Scott-Moncrieff

CEC HOLDINGS LIMITED

Consolidated Financial Statements

For the year ended 31 December 2018

Registered number SC135444

CEC HOLDINGS LIMITED

Consolidated financial statements

For the year ended 31 December 2018

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CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activities, business review, results for the year and future developments

CEC Holdings Limited is a company limited by shares which is incorporated and domiciled in Scotland. The principal activities of the Group, which is ultimately wholly owned by the City of Edinburgh Council, are property development, urban regeneration and the operation of an international conference centre.

The results of the year are set out in the Consolidated Statements of Profit and Loss and Other Comprehensive Income on pages 10-11. The profit on ordinary activities after taxation for the year is £279k (2017: £2,382k loss).

<u>CEC Holdings Limited</u>

The administrative expenses of the company were met from management fees for the administration of group tax relief and retained earnings.

The company received no dividends during the year from its subsidiaries and paid no dividend to its shareholder the City of Edinburgh Council.

The company acts as a holding company for the Council's arms-length property companies. It does not have any employees and its activities have negligible environmental impact.

<u>The EDI Group ("EDI")</u>

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

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

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2018

Edinburgh International Conference Centre Limited (“EICC”)

It is pleasing to report that 2018 was another very successful year for the Edinburgh International Conference Centre, which saw its operating and financial performance improve for the fourth successive year. This was achieved against a continuing backdrop of: restricted client budgets; increased competition from a growing number of conference centres; aggressive price competition from venues across the globe; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of 2018 the Sales Team secured the highest value of business contracted in the year - for the year, since the Company commenced its operations in 1995. This was largely achieved as a result of the sales team continuing to build on the initiatives and activities that they had successfully introduced in the preceding three to four years.

These included: increasing the number of sales visits undertaken in the year; increasing the number of booking agents used; increasing the Conference Centre’s visibility on a number of social media platforms; increasing the scope, scale and diversity of events held at the EICC; and being more flexible in the terms and conditions offered to clients.

During the year the sales team continued to adopt a much more focussed approach to securing bookings. This saw: the association sales team laying down a solid platform for future years by reaching the desired revenue position, at the end of 2018, for each of the 4 succeeding years; whilst the corporate sales team worked assiduously to ensure that the target for the current year was achieved through securing increased volumes of short lead business.

This was achieved through a combination of: the adoption of improved research activities; using a wider range of selling techniques; incentivising booking agents; continuing to promote Day Delegate Rate business; and adopting a more innovative and creative approach in engaging with clients and prospective clients.

The cumulative effect of the sales team’s activities had a significant impact on the Company’s revenues for the year which amounted to £8.763m. This was an increase of £0.844, on the previous year’s figure of £7.919m, which is equivalent to an increase of 10.66%. These revenues generated a gross profit of £1.360m in 2018 compared to a gross profit of £1.137m for the previous year, which represents an increase of 19.61%.

It should be noted that in 2018 the EICC recorded its highest levels of gross profit for the months of January, February, July, August, October and November since it commenced trading. It is also worth noting that 2017 saw the Company record an operating surplus for the month of August for the first time ever and that this was surpassed in the current year.

The Conference Centre held 198 events in 2018, which was an increase of 14 on the 184 events that were held in the previous year. These events varied enormously in their size, duration, diversity and profitability. 5 of the association events that were held in 2018 recorded an event gross profit of over £200,000 each and the top 10 conference and meeting events by value generated £2.044m in cumulative event gross profit during the year.

Day Delegate Rate business continued to perform strongly during the year under review. Whilst Day Delegate Rate business was previously regarded as low value and unprofitable 60 events of this type were held at the EICC during 2018. The top 10 Day Delegate Rate events by value generated £656k in cumulative event gross profit during the year.

Occupancy levels for the year increased to 60.41% and the Company experienced year on year growth in respect of the number of booking enquiries received, the level of bookings contracted for future years and the room rental charges, charges for additional services and catering commission derived from the Company’s operations.

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2018

Expenditure in respect of cost of sales and administration expenses totalled £7,931m in 2018, which was an increase of £610,000 on the previous year's expenditure which had amounted to £7,321m. Although this represented an increase of 8.33% compared to the expenditure levels recorded during 2017 it was well within budget for the year as a result of the continuing stringent focus on cost controls and operating efficiencies.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation and the recognition of capital grant income. 2018 saw the Company generate its highest ever levels of revenue, gross profits, operating profit and economic impact.

During the year 96,851 delegates attended events at the Conference Centre which was a rise of 2,371 on the previous year. The number of delegate days generated by these delegates amounted to 300,452 in 2018 compared to 275,517 in 2017. This increase in delegate numbers was due to an increase in the number of events held and to a change in the mix of business compared to the previous year.

The delegates who attended events at the EICC during the year generated an economic impact of £58.1m in 2018 compared to £56.7m in 2017. The economic impact that is produced as a result of the EICC's activities helps to create and sustain employment within Edinburgh and further afield.

