

WATERFRONT EDINBURGH LIMITED

Directors' report and financial statements

For the year ended 31 December 2019

Registered number SC200223



WATERFRONT EDINBURGH LIMITED
Directors' report and financial statements
For the year ended 31 December 2019

Contents	Pages
Officers and professional advisers	2
Directors' report	3 to 4
Independent auditor's report to the shareholders	5 to 7
Statement of profit or loss and other comprehensive income	8
Statement of changes in equity	9
Statement of financial position	10
Statement of cash flows	11
Notes to the financial statements	12 to 23

WATERFRONT EDINBURGH LIMITED

Officers and professional advisers

For the year ended 31 December 2019

The Board of Directors

I Whyte
L M Cameron
K Campbell

Registered Office

Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Auditor

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

Bankers

Royal Bank of Scotland plc
St Andrew Square
Edinburgh
EH2 2AD

WATERFRONT EDINBURGH LIMITED

Directors' report

For the year ended 31 December 2019

The Directors present their report and the financial statements of the company for the year ended 31 December 2019.

Directors' report, principal activities, business review and future developments

Waterfront Edinburgh Ltd is a company limited by shares which is incorporated and domiciled in Scotland. It is a wholly owned subsidiary of The EDI Group Ltd (EDI) whose ultimate parent is The City of Edinburgh Council. The company functions as an arm's length operation with the aim 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 early 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 instructed the Directors to begin this process.

The company has now ceased all development activities and the remaining inventories (land held for development) and investment properties were transferred to the Council in May 2018. Financial assets will be realised according to their contractual terms and the company intends to meet its contractual obligations in full.

The company has remained active whilst holding the investment in its joint venture company. However in early 2020 the Directors took the decision to transfer the interest in the joint venture to the parent company and close Waterfront Edinburgh Ltd. The Directors are confident that the group and the company will have sufficient funds to meet all remaining external liabilities.

Directors

The Directors who served the company during the year were as follows:

I Whyte
L M Cameron
K Campbell

Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 company and the profit or loss of the company for that period.

In preparing these financial statements, the Directors are also required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

WATERFRONT EDINBURGH LIMITED

Directors' report (continued)

For the year ended 31 December 2019

Directors' responsibilities statement (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Dividend

A dividend was declared at the Board meeting of 4th December 2019 and was paid on 31st December 2019.

Auditor


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

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

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Signed by order of the Directors:



L M Cameron
Director

Approved by the Directors on 8 September 2020

WATERFRONT EDINBURGH LIMITED

Independent auditor's report to the shareholders of Waterfront Edinburgh Limited

For the year ended 31 December 2019

Opinion

We have audited the financial statements of Waterfront Edinburgh Limited for the year ended 31 December 2019 which comprise the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Basis of preparation

We draw attention to notes 2 and 3 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.

WATERFRONT EDINBURGH LIMITED

Independent auditor's report to the shareholders of Waterfront Edinburgh Limited (continued)

For the year ended 31 December 2019

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

WATERFRONT EDINBURGH LIMITED

Independent auditor's report to the shareholders of Waterfront Edinburgh Limited (continued)

For the year ended 31 December 2019

Responsibilities of Directors

As explained more fully in the Directors' responsibilities Statement set out on pages 3 and 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nick Bennett, *Senior Statutory Auditor*

For and on behalf of Azets Audit Services, Statutory Auditor

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 08 September 2020

WATERFRONT EDINBURGH LIMITED

Independent auditor's report to the shareholders of Waterfront Edinburgh Limited (continued)

For the year ended 31 December 2019

WATERFRONT EDINBURGH LIMITED

Statement of profit or loss and other comprehensive Income

For the year ended 31 December 2019

	Notes	2019 £	2018 £
Revenue	4	-	1,055,719
Cost of sales	5	-	(891,500)
Gross profit		-	164,219
Administrative expenses		(13,230)	(72,967)
(Loss) / Profit from operations	6	(13,230)	91,252
(Decrease)/Increase in fair value of investments		(741)	-
(Loss) / Profit before interest and tax		(13,971)	91,252
Finance income		205	890
(Loss)/Profit before tax		(13,766)	92,142
Corporation Tax	9	2,835	-
Net (Loss)/profit for the year		(10,931)	92,142

The profit for the year is attributable to the owners of the company. There are no other items of comprehensive income or expense in the current or prior year and therefore no statement of comprehensive income is shown.

