PARC CRAIGMILLAR LIMITED

Directors' report and financial statements

For the year ended 31 December 2018

Registered number SC234777

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Officers and professional advisers

For the year ended 31 December 2018

The Board of Directors	I Whyte L M Cameron K Campbell N Davies
Registered Office	Waverley Court 4 East Market Street Edinburgh EH8 8BG
Auditor	Scott-Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL

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

Parc Craigmillar Ltd is a company limited by shares which is incorporated and domiciled in Scotland. It is a wholly owned subsidiary of The EDI Group Ltd (EDI) whose ultimate parent is The City of Edinburgh Council. The company functions as an arm's length operation with the aim of investing in the development of land and buildings which are surplus to the Council's operational requirements and leading on the property aspects of regeneration in the Craigmillar district of 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 and this is underway.

Inventories (land held for development) which the Council will utilise were transferred to the Council in May 2018. The company sold its portfolio of residential shared equity to the Council during 2018. Some land was sold for residential development during 2018 and the remaining land will be sold during the coming 12 months. It is expected that the investment property will be sold to the Council in 2019. 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 be financially active for a period of around 5 years. The Directors are confident that the group and the company will have sufficient funds to meet all external liabilities and obligations.

Results and dividends

The total comprehensive income for the year amounted to £202,541 (2017: £858,294 loss). The Directors have not recommended a dividend.

Directors

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

G K Barrie – Resigned 14/03/2018
I Whyte
E Adair – Resigned 30/06/2018
N Davies – Resigned 26/02/2019
H Rutherford – Resigned 30/05/2018
L M Cameron
K Campbell – Appointed 27/03/2018

Directors' responsibilities statement

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

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

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

Lezley Maria Cameron

L M Cameron

Director

Approved by the Directors on 8 August 2019

Independent auditor's report to the shareholders of Parc Craigmillar Limited

For the year ended 31 December 2018

Opinion

We have audited the financial statements of Parc Craigmillar 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 loss 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.

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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities Statement set out on page 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

Nick Bennett, *Senior Statutory Auditor*

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

Date: 8 August 2019

PARC CRAIGMILLAR LIMITED

Statement of profit and loss and comprehensive income

For the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue	4	447,405	2,661,530
Cost of sales		(256,415)	(3,052,583)
Work in progress written off		-	(979,798)
Gross profit/(loss)		190,990	(1,370,851)
Government grant release	18	137,468	183,208
Administrative expenses		(37,947)	(22,281)
Operating profit/(loss)		290,511	(1,209,924)
Other income	19	3,625	4,833
Increase in fair value of investment property	10	-	70,000
Loss on sale of available for sale financial asset		(81,971)	(9,522)
Profit/(loss)before interest and tax		212,165	(1,144,613)
Finance income	7	7,544	5,738
Finance cost	8	(500)	(1,000)
Profit/(loss)before tax		219,209	(1,139,875)
Corporation tax	9	(16,668)	268,044
Profit/(loss)for the year		202,541	(871,831)

	2018 £	2017 £
Other comprehensive income **Items that will be reclassified subsequently to profit or loss**		
Increase/(decrease) in fair value of available for sale financial assets	-	13,537
Other comprehensive income	-	13,537
Total comprehensive loss	202,541	(858,294)

The accompanying notes on pages 12 to 25 form part of these financial statements.

PARC CRAIGMILLAR LIMITED

Statement of changes in equity

For the year ended 31 December 2018

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2018	8,000,100	(3,548,917)	4,451,183
Profit/(Loss) for the year	-	202,541	202,541
Balance at 31 December 2018	8,000,100	(3,346,376)	4,653,724

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	8,000,100	(2,690,623)	5,309,477
Loss for the year	-	(871,831)	(871,831)
Other comprehensive income	-	13,537	13,537
Total comprehensive loss	-	(858,294)	(858,294)
Balance at 31 December 2017	8,000,100	(3,548,917)	4,451,183

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

The accompanying notes on pages 12 to 25 form part of these financial statements.