The Company continues to align its operations with the business excellence model and it is accredited to a number of quality standards. These standards cover systems management, human resources and environmental practices and the EICC continues to achieve very positive results from assessments in respect of its re-accreditation to these standards.

The EICC's business operations have continued to develop in the first half of 2019. The existing level of bookings for 2019, the high volume of enquiries that are being received and the increase in the number of short lead bookings that are being secured is encouraging and the EICC's business outlook for the current year and the longer term remains very positive.

Risks and uncertainties

In common with many businesses the company and its subsidiaries are exposed to a range of risks. CEC Holdings Limited does not actively trade in the open market and relies on the operation of its subsidiaries, EDI and EICC. The principal risks and uncertainties facing the company's subsidiaries are associated with market forces and the behaviour of competition as well as the risk associated with catastrophic events.

Future developments

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

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2018

Key performance indicators

	2018 £'000	**2017 £'000**	**% Change**
Turnover	12,133	11,786	2.94%
Cost of sales and administrative expenses	8,612	9,259	-6.99%

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

Date: September 2019

Burness Paull LLP
Secretaries

Company registered office:
Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

CEC HOLDINGS LIMITED

Directors' Report

For the year ended 31 December 2018

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

Directors

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

Mr C Rose
Mr F Ross
Ms L Cameron

Board operation

All decisions are taken by the Board with the exception of delegated authority to the Executive Director of Resources:

(i) To procure advisory services at a cost not exceeding £20,000 (plus VAT).
(ii) To make suitable cash flow arrangements with the Council as and when necessary.

Political and charitable contributions

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

Going Concern

In line with the FRC guidance on Going Concern issued in April 2017, the directors have considered the appropriateness of the continued use of the going concern basis.

The Company's ultimate parent entity, The City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

CEC HOLDINGS LIMITED

Directors' report

For the year ended 31 December 2018

Responsibilities of the directors

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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 the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

In so far as the directors are aware:

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

Auditor

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

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

.... **Date:** **September 2019**

Burness Paull LLP
Secretaries

Company registered office:
Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Independent auditor's report to the members of CEC Holdings Limited

For the year ended 31 December 2018

Opinion

We have audited the financial statements of CEC Holdings Limited for the year ended 31 December 2018 which comprise consolidated and parent company statements of profit or loss and other comprehensive income, 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 31 December 2018 and of its 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.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nick Bennett, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: September 2019

CEC HOLDINGS LIMITED

Consolidated and Parent Company Statement of Profit or Loss

For the year ended 31 December 2018

		Consolidated Group		Parent Entity	
	Note	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Continuing Operations					
Revenue	3	12,133	11,786	53	20
Cost of sales		(7,318)	(7,924)	-	-
Gross profit		4,815	3,862	53	20
Development expenses		(22)	(51)	-	-
Other operating income	4	32	77	10	-
Grant release	19	138	183	-	-
Employee benefits expense	9	(3,171)	(4,310)	-	-
Administrative expenses		(1,294)	(1,335)	(45)	(39)
Work in progress written off		60	(2,681)	-	-
Impairment movement on investments	12	-	-	3,116	(3,116)
Profit/(loss) from operations		558	(4,255)	3,134	(3,135)
Loss on disposal		(82)	(10)	-	-
Increase in investment fair value	12	-	35	-	-
Finance income	6	76	70	94	54
Finance costs	7	(246)	(307)	(94)	(53)
Other income		4	6	-	-
(Loss)/gain on settlement	24	(152)	733	-	-
Increase in fair value of investment property	11	-	80	-	-
Profit/(loss) before income tax expense		158	(3,648)	3,134	(3,134)
Income tax credit/(charge)	8	121	1,266	(3)	3
Net profit/(loss) for the year from continuing operations		279	(2,382)	3,131	(3,131)
Attributable to:					
Equity holders of the parent		279	(2,382)	3,131	(3,131)

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Consolidated and Parent Company Statement of Other Comprehensive Income

For the year ended 31 December 2018

	Note	Consolidated Group 2018 £'000	Consolidated Group 2017 £'000	Parent Entity 2018 £'000	Parent Entity 2017 £'000
Net profit/(loss) for the year from continuing operations		279	(2,382)	3,131	(3,131)
Other comprehensive income Items that will be reclassified subsequently to profit and loss					
Share of increase in fair value of available for sale financial assets held by associates and joint ventures	28	-	14	-	-
Items that will not be reclassified subsequently to profit and loss					
Actuarial gain on defined benefit pension scheme	24	-	591	-	-
Tax relating to items that will not be reclassified	17	-	(351)	-	-
Other comprehensive income		-	254	-	-
Total comprehensive income/(expenditure) for the year		279	(2,128)	3,131	(3,131)
Attributable to:					
Equity holders of the parent		279	(2,128)	3,131	(3,131)

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Consolidated and Parent Company Statement of Financial Position

