakings and considered an impairment charge of £nil (2022: £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:

Company	Principal Activity	Country of Registration	Percentage of Ordinary Share Capital Held
Parc Craigmillar Limited	Regeneration	Waverley Court, 4 East Market Street, Edinburgh, Scotland, EH8 8BG	100%
Caledonia Waterfront (Harbour Road) Limited	Property development and letting of properties	Caledonia House, Lawmoor Street, Glasgow, Scotland, G5 0US	42.5%
New Laurieston (Glasgow) Limited	Property development	Miller House, 2 Lochside View, Edinburgh, Scotland, EH12 9DH	45%

10. Fixed asset investments (continued)

As EDI Group has greater than 50% of the share capital in Parc Craigmillar Limited, it has been consolidated. Parc Craigmillar Limited made a profit of £165k (2022: restated loss of £813k) for the period ended 31 December 2023 and its aggregate capital and reserves at 31 December 2023 amounted to £7.4m (2022: restated £7.3m).

Where 50% or less of the share capital is held, the 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, therefore no further losses have been recognised.

In the case of Caledonia Waterfront (Harbour Road) Limited, the investment is exempt from being consolidated using the equity accounting method as permitted by paragraph 17 of IAS 28 "Investments in Associates and Joint Ventures". Instead, the investment is accounted for at cost less provision for permanent impairment in the financial statements. Caledonia Waterfront (Harbour Road) Limited was transferred from Waterfront Edinburgh Limited to The EDI Group Limited before the 2022 year-end.

11. Inventories

	Consolidated Group		Parent Entity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Development properties and associated costs	4,368	4,267	4,368	4,267

12. Trade and other receivables

	Consolidated Group		Parent Entity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade receivables	27	88	-	-
Amounts owed by group & associated undertakings	5	27	39	5
Other debtors	4	-	2	200
Prepayments and accrued income	66	68	66	66
	102	183	107	271

All trade and other receivable balances are considered to be recoverable within one year.

13. Trade and other payables

	Consolidated Group		Parent Entity	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade and other payables	13	39	-	25
Amounts due to group & associated undertakings	248	248	4,106	3,881
Accruals and deferred income	192	224	192	211
	453	511	4,298	4,117

14. Other financial liabilities

The convertible unsecured loan stock is held by The City of Edinburgh Council, the company's ultimate 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	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Unsecured convertible loan stock	2,240	2,240	2,240	2,240
	2,240	2,240	2,240	2,240

15. Provisions

	Consolidated Group		Parent Entity	
	2023 £'000	Restated 2022 £'000	2023 £'000	2022 £'000
Remedial works				
Balance brought forward	380	-	-	-
Provision recognised in year	10	380	-	-
Provision released in year	-	-	-	-
Balance carried forward	390	380	-	-
Infrastructure expenditure				
Balance brought forward	330	1,108	-	-
Provision recognised in year	-	330	-	-
Provision released in year	-	(1,108)	-	-
Balance carried forward	330	330	-	-
Other				
Balance brought forward	-	-	-	-
Provision recognised in year	150	-	150	-
Provision released in year	-	-	-	-
Balance carried forward	150	-	150	-
Balance carried forward	870	710	150	-

Infrastructure expenditure
Provisions for infrastructure expenditure required for completed projects in Parc Craigmillar Limited has been provided for.

Remedial works
In the prior year it was agreed between the City of Edinburgh Council and Parc Craigmillar Limited, that Parc Craigmillar Limited would make a contribution of £380,000 to allow for remedial works to be carried out on roads within its historical scope.

A provision was recognised during the year for roof repairs on the investment property held by Parc Craigmillar Limited.

Other
During the year it was agreed between the City of Edinburgh Council and The EDI Group Limited, that The EDI Group Limited would make a contribution of £150,000 with regards to a previous lease held within the group.

16. Cash and cash equivalents

	Consolidated Group		Parent Entity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash at bank and in hand	4,115	4,317	36	71

17. Contributed equity

	Consolidated Group		Parent Entity	
	2023 £'000	2022 £'000	2023 £'000	2022 £'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.

18. Retained earnings

	Consolidated Group £'000	Parent Entity £'000
At 31 December 2021	(1,693)	(2,809)
(Loss)/profit for the year - Restated	(985)	184
Transfer from capital contribution reserve	-	30
At 31 December 2022	(2,678)	(2,595)
(Loss) for the year	(284)	(463)
At 31 December 2023	(2,962)	(3,058)

19. Related party transactions

The key management personnel of the company are considered to be the Directors. No Director receives remuneration (2022: 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 organisation	The EDI Group Ltd	Loan stock	-	(2,240,000)
			Interest on loan	(87,214)	(90,997)
			Staff recharge	(99,516)	(84,751)
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan for infrastructure works	-	(247,934)
Parc Craigmillar Limited	Subsidiary	The EDI Group Ltd	Amounts due from/(to) group undertaking	-	(4,106,213)
Parc Craigmillar Limited	Subsidiary	The EDI Group Ltd	Group tax relief	34,477	34,477

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	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
<u>Financial assets</u>				
Financial assets measured at amortised cost	4,185	4,432	75	276

		Restated		
	2023	**2022**	**2023**	**2022**
	£	**£**	**£**	**£**
<u>Financial liabilities</u>				
Financial liabilities measured at amortised cost	3,597	3,461	6,688	6,357

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 group 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 the group. The group does not enter into or trade in 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 group's properties and sites under development may fall in value resulting in further write-offs to the income statement. The group 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 group monitors this risk but it is very unlikely to affect the group's overall liquidity.

21. Financial risk management (continued)

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual 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 group's 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

In these accounts each asset and liability is valued to reflect its net recoverable value in line with the closure strategy in Note 2b.

22. Prior year restatement

A prior year restatement has been processed in Parc Craigmillar Limited to recognise a non-current provision totalling £330k in the Statement of Financial Position with a corresponding write-off through cost of sales in the Statement of profit or loss. The restatement has increased the group's reported loss in the prior year by £330k.

A prior year reclassification has been processed in The EDI Group Limited to reallocate convertible unsecured loan stock totalling £2,240k from current to non-current liabilities in the Statement of Financial Position. The loan stock will be repaid as part of the company's winding up process which is not expected to take place within the next 12 months.

A prior year reclassification has been processed in Parc Craigmillar Limited to reallocate provisions totalling £710k from current to non-current liabilities in the Statement of Financial Position.

23. Post balance sheet events

The sale of land at Brunstane West was agreed in February 2024 and is due to complete in July 2024, while land at Brunstane East is currently being marketed.

On the 18th June 2024, the Board of C. E. C. Holdings Limited agreed to acquire The EDI Group Limited's 42.5% interest in Caledonia Waterfront (Harbour Road) Limited for £267,903.