The accompanying notes on pages 12 to 23 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of changes in equity

For the year ended 31 December 2019

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2019	200	1,138,280	1,138,480
Profit for the year	-	(10,931)	(10,931)
Dividends payable	-	(806,093)	(806,093)
Balance at 31 December 2019	200	321,256	321,456

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	200	1,046,138	1,046,338
Profit for the year	-	92,142	92,142
Dividends payable	-	-	-
Reduction in share capital	-	-	-
Balance at 31 December 2018	200	1,138,280	1,138,480

The retained earnings reserve represents profits and losses retained in the current and previous periods.

The accompanying notes on pages 12 to 23 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of financial position

As at 31 December 2019

	Notes	2019 £	2018 £
Non-current assets			
Investments in subsidiary and associate	10	268,459	269,200
Total non-current assets		<u>268,459</u>	<u>269,200</u>
Current assets			
Trade and other receivables	11	24,146	842,404
Cash and cash equivalents	14	48,362	43,573
Total current assets		<u>72,508</u>	<u>885,977</u>
Total assets		<u><u>340,967</u></u>	<u><u>1,155,177</u></u>
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	15	200	200
Retained earnings		321,256	1,138,280
Total equity		<u>321,456</u>	<u>1,138,480</u>
Current liabilities			
Trade and other payables	16	19,511	16,697
Total liabilities		<u>19,511</u>	<u>16,697</u>
Total equity and liabilities		<u><u>340,967</u></u>	<u><u>1,155,177</u></u>

The financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

The financial statements on were approved by the board of Directors and authorised for issue on 8 September 2020 and signed on its behalf by

Lezley Marion Cameron

L M Cameron, Director

Company number: SC200223

The accompanying notes on pages 12 to 23 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of cash flows

For the year ended 31 December 2019

	2019	2018
	£	£
Cash flow from operating activities		
Profit/(loss) before tax	(13,766)	92,142
Adjustments for:		
Finance income	(205)	(890)
Decrease in fair value of investments	741	-
Sale of investment property	-	210,000
Operating profit/(loss)	(13,230)	301,252
Decrease in inventories	-	1,050,000
Decrease/increase in trade and other receivables	818,258	(815,375)
Increase/(decrease) in trade and other payables	2,814	(1,080,321)
Cash flows from operations	807,842	(544,444)
Income taxes paid	2,836	- (86,885)
Interest received	205	890
Net cash inflow/(outflow) from operating activities	810,883	(543,554)
Cash flows from financing activities		
Dividends paid	(806,093)	-
Net cash outflow from financing activities	4,789	(543,554)
Net increase/(decrease) in cash and cash equivalents	4,789	(543,554)
Cash and cash equivalents as at 1 January 2019	43,573	587,127
Cash and cash equivalents as at 31 December 2019	48,362	43,573

The accompanying notes on pages 12 to 23 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

1. Presentation of financial statements

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

New accounting standards adopted during the year

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

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2019, and with potential effect.

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

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Going concern

As described in the Directors' 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 all development activities and the remaining land and buildings were transferred to the Council in May 2018. Financial assets will be realised according to their contractual terms and the company intends to meet its contractual obligations in full. The company has remained active whilst holding the investment in its joint venture company.

The Company, and the Group, as part of its regular evaluation of liquidity risk, models 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 remaining external liabilities and obligations and to repay its share capital in full and this is subject to ongoing review.

The Directors agreed in 2020 to close the company, and the active implementation of the decision which will lead to the company ceasing to trade, means that it is not appropriate to prepare the accounts on a going concern basis. Each asset and liability will be valued to reflect the closure strategy intention for that asset or liability. The details are described below under each asset class.

3. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with UK companies' legislation, as applicable to companies reporting under IFRS. These financial statements therefore comply with IFRS as adopted by the EU.

The principal accounting policies adopted to prepare the financial statements are set out below.

Critical accounting estimates and sources of estimation uncertainty

In applying the accounting policies, the Directors may at times, require 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.

The Directors consider that there are no accounting estimates that have been made; or sources of uncertainty in the current year or prior year that would have a material effect on these financial statements.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of consideration received from income from the company's ordinary business 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 collectability is probable.

Revenue from property sales is recognised upon legal completion.

Revenue that has been recognised and is due to be paid in instalments has been discounted using the effective interest rate method where the financing component is deemed to be significant. Where the revenue on a sale is variable and dependent on future events, the revenue recognised equates to the amount the entity is legally entitled to recognise at the year end date. Where a sale includes further obligations as part of the sale agreement, a provision with the related costs is recognised accordingly.

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 is determined.

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 unless the effect would not be material. 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 should be written off when they are identified as being irrecoverable.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term deposits. Short term deposits are defined as deposits with an initial maturity of three months or less.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Accounting policies (continued)

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.

Investments

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

Current and deferred taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. 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.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Accounting policies (continued)

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.

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.

4. Revenue

An analysis of revenue is as follows:

	2019 £	2018 £
Sale of property	-	1,050,000
Investment property rental income	-	-
Inventory property rental income	-	4,586
Rendering of services	-	713
Other income	-	420
	<u>-</u>	<u>1,055,719</u>

5. Cost of sales

	2019 £	2018 £
Sale of land	-	1,050,000
Vacant property costs and works	-	-
Change in value of WIP	-	-
Release in provisions	-	(158,500)
	<u>-</u>	<u>891,500</u>

6. Operating profit

Operating profit is stated after crediting the following:

	2019 £	2018 £
Lease payments under operating leases recognised as income in the period	-	4,586

7. Directors

No Directors received emoluments from Waterfront Edinburgh Limited in the year or the previous year. There were no other transactions with Directors in the year.

WATERFRONT EDINBURGH LIMITED
Notes to the financial statements (continued)
For the year ended 31 December 2019

8. Auditor's remuneration

During the year the following fees for audit services were paid to the company's auditor:

	2019	2018
	£	£
Fees payable to the company's auditor for audit services	7,030	6,825
Fees payable to the company's auditor for tax services	1,625	1,575
	<u>8,655</u>	<u>8,400</u>

9. Corporation tax

(a) Analysis of charge in the year

	2019	2018
	£	£
Current tax credit	2,835	-
	<u>2,835</u>	<u>-</u>

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Corporation tax (continued)

(b) Factors affecting tax charge in the year

The tax charge for the year is different than the standard rate of corporation tax in the UK of 19. % (2018: 19%). The differences are explained below:

	2019 £	2018 £
(Loss)/profit before tax	(13,766)	92,142
Tax on accounting profit at 19.00% (2018: 19.00%)	(2,615)	17,507
Effects of:		
Expenses not deductible for tax purposes	141	81
Group relief surrendered	2,835	-
Losses surrendered	(2,835)	-
Income not taxable for tax purposes	-	-
Temporary differences not recognised	-	1,788
Adjust deferred tax to average rate	(38)	(2,038)
Deferred tax not recognised	(323)	(17,336)
Current tax credit in the year	(2,835)	-

The company has a deferred tax asset of £2,438,822 (2018: £2,437,145) primarily in respect of tax losses carried forward. This asset has not been recognised in the financial statements as there is not adequate assurance that sufficient future taxable profits will exist in the near future against which these tax losses can be offset. These tax losses are not expected to expire.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

10. Investments

	£
Cost	
At 1 January 2019 and 31 December 2019	<u>2,363,801</u>
Provisions	
At 1 January 2019	(2,094,601)
Increase in provision	<u>(741)</u>
At 31 December 2019	<u>(2,095,342)</u>
Net book value	
At 31 December 2019	<u>268,459</u>
At 31 December 2018	<u>269,200</u>

The company owns 42.5% of the ordinary shares of Caledonia Waterfront (Harbour Road) Limited, a company incorporated in Scotland whose principal activity is property development.