As at 31 December 2018

	Note	Consolidated Group 2018 £'000	Consolidated Group 2017 £'000	Parent Entity 2018 £'000	Parent Entity 2017 £'000
Non-current assets					
Property, plant and equipment	10	6,598	6,847	-	-
Investment property	11	220	430	-	-
Available for sale financial assets	28	-	619	-	-
Investments in joint ventures, associates and subsidiaries	12	269	269	16,393	13,277
Deferred tax assets	17	-	-	-	-
Total non-current assets		7,087	8,165	16,393	13,277
Current assets					
Cash and cash equivalents	20	7,196	6,797	111	127
Trade and other receivables	14	8,582	10,636	278	155
Inventory	13	9,595	10,703	-	-
Total current assets		25,373	28,136	389	282
Total assets		32,460	36,301	16,782	13,559
Equity and Liabilities					
Equity attributable to equity holders of the parent					
Contributed equity	21	3,000	3,000	3,000	3,000
Retained earnings	22	(51,059)	(51,338)	1,026	1,011
Capital contribution reserve	22	66,196	65,601	12,523	9,407
Total equity		18,137	17,263	16,549	13,418
Non-current liabilities					
Other financial liabilities	16	217	3,624	217	124
Accruals and deferred income	19	1,947	2,214	-	-
Provisions	18	-	-	-	-
Employee benefits	24	-	567	-	-
Total non-current liabilities		2,164	6,405	217	124
Current liabilities					
Trade and other payables	15	8,181	9,939	13	17
Corporation tax	15	7	3	3	-
Other financial liabilities	16	3,971	2,691	-	-
Total current liabilities		12,159	12,633	16	17
Total liabilities		14,323	19,038	233	141
Total equity and liabilities		32,460	36,301	16,782	13,559

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

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Director

Registered number SC135444

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Consolidated and Parent Company Statement of Changes in Equity

As at 31 December 2018

Group	Share Capital £'000	Capital Contribution £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2017	3,000	67,500	(51,410)	19,090
Loss for the year	-	-	(2,382)	(2,382)
Increase in fair value of available for sale financial assets	-	-	14	14
Actuarial gain on pension plan	-	-	591	591
Deferred tax thereon	-	-	(351)	(351)
Net movement on recognition of loans	-	301	-	301
Release of capital contribution reserve	-	(2,200)	2,200	-
Balance at 31 December 2017	3,000	65,601	(51,338)	17,263
Balance at 1 January 2018	3,000	65,601	(51,338)	17,263
Profit for the year	-	-	279	279
Increase in fair value of available for sale financial assets	-	-	-	-
Actuarial gain on pension plan	-	-	-	-
Deferred tax thereon	-	-	-	-
Net movement on recognition of loans	-	595	-	595
Release of capital contribution reserve	-	-	-	-
Balance at 31 December 2018	3,000	66,196	(51,059)	18,137

Company	Share Capital £'000	Capital Contribution £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2017	3,000	12,523	1,026	16,549
Loss for the year	-	-	(3,131)	(3,131)
Release of capital contribution reserve	-	(3,116)	3,116	-
Balance at 31 December 2017	3,000	9,407	1,011	13,418
Balance at 1 January 2018	3,000	9,407	1,011	13,418
Profit for the year	-	-	3,131	3,131
Release of capital contribution reserve	-	3,116	(3,116)	-
Balance at 31 December 2018	3,000	12,523	1,026	16,549

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash flow from operating activities				
Total comprehensive profit/(loss) for year	279	(2,128)	3,131	(3,131)
Adjustments for:				
Taxation (credit)/charge	(125)	(915)	3	(3)
Depreciation	844	852	-	-
Interest received	(76)	(70)	(94)	(54)
Interest paid	246	307	94	53
Loss on disposal of available for sale assets	82	10	-	-
Net revaluations of non-current assets	-	(129)	(3,116)	3,116
Release of deferred grant income	(460)	(466)	-	-
Decrease in inventories	1,108	1,762	-	-
Decrease/(Increase) in receivables	2,054	(2,830)	(123)	(76)
(Decrease)/Increase in payables	(1,466)	1,453	86	57
Decrease in defined benefit obligation	(415)	(1,190)	-	-
Taxation (paid)/received	(28)	273	3	3
Net cash flows from operating activities	2,043	(3,071)	(16)	(35)
Cash flow from investing activities				
Purchase of property, plant and equipment	(595)	(500)	-	-
Proceeds from sale of available for sale assets	747	111	-	-
Interest received	(18)	17	-	1
Net cash flows from investing activities	134	(372)	(16)	1
Cash flow from financing activities				
Loan stock issued	595	301	-	-
(Decrease)/Increase in loan stock borrowings	(2,221)	1,590	-	-
Interest paid	(152)	(254)	-	-
Net cash flows from financing activities	(1,778)	1,637	-	-
Net increase/(decrease) in cash and cash equivalents	399	(1,806)	(16)	(34)
Cash and cash equivalents at beginning of year	6,797	8,603	127	161
Cash and cash equivalents at end of year	7,196	6,797	111	127
Bank balances and cash	7,196	6,797	111	127

The accompanying notes form part of these financial statements.