PARC CRAIGMILLAR LIMITED

Statement of financial position

As at 31 December 2018

	Notes	2018 £	2017 £
Assets			
Non current assets			
Investment property	10	220,000	220,000
Investments	11	100	100
Available for sale financial assets	11	-	619,087
		220,100	839,187
Current assets			
Inventories	12	2,577,698	2,747,302
Trade and other receivables	13	4,536,178	3,977,147
Cash and cash equivalents	14	823,551	1,761,693
		7,937,427	8,486,142
Total assets		8,157,527	9,325,329
Equity			
Issued capital and reserves			
Issued share capital	16	8,000,100	8,000,100
Retained profits		(3,346,376)	(3,548,917)
Total equity		4,653,724	4,451,183
Non current liabilities			
Deferred income	18	-	-
Loan stock	21	-	-
Current liabilities			
Trade and other payables	17	1,308,580	1,309,304
Provisions	20	464,200	736,280
Deferred income	18	-	137,468
Loan stock	21	1,731,023	2,691,094
Total equity and liabilities		8,157,527	9,325,329

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

The financial statements were approved and authorised for issue by the Board of Directors on 8 August 2019 and signed on its behalf by

Lezley Maria Cameron

L M Cameron, Director

Company registration number: SC234777

The accompanying notes on pages 12 to 25 form part of these financial statements.

Statement of cash flows

For the year ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit/(loss) before tax	219,209	(1,139,875)
Adjustments for:		
Increase in fair value of investment property	-	(70,000)
Interest received	(7,544)	(5,738)
Interest paid	500	1,000
Other income	(3,625)	(4,833)
Loss on disposal of available for sale assets	81,971	9,522
	290,511	(1,209,924)
Decrease in inventories	169,604	1,533,428
Increase in trade and other receivables	(827,075)	(1,356,332)
Decrease in trade and other payables	(272,804)	(950,753)
Government grant release	(137,468)	(183,208)
Cash generated from operations	(777,232)	(2,166,789)
Income tax paid	(16,668)	-
Other income	3,625	4,833
Income tax – group relief	268,044	(111,324)
Interest received	7,544	5,738
Interest paid	(500)	(1,000)
Net cash flows from operating activities	(515,187)	(2,268,542)
Cash flows from investing activities		
Sale of investments available for sale financial assets	537,116	111,250
Net cash flows used in investing activities	537,116	111,250
Cash flows from financing activities		
Loans from related parties	(960,071)	1,590,161
Net cash flows from financing activities	(960,071)	1,590,161
Net (decrease)/increase in cash and cash equivalents	(938,142)	(567,131)
Cash and cash equivalents as at 1 January	1,761,693	2,328,824
Cash and cash equivalents as at 31 December	823,551	1,761,693

The accompanying notes on pages 12 to 25 form part of these financial statements.

1. Presentation of financial statements

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

New accounting standards adopted during the year

The 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.
- 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.

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.

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 3 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 current or previous year. There have therefore been no transitional adjustments required to the financial statements.

2. Going concern

As described in the Directors' Report, the group's ultimate shareholder, The City of Edinburgh Council, concluded that the group and this company should begin a process of closure. Land and buildings which the Council will utilise were transferred to the Council in May 2018. Some land was sold for residential development during 2018 and the remaining land will be sold during the coming 12 months. 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 process will mean that the company will be financially active for a period of around 5 years.

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.

3. Accounting policies

Basis of preparation

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

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

Critical accounting estimates and sources of estimation uncertainty

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

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

Revenue recognition

Revenue is measured at the fair value of consideration received from income from the company's ordinary business activities. Revenue is stated net of discounts, sales and other taxes. The company recognises income when it transfers control of a product or service to a customer.

Revenue from property sales are recognised upon legal completion, at which time the company's performance obligation is satisfied.

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

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

Consolidation

The company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare group accounts on the basis that it is wholly owned by The EDI Group Limited, and that company prepares consolidated financial statements which are publicly available and comply with International Financial Reporting Standards. Details of the company's ownership and access to the financial statements are given in note 15.

3. Accounting policies (continued)

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.

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost.

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.

Investments

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

3. Accounting policies (continued)

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 for sites which have been sold in the year.

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.

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

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

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

3. Accounting policies (continued)

Inventories

Properties in the course of development or major refurbishment are stated in the financial statements at the lower of cost and net realisable value.

In the case of community assets, being either public buildings or public facilities or infrastructure works constructed by the company as part of the regeneration process, work in progress is written off on the earlier of completion or transfer of ownership to the City of Edinburgh Council.

