
EDI MARKET STREET LIMITED

Directors' Report and Financial Statements

For the year ended 31 December 2018

Registered Number SC261283

EDI MARKET STREET LIMITED

Directors' report and financial statements

For the year ended 31 December 2018

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EDI MARKET STREET LIMITED

Officers and professional advisers

For the year ended 31 December 2018

The Board of Directors

K Campbell
I Whyte
L M Cameron

Registered Office

Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Auditor

Scott-Moncrieff
Chartered Accountants & Statutory Auditor
Exchange Place 3
Sempie Street
Edinburgh
EH3 8BL

EDI MARKET STREET LIMITED

Directors' report

For the year ended 31 December 2018

The Directors present their report and the financial statements of the company for the year ended 31 December 2018.

Principal activities, business review and future developments

EDI Market Street 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 principal activity of the company is the development of a site on Market Street, Edinburgh.

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.

Practical completion and handover of the building to the client took place in December 2018 and the company has now ceased any further development activities. Financial assets will be realised according to their contractual terms and the company intends to meet its contractual obligations in full. It is envisaged that the company will cease to be financially active after the retentions are released in late 2019/early 2020. The Directors are confident that the group and the company will have sufficient funds to meet all external liabilities and obligations.

Directors

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

E W Adair	-	Resigned 30/06/18
G K Barrie	-	Resigned 14/03/18
I Whyte		
H Rutherford	-	Resigned 30/05/18
L M Cameron	-	
K Campbell	-	Appointed 27/03/18

Directors' responsibilities

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 (IFRS) 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.

EDI MARKET STREET LIMITED

Directors' report (continued)

For the year ended 31 December 2018

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 of that information.

Auditor

Scott-Moncrieff 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 August 2019

EDI MARKET STREET LIMITED

Independent auditor's report to the shareholders of EDI Market Street Limited

For the year ended 31 December 2018

Opinion

We have audited the financial statements of EDI Market Street Limited for the year ended 31 December 2018 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 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.

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.

EDI MARKET STREET LIMITED

Independent auditor's report to the shareholders of EDI Market Street Limited (continued)

For the year ended 31 December 2018

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.

EDI MARKET STREET LIMITED

Independent auditor's report to the shareholders of EDI Market Street Limited (continued)

For the year ended 31 December 2018

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 Scott-Moncrieff, Statutory Auditor

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL
8 August 2019

EDI MARKET STREET LIMITED**Statement of profit or loss and other comprehensive income****For the year ended 31 December 2018**

	Notes	2018 £	2017 £
Revenue	4	748,285	544,954
Cost of sales		<u>(280,520)</u>	<u>(472,934)</u>
Gross profit		467,765	72,020
Administrative expenses		<u>(10,471)</u>	<u>(6,534)</u>
Operating profit		457,294	65,486
Interest payable and similar charges		-	<u>(5,632)</u>
Profit on ordinary activities before taxation		457,294	59,854
Corporation tax	7	<u>(86,885)</u>	<u>(12,604)</u>
Profit for the year		<u><u>370,409</u></u>	<u><u>47,250</u></u>

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

The accompanying notes on pages 12 to 20 form part of these financial statements.

EDI MARKET STREET LIMITED**Statement of change in equity****As at 31 December 2018**

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	1	121,505	121,506
Profit for the year	-	370,409	370,409
Balance at 31 December 2018	<u>1</u>	<u>491,914</u>	<u>491,915</u>
	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	1	74,255	74,256
Profit for the year	-	47,250	47,250
Balance at 31 December 2017	<u>1</u>	<u>121,505</u>	<u>121,506</u>

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

The accompanying notes on pages 12 to 20 form part of these financial statements.

EDI MARKET STREET LIMITED**Statement of financial position****As at 31 December 2018**

	Notes	2018 £	2017 £
Assets			
Current Assets			
Trade and other receivables	8	1,367,899	1,945,832
Cash and cash equivalents	9	1,218,232	222,602
Total Assets		<u>2,586,131</u>	<u>2,168,434</u>
Equity			
Issued capital and reserves			
Issued share capital	10	1	1
Retained profits		491,914	121,505
Total equity		<u>491,915</u>	<u>121,506</u>
Current Liabilities			
Trade and other payables	11	1,269,216	1,646,014
Provisions	12	825,000	400,914
Total equity and liabilities		<u>2,586,131</u>	<u>2,168,434</u>

These 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 were authorised for issue by the Board of Directors on 8 August 2019 and signed on its behalf by



L M Cameron

Director

Company registration number: SC261283

The accompanying notes on pages 12 to 20 form part of these financial statements.

EDI MARKET STREET LIMITED**Statement of cash flows****For the year ended 31 December 2018**

	2018	2017
	£	£
Cash flow from operating activities		
Profit before tax	457,294	59,854
Interest paid	-	5,632
Operating profit	<u>457,294</u>	<u>65,486</u>
Adjustments for:		
Decrease/(increase) in trade and other receivables	577,933	(1,484,760)
Decrease in inventories	-	-
Increase in trade and other payables	47,288	1,321,710
Cash flows from operations	<u>1,082,515</u>	<u>(97,564)</u>
Income taxes paid	(86,885)	(12,604)
Interest paid	-	(5,632)
Net cash flows from operating activities	<u>995,630</u>	<u>(115,800)</u>
Net increase/(decrease) in cash and cash equivalents	995,630	(115,800)
Cash and cash equivalents as at 1 January 2018	<u>222,602</u>	<u>338,402</u>
Cash and cash equivalents as at 31 December 2018	<u><u>1,218,232</u></u>	<u><u>222,602</u></u>

The accompanying notes on pages 12 to 20 form part of these financial statements.