1. Presentation of financial statements

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

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

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

New accounting standards adopted during the year

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

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

New standards and interpretations issued not applied

The International Accounting Standards Board (“IASB”) and IFRIC have issued the following standards and interpretations, which may have an impact on the company, with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

International Accounting Standards and Interpretations	Effective for periods beginning on or after
IFRS 16, Leases	1 January 2019
IAS 12, Income Taxes*	1 January 2019

* Not yet adopted for use in the European Union

1. Presentation of financial statements (continued)

New standards and interpretations issued not applied (continued)

With the exception of IFRS 16, as detailed below, the directors have reviewed the requirements of the new standards and interpretations listed above and they are not expected to have a material impact on the company's financial statements in the period of initial application.

IFRS 16, 'Leases' will make it mandatory for entities with leases under operating leases to record a liability for the payment under the lease and record a right of use of the asset. This does not apply to leases of one year or less which do not contain a purchase option and leases of low value assets. This will affect the current financial statements of Edinburgh International Conference Centre Limited as they will be required to recognise the liability and assets in respects of all applicable operating leases. It is not expected to affect the current financial statements of CEC Holdings Limited and The EDI Group Limited.

New standards and interpretations issued and adopted early

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

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

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

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

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

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

2. Statement of significant accounting policies

a. Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard IAS 27 "Consolidated and Separate Financial Statements". A list of controlled entities appears in note 12 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. 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.

c. 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.

d. Property, plant and equipment

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

Plant and Equipment

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Given the closure strategy of The EDI Group Limited ('EDI') described in the Directors' Report, the useful life of all classes of fixed assets has been reassessed and adjusted in the prior year. The remaining life of all asset classes has been assessed as being to 30 June 2018, to coincide with the vacation of the company's offices.

The depreciation rates used for each class of assets are:

Class of fixed asset	**Depreciation rate**
Leasehold land	50 years or over the period of the lease
Office equipment and furniture	6 months – 10 years
Motor vehicles	6 months - 5 years
Infrastructural works	See narrative below

The capitalisation of infrastructural works is based on management's judgement of when a project's future economic benefit can be determined. Initial project development costs in respect of feasibility studies, design team fees and pre construction activities are expensed via the statement of comprehensive income. However, once a project's feasibility has been determined and a future benefit is expected to arise from it the costs of that project are capitalised and depreciated over their useful life.

Derecognition and disposal

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

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

e. Acquisition of assets

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

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

f. Leases

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

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

g. Inventories

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

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

i. Impairment

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

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

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

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

j. Employee entitlements

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

Contributions are made by the economic entity to employee pension funds and are charged as expenses when incurred.

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

k. Financial instruments

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables

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

l. Investment property

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

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

m. Investments

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

n. Available for sale financial assets

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

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

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

o. Revenue

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

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

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

p. Critical accounting estimates and judgements

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

Key estimates – impairment

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

Key estimates – revenue

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

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

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

<u>Transaction price allocated to the remaining performance obligations</u>

	2018
	£
Project management of Market Street Hotel	-

The hotel was handed over to HMI in December 2018.

q. 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.

r. 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.

Provisions at the year-end relate to infrastructure works at sites, currently held within inventories, where either temporary water connections were granted with the condition that infrastructure works were subsequently completed by the company, or which the company is obliged to pay in the event of sale or disposal of individual sites.

s. Grants receivable

Grants are accounted for by the company when receivable.

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

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

3. Revenue

An analysis of revenue is as follows:

	Consolidated Group		Parent Entity	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Rental income	5	47	-	-
Rendering of services	860	637	53	20
Property sales	2,547	3,207	-	-
Provision of conferencing facilities	8,721	7,895	-	-
	12,133	11,786	53	20

4. Other operating income

An analysis of other operating income is as follows:

	Consolidated Group		Parent Entity	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Reimbursement of development expenditure	32	77	10	-

5. Profit/(loss) before income tax expense

	Consolidated Group		Parent Entity	
	2018	**2017**	**2018**	**2017**
	£'000	**£'000**	**£'000**	**£'000**
Profit/(loss) before income tax expense is stated after charging:				
Auditor's remuneration:				
- Audit	50	64	5	9
- Non-Audit	17	22	8	8
Depreciation and other amounts written off tangible fixed assets:				
Owned	844	852	-	-
Operating lease rentals – land and buildings	154	154	-	-
Operating lease rentals – plant and equipment	87	85	-	-
Pension costs – defined contribution scheme	-	114	-	-

6. Finance income

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest on bank deposits	-	17	-	1
Other interest receivable	76	53	94	53
	76	70	94	54

7. Finance costs

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
On secured loan stock held by the City of Edinburgh Council	246	258	94	53
Interest on pension cost	-	49	-	-
	246	307	94	53