The results of this company are not consolidated in these financial statements. Summary financial information for this undertaking as extracted from audited accounts for the year ended 31 March 2019 (prepared under UK GAAP) is set out below:

Caledonia Waterfront (Harbour Road) Limited

	£
Revenue	4,167
Profit before taxation	(1,731)
Taxation	-
Profit after taxation	<u>(1,731)</u>
Fixed Assets	660,000
Current Assets	16,196
Creditors: amounts falling due within one year	(44,528)
Creditors: amounts falling due after more than one year	-
Net Assets	<u>631,668</u>

The company has taken advantage of the exemption not to prepare consolidated financial statements on the basis that the immediate parent, The EDI Group Limited, prepares consolidated financial statements which are available for public use and comply with International Financial Reporting Standards, as adopted by the EU. The EDI Group Limited is a company incorporated in Scotland and its consolidated financial statements are available from The EDI Group Ltd, Waverley Court, 4 East Market St, Edinburgh, EH8 8BG.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

11. Trade and other receivables

	2019	2018
	£	£
Trade receivables	1,171	1,172
Amounts owed by group undertakings	22,975	841,232
	<u>24,146</u>	<u>842,404</u>

12. Dividends

	2019	2018
	£	£
<i>Ordinary share capital</i>		
Final £4,030 per share declared (2018: £nil)	<u>806,093</u>	<u>-</u>

A dividend was declared at the Board meeting of 4th December 2019 and was paid on 31st December 2019.

13. Related party transactions

The immediate parent company is The EDI Group Limited, a company registered in Scotland. The ultimate holding organisation is The City of Edinburgh Council.

At 31 December 2019, a net amount of £Nil was due to/from (2018: £821,093 due to) The EDI Group Limited, the immediate parent company.

At 31 December 2019, £20,139 (2018: £20,139) was due from Caledonia Waterfront (Harbour Road) Limited, a related company.

At 31 December 2019, £2,835 (2018: £nil) was due from Parc Craigmillar Limited, a fellow subsidiary company.

During the year, recharges of £11,111 (2018: £nil) due to the City of Edinburgh Council relating to Malelvic House were incurred. At 31 December 2019, £11,111 (2018: £nil) was outstanding.

14. Cash and cash equivalents

	2019	2018
	£	£
Cash on hand	<u>48,362</u>	<u>43,573</u>

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

15. Share capital

Authorised, called up and fully paid:

	2019		2018	
	No	£	No	£
100 'A' ordinary shares of £1 each	100	100	100	100
100 'B' ordinary shares of £1 each	100	100	100	100
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

'A' and 'B' shares carry equal voting rights.

16. Trade and other payables

	2019	2018
	£	£
Accrued liabilities	19,511	16,675
Amounts due to group undertakings	-	-
Corporation tax	-	22
	<u>19,511</u>	<u>16,697</u>

17. Financial instruments and risk management

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

	2019	2018
	£	£
<u>Financial assets</u>		
Financial assets measured at amortised cost	<u>49,532</u>	<u>44,745</u>
	2019	2018
	£	£
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>19,511</u>	<u>16,675</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 and prepayments).

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

17. Financial instruments and risk management (continued)

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 company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

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

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

Market risk

Market risk is the risk that the value of the company's properties and sites under development may fall resulting in further write-offs to the income statement.

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 company. It arises from exposure to customers and 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; and
- customers that do not meet the company's credit policies may only purchase in cash or using recognised credit cards.

Liquidity risk

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

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2019

17. Financial instruments and risk management (continued)

Fair values

The Directors consider that the carrying values of all the company's financial assets and liabilities approximate their fair values at the balance sheet dates.

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