Interest incurred during the construction and development phase on development loans for this specific purpose is capitalised as part of the cost of work in progress. All other interest is charged to the profit and loss account. Overheads and administration costs are written off in the year in which they are incurred.

The Directors consider all work-in-progress to be current in nature.

Grants receivable

Grants are accounted for by the company when receivable.

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

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

4. Revenue

An analysis of revenue is as follows:

	2018 £	2017 £
Contracts with customers - property sales	447,405	2,661,530
	447,405	2,661,530

5. Directors

No Directors received emoluments from PARC Craigmillar 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	5,775	5,775
Fees payable to the company's auditor for other services	735	735

7. Finance income

	2018	2017
	£	£
Interest receivable	7,544	5,738

8. Finance costs

	2018	2017
	£	£
Other interest payable	500	1,000

9. Corporation tax

(a) Analysis of charge in the year

	2018	2017
	£	£
Current tax charge	-	-
Overprovision in prior year	(750)	-
Intercompany tax – group relief (surrendered)/claimed	17,418	(268,044)
	16,668	(268,044)

(b) Factors affecting tax credit 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 on ordinary activities before tax	219,209	(1,139,875)
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax of 19.00% (2017: 19.25%)	41,650	(219,387)

9. Corporation tax (continued)

Effects of:

Income not taxable for tax purposes	-	(13,473)
Overprovision in prior year	(750)	-
Expenses not deductible for tax purposes	1,887	77
Group relief surrendered/(claimed)	(17,418)	268,044
Group relief (claimed)/surrendered	17,418	(268,044)
Adjust deferred tax to average rate	(26,119)	(35,261)
Current tax charge/(credit) in the year	16,668	(268,044)

(c) Factors affecting future tax charges

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

10. Investment property

	Investment property £
Cost	
At 1 January 2017	150,000
Change in fair value	70,000
At 31 December 2017	220,000
Depreciation	
At 1 January 2017 and 31 December 2017	-
Net book value	
At 31 December 2017	220,000
At 31 December 2016	150,000

10. Investment property (continued)

An investment property owned by the company 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.

The Scottish Ministers hold a standard security on a development property in respect of any amounts due to them by the company. The carrying value of this at the year-end is £nil. (2017: £nil)

The related rental income recognised in the income statement during the year was £nil (2017: £nil) along with direct operating expenses of £nil (2017: nil).

Under the fair value hierarchy in IFRS 13 – Fair Value Measurement, investment property is deemed a level 2. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

11. Investments

	Investments	Available for sale financial assets	Total
	£	£	£
Cost			
At 1 January 2018	100	619,087	619,187
Disposals		(619,087)	(619,087)
At 31 December 2018	100	-	-
Net book value			
At 31 December 2018	100	-	-
At 31 December 2017	100	619,087	619,187

The company owns 100% of the share capital of Parc Craigmillar Developments Limited, a company registered in Scotland, which acts as the contracting arm for the company with regards to the building contractors and design team.

Parc Craigmillar Developments Limited made a loss of £2,920 (2017: £2,358) for the year ended 31 December 2017 and its aggregate capital and reserves at 31 December 2017 amounted to £11,673 (2017: £14,593)

During the year available for sale financial assets, being shared equity loans, were sold to the City of Edinburgh Council as part of the transition strategy.

12. Inventories

	2018	2017
	£	£
Property under development	2,577,698	2,747,302

No interest has been capitalised within the value of work in progress at the balance sheet date (2017: £nil).

13. Trade and other receivables

	2018	2017
	£	£
Current		
Receivable from trade customers	191,969	100,383
Amounts owed by group undertakings	1,905,050	391,067
Prepayments	45,897	47,153
Other receivables	1,468,448	1,281,924
	3,611,364	1,820,527
Non-current		
Other receivables	924,814	156,620
	4,536,178	3,977,147

14. Cash and cash equivalents

	2018	2017
	£	£
Cash on hand	823,551	1,761,693

15. Related party transactions

The company is a wholly owned subsidiary of The EDI Group Limited. The EDI Group Limited is registered in Scotland. The financial statements of the parent undertaking is available at 4 East Market Street, Edinburgh, EH8 8BG. The ultimate controlling party is the City of Edinburgh Council.