8. Income tax expense

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current tax:				
- Domestic	(121)	(1,266)	3	(3)
- Foreign	-	-	-	-
	(121)	(1,266)	3	(3)
Taxation attributable to the company and its subsidiaries	(121)	(1,266)	3	(3)
	(121)	(1,266)	3	(3)
Deferred tax:				
Pension scheme deficit	-	351	-	-
	-	351	-	-

8. Income tax expense (continued)

	Consolidated Group 2018 £'000	Consolidated Group 2017 £'000	Parent Entity 2018 £'000	Parent Entity 2017 £'000
The tax charge is allocated in the financial statements as follows:				
Consolidated Statement of Comprehensive income	(121)	(1,266)	3	(3)
Statement of changes in equity	-	351	-	-
	(121)	(915)	3	(3)

Domestic income tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit/(loss) for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Consolidated Group 2018 £'000	Consolidated Group 2017 £'000	Parent Entity 2018 £'000	Parent Entity 2017 £'000
Profit/(loss) on ordinary activities before taxation	158	(3,648)	3,134	(3,134)
Profit/(loss) on ordinary activities at the effective rate of corporation tax of 19% (2017 – 19.25%)	30	(702)	595	(603)
Effects of:				
Expenses that are not taxable for tax purposes	49	1,055	(592)	600
Tax effect of other short term timing differences	-	(276)	-	-
Non-taxable income	-	(971)	-	-
Deferred tax not recognised	(234)	(245)	-	-
Adjustment of deferred tax to average rate	(53)	-	-	-
Other timing differences	-	-	-	-
Utilisation of tax losses	-	-	-	-
Fixed asset differences	87	92	-	-
Change in tax rate	-	-		-
Adjustment in respect of previous years	-	(219)	-	-
Losses surrendered	(118)	(1,049)	-	(3)
Group relief	118	1,049	-	3
Current tax (credit)/charge for year attributable to the company and its subsidiaries	(121)	(1,266)	3	(3)

9. Employee benefits expense

The average number of persons employed by the group (including directors) during the year was 66 (2017: 72). The aggregate payroll costs of these persons were as follows:

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages and salaries	2,711	2,883	-	-
Social security costs*	237	301	-	-
Pension costs*	212	605	-	-
Other staff costs	7	27	-	-
Redundancy salary costs*	4	494	-	-
	3,171	4,310	-	-

None of the directors of the company, who are considered to be the key management personnel, received any remuneration during the year.

* As noted in the Directors' Report, the EDI Group Limited is ceasing to trade and redundancy costs were incurred in 2018 as a consequence. Due to the requirements of IAS 19 – Employee Benefits, the group determined that the conditions were met for the provision of redundancy costs in the prior year financial statements. The total redundancy costs were estimated at £804,000 (see note 18). Pension strain costs of £281,000 were included in 'Other pension costs' however only £186,000 of such costs were incurred during the year, with the remaining unused provision credited against administrative expenses. Employer's national insurance costs associated with the redundancy costs of £29,000 were included in 'Social security costs', with an additional £6,000 of national insurance payments incurred when the costs crystallised in the year. An additional £4,000 of redundancy salary costs were incurred when the costs crystallised in the year.

10. Property, plant and equipment

	Leasehold Properties £'000	Motor Vehicles £'000	Infra-Structural Works £'000	Office Equipment & Furniture £'000	Total £'000
Group					
Cost or valuation					
At beginning of year	35,263	11	6,670	5,772	47,716
Additions	-	-	-	595	595
At end of year	35,263	11	6,670	6,367	48,311
Depreciation					
At beginning of year	(29,999)	(11)	(6,203)	(4,656)	(40,869)
Charge for year	(193)	-	(280)	(371)	(844)
At end of year	(30,192)	(11)	(6,483)	(5,027)	(41,713)
Net book value					
At 31 December 2018	5,071	-	187	1,340	6,598
At 31 December 2017	5,264	-	467	1,116	6,847

Leasehold properties consist of heritable property constructed on land that is leased by a subsidiary company until 2117.

11. Investment property

	Heritable Investment Properties
	£'000
Group	
Valuation	
At 1 January 2018	430
Sale during the year	(210)
At 31 December 2018	220
Net book value	
At 31 December 2018	220
At 31 December 2017	430

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

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

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

Under the fair value hierarchy in IFRS 13 – Fair Value Measurement, investment property is deemed a level 2.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

12. Fixed asset investments

Group

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

Company

	Shares in Group Undertakings £'000	Loans to Group Undertakings £'000	Total £'000
Shares and loans			
At 1 January 2018	10,401	2,876	13,277
Impairment movement	3,116	-	3,116
	13,517	2,876	16,393
Net book value			
At 31 December 2018	13,517	2,876	16,393

The City of Edinburgh Council gifted convertible unsecured loan stock with a value of £45.298m to CEC Holdings Limited. Further non-convertible unsecured loan stock was issued by Edinburgh International Conference Centre Limited to CEC Holdings Limited, in exchange for funding provision of £2.876m. This was matched by the issue of non-convertible loan stock to The City of Edinburgh Council by CEC Holdings Limited. Further details are provided in note 16.

