CEC HOLDINGS LIMITED

Consolidated Financial Statements

For the year ended 31 December 2019

Registered number SC135444

CEC HOLDINGS LIMITED

Consolidated financial statements

For the year ended 31 December 2019

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CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

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 11. The profit on ordinary activities after taxation for the year is £2,609k (2018: £279k).

<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 2019 was a net profit of £1.962m compared to a loss of £0.46m in 2018. Retained earnings increased to £2.4m from £1.4m. 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 £5.3m (2018: £2.3m) and the sales expected in 2020 will be profitable. A dividend of £1.047m was declared in 2019 and it is envisaged that further dividends will be paid in 2020.

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2019

Edinburgh International Conference Centre Limited (“EICC”)

The profit from continuing operations before tax for the year amounted to £630,202 (2018 – £760,180). The Company has, after taxation adjustments, a total comprehensive profit for the year of £623,483 (2018 – £756,135). The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

The year to December 2019 saw the Company produce its best ever operating profits, before adjustments for depreciation and the release of capital grants, and in what was another very successful year it improved its operating and financial performance for the fifth successive year.

This was achieved against a continuing backdrop of: a depressed economic outlook; increased levels of competition within the UK and from across the world; aggressive price competition; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of the year the sales team secured the highest value of business contracted in the year - for the year, since the Company commenced its operations 25 years ago. This was as a result of a number of initiatives that had been introduced by the Company in the preceding three to four years which led to a marked increase in the number of enquiries and consequently the value of short lead bookings contracted during the period, compared to previous years.

The Company grew its turnover and gross profit through an increase in both volume and value of the Conference Centre’s association, corporate, banqueting and other business. In addition to this there was year on year growth across all elements of the Company’s operation, namely room rental charges, charges for additional services and catering commission. Turnover and gross profits were also significantly ahead of budget for the year.

The sales team continued to employ the initiatives that they have put in place in recent years and this enabled them to exceed the sales target for the year as well as lay down a solid platform for future years by reaching the desired revenue position, at the end of 2019, for each of the 4 succeeding years.

The cumulative effect of the sales team’s activities had a significant impact on the Company’s revenues for the year which amounted to £9.359m. This was an increase of £0.596m, on the previous year’s figure of £8.763m, which is equivalent to an increase of 6.8%. These revenues generated a gross profit of £1.336m in 2019 compared to a gross profit of £1.360m for the previous year.

It should be noted that in 2019 the EICC recorded its highest levels of gross profit for the months of March, June, July, August and December since it commenced trading. August has historically been a very difficult month for the Conference Centre, however, a new strategy devised in 2017 has seen the Company record increased levels of operating surplus for that month for the last three years.

The Conference Centre held 209 events in 2019, which was an increase of 11 on the 198 events that were held in the previous year. These events varied enormously in their size, duration, diversity and profitability. Of the association events that were held during the year 6 recorded an event gross profit of over £170,000 each and the top 10 conference and meeting events by value generated £2.162m in cumulative event gross profit during the year.

Day Delegate Rate business continued to perform strongly during the year under review and 85 events of this type were held at the EICC during 2019. The top 10 Day Delegate Rate events by value generated £747,000 in cumulative event gross profit during the year.

The Company continued to broaden the diversification of events held at the EICC and in the course of the year, as well as holding conferences, meetings and exhibitions, the Conference Centre hosted, amongst other things: celebrity dinners; a variety of award ceremonies; dance competitions; ballet performances; comedy shows; comic book and horror movie exhibitions; theatre-circus performances; food and drink fairs; a Christmas food market; and university examinations.

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2019

Occupancy levels for the year increased to 61.02% 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.

Expenditure in respect of cost of sales and administration expenses totalled £8,417m in 2019, which was an increase of £486,000 on the previous year's expenditure which had amounted to £7,931m. This represented an increase of 6.13% compared to the expenditure recorded during the previous year which was well within the budgeted expenditure levels. This was achieved 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. 2019 saw the Company generate its highest ever levels of revenue, gross profits, and operating profit.