At the balance sheet date there was an amount of £1,738,079 (2017: £121,051) due from The EDI Group Limited and £165,000 from EDI Market Street Limited, a fellow group subsidiary, (2017: £ nil).

During the year the company was charged construction services of £49,122 (2017: £590,707) by Parc Craigmillar Developments Limited, a subsidiary of Parc Craigmillar Limited. At the balance sheet date the company owed £14,584 (2017: £16,145) to Parc Craigmillar Developments Limited.

15. Related party transactions (continued)

At the balance sheet date the company owed £1,219,764 (2017: £1,219,764) to the City of Edinburgh Council in respect of loans to finance infrastructure works. The company also owed £1,731,023 (2017: £2,691,094) to the City of Edinburgh Council in respect of longer term loan stock.

At the balance sheet date the company owed £3,614 (2017: £nil) to EDI Central Limited, a fellow group subsidiary.

16. Share capital

Allotted, called up and fully paid:

	2018		2017	
	No	£	No	£
'A' ordinary shares of £1 each	50	50	50	50
'B' ordinary shares of £1 each	50	50	50	50
Preference shares of £1 each	8,000,000	8,000,000	8,000,000	8,000,000
	8,000,100	8,000,100	8,000,100	8,000,100

The company passed a special resolution in October 2010 for the conversion to preference shares of debt owed to The EDI Group Limited. 8,000,000 preference shares of £1 each were allotted.

A cumulative, preferential dividend at the annual rate of 7% of the nominal value per preference share is payable to the preference shareholder. However, liability for payment of the preference dividend, and/or any arrears of the preference dividend is entirely contingent on the company declaring and paying dividends and does not otherwise constitute a debt due by the company.

Consequently, no amount for the period ending 31 December 2018 has been recognised in the financial statements.

17. Trade and other payables

	2018	2017
	£	£
Payable to trade suppliers	52,713	16,300
Corporation tax payable	-	750
Accrued liabilities	17,627	56,345
Other payables		-
Amounts due to group undertakings	1,238,240	1,235,909
	1,308,580	1,309,304

18. Deferred income

	2018	2017
	£	£
Balance brought forward	137,468	320,676
Grants released to profit and loss account	(137,468)	(183,208)
Balance carried forward	-	137,468

19. Other income

	2018	2017
	£	£
Rental income	3,625	4,833

20. Provisions

	2018	2017
	£	£
Balance brought forward	736,280	715,458
Provision recognised in year	-	88,265
Provision released in year	(272,080)	(67,443)
Balance carried forward	464,200	736,280

Provisions for infrastructure expenditure required for completed projects has been spent or released in the year.

21. Loan stock

	2018	2017
	£	£
Loan stock	1,731,023	2,691,094

The unsecured loan stock is held by The City of Edinburgh Council, the company's ultimate parent undertaking. It bears no interest and is repayable on sale of associated land assets or cancellable on provision of community assets. The movement during the year is due to the sale of land and the loan book to The City of Edinburgh Council.

22. Financial instruments and risk management

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

	2018	2017
	£	£
Financial assets		
Financial assets measured at amortised cost	3,374,019	5,291,614

	2018	2016
	£	£
Financial liabilities		
Financial liabilities measured at amortised cost	70,338	72,645

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 and other payables.

Capital risk management
The company aims to manage its overall capital structure to ensure it continues to operate on an ongoing basis within the broad timescales set out in the transition strategy. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents. The Directors are closely involved in the running of the company and are therefore fully aware of the capital position of the company at any point in time and any changes that circumstances bring. As a result they are in a position to address any issues that may arise on a timely basis.

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

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

Market risk
Market risk is the risk that the value of the company's properties and sites under development may fall resulting in further write-offs to the income statement. The company manages this risk by carrying out sensitivity analysis for fluctuations in the property market. Included in market risk is interest rate risk, which is the risk that the expected receipts from deposits may fluctuate due to market conditions. The company monitors this risk but it is very unlikely to affect the company's overall liquidity.

Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. It arises from exposure to customers and amounts owed by group undertakings.

22. Financial instruments and risk management (continued)

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the Board of Directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- only banks and institutions with an acceptable credit rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's credit policies may only purchase in cash or using recognised credit cards.

Liquidity risk

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

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

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 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.

23. Post Balance Sheet events

The company 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.