The directors assessed the recoverability of the investments in subsidiary undertakings and considered an impairment charge reversal of £3,116,000 was appropriate to reflect the value of the investment in The EDI Group Limited.

12. Fixed asset investments (continued)

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

Company	**Principal Activity**	**Registered office and country of incorporation**	**Percentage of Share Capital Held**
The EDI Group Limited	Property development and investment	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
Edinburgh International Conference Centre Limited	Conference centre operator	Conference House, 152 Morrison Street, Edinburgh, EH3 8EB, Scotland	100% preferred ordinary shares
EDI (Industrial) Limited	Non-trading	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
Edinburgh Retail Investments Limited	Non-trading	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
EDI Central Limited	Property development	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
EDI Market Street Limited	Property development	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
EDI Fountainbridge Limited	Property development	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
Parc Craigmillar Limited	Regeneration	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
Parc Craigmillar Developments Limited (subsidiary of Parc Craigmillar Limited)	Property development and investment	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
Waterfront Edinburgh Limited	Property development and regeneration	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
Waterfront Edinburgh Management Limited (subsidiary of Waterfront Edinburgh Limited)	Property management services	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
New Laurieston (Glasgow) Limited (associate of the EDI Group Limited)	Property development	Miller House, 2 Lochside View, Edinburgh, EH12 9DH, Scotland	45% ordinary shares
Shawfair Land Limited	Property development	Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland	100% ordinary shares
Caledonia Waterfront (Harbour Rd) Ltd (associate of Waterfront Edinburgh Limited)	Property development and letting of properties	Caledonia House, Lawmoor Street, Glasgow, G5 0US, Scotland	42.5% ordinary shares

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

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

13. Inventory

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Work in progress	9,595	10,703	-	-

14. Current trade and other receivables

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade receivables	3,032	2,663	-	-
Amounts owed by group & associated undertakings	1,571	1,877	53	20
Other receivables	2,026	1,430	8	8
Prepayments and accrued income	649	410	-	-
Corporation tax recoverable	-	3	-	3
	7,278	6,383	61	31
Non current trade and other receivables				
Other receivables	1,304	4,253	217	124
	8,582	10,636	278	155

15. Trade and other payables (current)

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade and other payables	1,456	1,898	-	-
Amounts due to group & associated undertakings	1,255	1,398	-	-
Other payables	430	564	-	-
Corporation tax	7	3	3	-
Other taxation and social security	423	160	-	-
Accruals and deferred income	2,967	3,338	13	17
Provisions (note 18)	1,289	2,581	-	-
Retired benefit obligation (note 24)	361	-	-	-
	8,188	9,942	16	17

16. Other financial liabilities

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current				
Convertible unsecured loan stock	3,971	2,691	-	-
	3,971	2,691	-	-
Non-current				
Convertible unsecured loan stock	-	3,500	-	-
Non-convertible unsecured loan stock	217	124	217	124
	217	3,624	217	124

The non-convertible unsecured loan stock is held by The City of Edinburgh Council, the company's parent undertaking. It bears no interest or the interest has been waived by the stockholder.

The non-convertible unsecured loan stock has been recognised at fair value by discounting the future cash flows using market interest rates. Loan stocks are then held at amortised cost by applying an effective interest rate, to increase the loan stock to its face value over the term of the loan stock's term. The difference between the loan stock's amortised cost and its face value has been recognised in the statement of profit and loss.

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

	2018 £'000	2017 £'000
Convertible unsecured loan stock – non-interest bearing	1,731	2,691
Convertible unsecured loan stock 2018	2,240	3,500
	3,971	6,191

16. Other financial liabilities (continued)

The non-convertible unsecured loan stock is repayable as follows:

Loan Stock	Effective Interest Rate %	Amortised cost at 31 December 2018 £'000	Aggregate Interest £'000
Non-Convertible Unsecured Loan Stock 2022	75	143	143
Non-Convertible Unsecured Loan Stock 2023	75	53	53
Non-Convertible Unsecured Loan Stock 2024	70	19	19
Non-Convertible Unsecured Loan Stock 2025	75	2	2
		217	217

The non-convertible loan stock which is repayable in 2025 was issued to The City of Edinburgh Council by CEC Holdings Limited and has a fair value of £2,876k matched by a corresponding investment of £2,876k in loan stock issued by Edinburgh International Conference Centre Limited. This investment is classified as 'Loans to group undertakings' within Fixed Asset Investments (see note 12) in the Company Statement of Financial Position. The remaining non-convertible loan stock, recognised at an amortised cost of £nil and with a total fair value of £59,690k, was issued directly to The City of Edinburgh Council by Edinburgh International Conference Centre Limited.