EDI MARKET STREET LIMITED

Notes to financial statements

For the year ended 31 December 2018

1. Presentation of financial statements

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 company 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.
- 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. The adoption of this accounting standard has not had any impact on the company.

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 2018, and with potential effect.

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

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.

EDI MARKET STREET LIMITED

Notes to financial statements (continued)

For the year ended 31 December 2018

1. Presentation of financial statements (continued)

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:

		<i>Effective for annual periods beginning on or after</i>
<i>International Accounting Standards and Interpretations</i>		
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 3 to these financial statements.

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. Following completion and handover of the building on Market Street, the company has ceased all development activities. Financial assets will be realised according to their contractual terms and the company intends to meet its contractual obligations in full. It is envisaged that this will mean that the company will be financially active for around a further 12 months.

The Company, and the Group, as part of a regular evaluation of liquidity risk, has modelled the principal risks and uncertainties in its cash flow projections for the envisaged closure strategy. After discussions with the shareholder and after assessing the availability of cash balances under a range of scenarios, the Directors have formed the opinion that the Company has sufficient resources to meet all external liabilities and obligations and to repay its share capital in full and this is subject to ongoing review.

The opinion of the Directors is that the decision of the shareholder 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.

EDI MARKET STREET LIMITED

Notes to financial statements (continued)

For the year ended 31 December 2018

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

Revenue recognition

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

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

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

Transaction price allocated to the remaining performance obligations

	2018
	£
Project management of Market Street Hotel	0

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

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:

EDI MARKET STREET LIMITED

Notes to financial statements (continued)

For the year ended 31 December 2018

3. Accounting policies (continued)

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 bad.

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

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 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.

Inventories

Inventories, consisting of work in progress, are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the work in progress to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for any foreseeable losses where appropriate. The Directors consider all work-in-progress to be current in nature.

4. Revenue

	2018	2017
	£	£
Revenue from contracts with customers recognised in the year	748,285	544,954

EDI MARKET STREET LIMITED

Notes to financial statements (continued)

For the year ended 31 December 2018

5. Directors

No Directors received emoluments from EDI Market Street Limited in the year or the previous year. There were no other transactions with Directors in the year.

6. Auditor's remuneration

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

	2018	2017
	£	£
Fees payable to the company's auditor for audit services	4,620	4,620
Fees payable to the company's auditor for tax services	895	895
	<u> </u>	<u> </u>

7. Corporation tax

(a) Analysis of charge in the year

	2018	2016
	£	£
Current tax:		
Current corporation tax charge	86,885	12,604
	<u> </u>	<u> </u>

(b) Factors affecting tax charge in the year

The tax assessed for the year is different from that calculated using the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018	2017
	£	£
Profit/(loss) on ordinary activities before tax	457,294	59,854
	<u> </u>	<u> </u>
Loss on ordinary activities multiplied by standard rate of corporation tax of 19.00% (2017: 19.25%)	86,885	11,520
Effects of:		
Group relief (claimed)/surrendered	(86,885)	(12,604)
Group relief claimed from the EDI Group Limited	86,885	12,604
Expenses not deductible for tax purposes	-	1,084
Current tax credit in the year	<u>86,885</u>	<u>12,604</u>

EDI MARKET STREET LIMITED

Notes to financial statements (continued)

For the year ended 31 December 2018

7. Corporation tax (continued)

(c) Factors affecting future tax charges

There are no specific factors which have been identified that will affect future tax charges.

8. Trade and other receivables

	2018	2017
	£	£
Current		
Trade and other receivables	1,017,899	1,194,118
Accrued Income	350,000	751,714
	<u>1,367,899</u>	<u>1,945,832</u>

9. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	1,218,232	222,602
	<u>1,218,232</u>	<u>222,602</u>

10. Share capital

Allotted and called up:

	No	2018	No	2017
		£		£
1 ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

11. Trade and other payables due within one year

	2018	2017
	£	£
Trade payables	192,441	1,065,758
Accruals	5,516	10,516
Taxation and social security	229,200	-
Amounts due to group undertakings	842,059	569,740
	<u>1,269,216</u>	<u>1,646,014</u>

EDI MARKET STREET LIMITED**Notes to financial statements (continued)****For the year ended 31 December 2018****12. Provisions**

	2018 £	2017 £
Balance brought forward	400,914	-
Provision recognised in year	424,086	400,914
	<u>825,000</u>	<u>400,914</u>

Provisions recognised in the year relate to potential cost overruns on the project which are unlikely to be recoverable.

13. Parent undertakings and related party transactions

The company is a wholly owned subsidiary of The EDI Group Limited, a company registered in Scotland whose consolidated financial statements can be obtained from its registered office.

The ultimate controlling party is The City of Edinburgh Council.

At the balance sheet date the company owed £31,834 (2017: £175,400) to the City of Edinburgh Council.

At the balance sheet date the company owed £645,225 (2017: £381,736) to The EDI Group Limited.

At the balance sheet date the company owed £165,000 (2017: £nil) to Parc Craigmillar Limited.

14. Financial instruments and risk management

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

	2018 £	2017 £
<u>Financial assets</u>		
Financial assets measured at amortised cost	<u>2,586,131</u>	<u>2,163,109</u>
	2018 £	2017 £
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>1,022,957</u>	<u>1,477,188</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).

Financial liabilities measured at amortised cost comprise trade payables, accruals, other payables and provisions.

EDI MARKET STREET LIMITED

Notes to financial statements (continued)

For the year ended 31 December 2018

14. 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 borrowings and 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.

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 company does not hold any financial instruments that are classified as fair value through the profit or loss or available for sale and therefore are measured at fair value.

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 contractual 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;
- 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.

EDI MARKET STREET LIMITED

Notes to financial statements (continued)

For the year ended 31 December 2018

15. 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 the parties have concluded.