17. Deferred Tax

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

The elements of deferred tax are as follows:

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

18. Provisions

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Current				
Infrastructure expenditure				
Balance brought forward	736	716	-	-
Increase in provision for the year	-	87	-	-
Decrease in provision for the year	(272)	(67)	-	-
	464	736	-	-
Consultancy expenditure				
Balance brought forward	640	-	-	-
Increase in provision for the year	-	640	-	-
Decrease in provision for the year	(640)	-	-	-
	-	640	-	-
Overspend on Market Street Project				
Balance brought forward	401	-	-	-
Increase in provision for the year	424	401	-	-
Decrease in provision for the year	-	-	-	-
	825	401	-	-
Redundancy costs				
Balance brought forward	804	-	-	-
Increase in provision for the year	-	804	-	-
Decrease in provision for the year	(804)	-	-	-
	-	804	-	-
	1,289	2,581	-	-
Non-current				
s75 development costs				
Balance brought forward	-	500	-	-
Increase in provision for the year	-	-	-	-
Decrease in provision for the year	-	(500)	-	-
	-	-	-	-

18. Provisions (continued)

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

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

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

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

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

19. Deferred income & capital grants

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Capital grants	1,521	1,803	-	-
Deferred income	426	411	-	-
	1,947	2,214	-	-

The group has claimed capital grant funding from the Town Centre Regeneration Fund, made available by the Scottish Ministers. The Scottish Ministers hold a standard security on a development property in respect of any amounts due to them by the group. The total amount of grants that have been received in respect of building construction and road works is as follows:

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Capital grants brought forward	2,263	2,729	-	-
Received during period	-	-	-	-
Released during period	(460)	(466)	-	-
Capital grants carried forward	1,803	2,263	-	-
Analysed as follows:				
Current obligations	282	460	-	-
Non-current obligations	1,521	1,803	-	-
Capital grants carried forward	1,803	2,263	-	-

19. Deferred income & capital grants (continued)

The group has deferred income in relation to advance deposits received in respect of events which are due to take place after the year-end and in relation to grants that are recognised when receivable.

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance brought forward	2,461	2,402	-	-
Deferred during the year	1,959	2,026	-	-
Income released to profit and loss	(1,911)	(1,784)	-	
Grants released to profit and loss	(139)	(183)	-	-
Deferred income carried forward	2,370	2,461	-	-
Analysed as follows:				
Current obligations	1,944	2,050	-	-
Non-current obligations	426	411	-	-
Deferred income carried forward	2,370	2,461	-	-

20. Cash and cash equivalents

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	7,196	6,797	111	127

21. Contributed equity

	Consolidated Group		Parent Entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	3,000	3,000	3,000	3,000

22. Reserves

Group	Capital Contribution £'000	Retained earnings £'000
At 1 January 2018	65,601	(51,338)
Profit for the year	-	279
Increase in fair value of available for sale assets	-	-
Actuarial gain on pension scheme	-	-
Deferred tax thereon	-	-
Net movement on recognition of loan	595	
Release of capital contribution reserve	-	-
At 31 December 2018	66,196	(51,059)

Company	Capital Contribution £'000	Retained earnings £'000
At 1 January 2018	9,407	1,011
Profit for the year	-	3,131
Release of capital contribution reserve	3,116	(3,116)
At 31 December 2018	12,523	1,026

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

23. Commitments

Annual commitments under non-cancellable operating leases are as follows.

Group	2018		2017	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
- Within one year	154	13	225	13
- Between one and two years	154	6	225	13
- Between two and five years	461	-	562	5
- Later than five years	768	-	921	-
	1,537	19	1,933	31

24. Employee benefits

The EDI Group Limited ("the Employer"), a member of the CEC Holdings Limited group, ceased as an employer in the Lothian Pension Fund ("the Fund") on 31 October 2018.

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

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

Funding position

		Valuation Results 31 December 2017 £'000	Cessation Results 31 December 2018 £'000
Liabilities			
	Active	2,155	-
	Deferred	1,146	1,763
	Pensioner	3,424	5,547
Total liabilities		6,725	7,310
Assets		6,158	6,950
Surplus/ (deficit)		(567)	(360)

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

Pension costs

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

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

24. Employee benefits (continued)

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

The amounts recognised in the Statement of Financial Position are determined as follows:	**2017** **£'000**
Fair value of plan assets	6,450
Present value of scheme liabilities	(7,750)
Gain on settlement of scheme	733
Deficit in the scheme – pension liability	(567)
Net pension liability at 31 December 2017	(567)

Movement in defined benefit obligation during the year:	**2017** **£'000**
At 1 January 2017	7,822
Current service cost	195
Interest cost on obligation	212
Plan participants contributions	44
Benefits paid	(182)
Actuarial losses arising from change in financial assumptions	73
Other actuarial gains	(280)
Actuarial gains arising from change in demographic assumptions	(134)
At 31 December 2017	7,750

Movement in fair value of plan assets during the year:	**2017** **£'000**
At 1 January 2017	6,065
Benefits paid	(182)
Interest income on plan assets	163
Contributions by employer	110
Contributions by member	44
Return on assets excluding amounts included in net interest	250
At 31 December 2017	6,450

24. Employee benefits (continued)

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

	2017 **£'000**
Interest received on pension scheme assets	(163)
Interest cost on pension scheme liabilities	212
Finance cost	49
Current service cost	195
Gain on settlement of scheme	(733)
	(489)

The amounts recognised in other comprehensive income are as follows:

	2017 **£'000**
Actuarial gains in the defined benefit obligation	341
Actuarial gains in the fair value of defined benefit assets	250
	591

Financial Assumptions

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

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

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

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

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

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

24. Employee benefits (continued)

Mortality Assumptions:

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

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

Loss on settlement of scheme:

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

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

25. Related party transactions

Related Party	Relationship	Group Company	Nature of Transaction	Amount £'000	Outstanding at Year End £'000
City of Edinburgh Council	Ultimate holding organisation	The EDI Group Ltd	Loan stock	1,260	(2,240)
			Interest on loan	(152)	-
City of Edinburgh Council	Ultimate holding organisation	EDI Central Ltd	Funds due from NCP	535	955
City of Edinburgh Council	Ultimate holding organisation	EDI Market Street Ltd	Profit element of construction contract	144	(32)
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan for infrastructure works	-	(1,220)
			Loan stock	1,453	(1,238)
City of Edinburgh Council	Ultimate holding organisation	Edinburgh International Conference Centre Ltd	Loan stock	595	(7,882)
			Development and construction costs	(22)	343
City of Edinburgh Council	Ultimate holding organisation	CEC Holdings Ltd	Professional services	(20)	-
			Unsecured loan notes	-	(2,876)

26. Ultimate parent undertaking

The company is a subsidiary undertaking of the City of Edinburgh Council. Their accounts are available from the Director of Finance, Waverley Court, Edinburgh EH8 8BG.

27. Going concern

The future of the company and group is dependent on the continued financial support of the company's shareholders. Further details of the directors' assessment of going concern are provided in the directors' report.

28. Available for sale financial assets

	Available for sale financial assets	
	2018	**2017**
	£'000	**£'000**
Group		
Cost		
At beginning of year	619	726
Sales	(619)	(121)
Increase in fair value	-	14
At end of year	-	619
Net book value		
At end of year	-	619
At beginning of year	619	726

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

29. Financial Instruments and Risk Management

The main purpose of non-derivative financial instruments is in respect to the group's trading activities and to raise finance for group operations. The group does not have any derivative instruments at 31 December 2018.

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

	Consolidated group		Parent entity	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial assets				
Financial assets measured at amortised cost	13,545	15,115	111	127

	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Financial liabilities				
Financial liabilities measured at amortised cost	6,107	7,833	16	17

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

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

Capital risk management

The group aims to manage its overall capital structure to ensure it continues to operate as a going concern. The group's capital structure represents the equity attributable to the shareholders of the group together with borrowings and cash equivalents. The directors are closely involved in the running of the group and are therefore fully aware of the capital position of the group 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 financial instruments for speculative purposes.

Treasury risk management

The Board of Directors meets on a regular basis to analyse interest rate exposures and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

29. Financial Instruments and Risk Management (continued)

Financial risk exposures and management

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

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date 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 managed on a group basis and reviewed regularly by the Board of Directors. It arises from exposures to customers and amounts owed by group undertakings.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- 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 strict credit policies may only purchase in cash or using recognised credit cards.

The credit risk for all counter parties included in trade and other receivables at 31 December 2018 is not rated.

b. 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 this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- ensuring that adequate unutilised borrowing facilities are maintained.

Cash flows realised from financial assets reflect management’s expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows as presented in the table (to settle financial liabilities) reflects the earliest contractual settlement dates.

c. Market risk

Market risk is the risk that the value of sites and properties under development may fall resulting in potential losses upon disposal or sale of each site or property. Also 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.

29. Financial Instruments and Risk management (continued)

d. Fair values

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

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

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

30. Movements in financing liabilities arising from financing activities

	Current loans and borrowings £'000	Non-current loans and borrowings £'000	Total £'000
At 1 January 2018	2,691	3,624	6,315
Cash flows			
Movement in loan stock borrowings	-	(2,221)	(2,221)
Non cash flow borrowings			
Effective interest on loan stock balances	-	94	94
Movement in ageing profile of other financial liabilities	1,280	(1,280)	-
At 31 December 2018	3,971	217	4,188

31. Contingent liabilities

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

32. Post Balance Sheet Event

The Group reached agreement on a payment of £1m in relation to the discharge of a agreement pertaining to land sold in 2012, with the monies received on 1 August 2019.

The Group is selling land at Greendykes South with a settlement date to be determined but expected to be in Summer 2019.

Agreement has also been reached to sell Greendykes plots K and L for £2.1m with the transaction again expected to conclude during Summer 2019.