During the year 89,505 delegates attended events at the Conference Centre which was a decrease of 7,346 on the previous year. The number of delegate days generated by these delegates amounted to 287,714 for the year compared with 300,452 in 2018. This reduction in delegate numbers was anticipated as it was due 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 £56.7m in 2019 compared to £58.1m during the previous year. It had been anticipated that the economic impact generated for the year would be lower than that achieved in 2018 due to a change in the mix of the Company's business. 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 Company made significant progress towards its aim of operating an hotel, in close proximity to the Conference Centre, during the year. It is believed that this is essential in order to provide the necessary funding for the Conference Centre's long term capital expenditure programme.

In the course of the year the Company: undertook a number of independent consultancy studies in respect of the project; entered into discussions with a developer regarding the lease of a suitable property for the hotel; and selected an appropriate hotel franchise operation, under whose branding the hotel would be operated.

The City of Edinburgh Council, the Company's parent organisation, approved the project on 12 March 2020. Activities aimed at securing an agreement for lease with the developer and a franchise agreement with the hotel brand have been taking place since then and at this point in time these negotiations are still in progress.

Future business on the books was at its highest ever level coming into 2020, both for the current year and for each of the succeeding years until 2024. The coronavirus pandemic has however had a significant impact on event bookings for the period from mid-March until the end of August. Though, at this point in time it is difficult to ascertain how great the effect of the crisis will be on the Company from September until the end of the year.

The principal risk to the business from the pandemic is the cancellation of business, or the rescheduling of events to subsequent years, resulting in a significant loss of revenues with a corresponding reduction in operating profits for 2020. This is compounded by: the uncertainty surrounding the medium-term impact of the current restrictions; when they will be eased with specific reference to the Company's operations; and what mitigating reliefs will be available and for how long.

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2019

The Company has held the view for many years that its team members are its principal asset, and this remains to be the case. It is therefore keen to protect them and retain the experience and expertise that they have with regard to the operation of the Conference Centre. Whilst a significant number of these team members are currently on furlough leave the Company will use its best efforts to retain them through the current crisis.

The sales team have negotiated the retention and rescheduling of a significant amount of client business since the crisis began and this has been aided by the client relationships that have been developed over many years and by the loyalty of many of the Company's customers. It is believed that many of these customer relationships have been strengthened further as a result of the flexible approach that the Company has adopted during the crisis.

The Company had budgeted an operating surplus of £0.9m for 2020, however, as a result of the current crisis this has been significantly downgraded and the Company is now forecasting producing an operating loss of £0.5m for the year. This will, however, be affected by: how long the crisis lasts; when the easing of restrictions will apply to the Conference Centre's business; and the social distancing measures that will need to be put in place and how these will affect the Conference Centre's operations.

Notwithstanding the above the Conference Centre has an extensive list of bookings for future years and the Company's business outlook for the medium and long term remains very positive.

This is reinforced by the fact that even in the midst of the current crisis the sales team has continued to receive a steady stream of enquiries for 2021 and subsequent years. Indeed, since the current lockdown period commenced: 2 large corporate bookings have been contracted for January 2021; a large association event has been contracted for September of the same year; and a further enquiry has recently been received from a large international corporation for an event scheduled for May 2021.

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.

As noted above, the coronavirus pandemic will undoubtedly have a significant impact on the EICC's business results for 2021. Whilst the extent of the risk posed by the crisis remains uncertain, the Directors believe that the business outlook for the medium and long term remains very positive.

The Directors recognise that the EICC has lost business, and will lose business in the future, as a result of Brexit and the uncertainty surrounding its implementation. However, they believe that such losses will be compensated for by securing increased levels of business from the UK, America and the Far East.

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 2019

Key performance indicators

	2019 £'000	2018 £'000	% Change
Turnover	14,432	12,133	19%
Cost of sales and administrative expenses	8,996	8,612	4%

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

Date: **October 2020**

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 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Directors

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

Mr C Rose
Mr F Ross (resigned 21 November 2019)
Ms L M Cameron
Ms K Campbell (appointed 21 November 2019)

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 2019

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

During 2019, the company's appointed auditor, Scott-Moncrieff Chartered Accountants, was acquired by Azets. Accordingly, Scott-Moncrieff Chartered Accountants formally tendered their resignation as auditor and were replaced by Azets Audit Services, a company owned by Azets, who have signed the audit report in their name. Azets Audit Services have expressed their willingness to continue in office as the company's auditor and will be proposed for reappointment at the Annual General Meeting.

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

Date: **October 2020**

Burness Paull LLP
Secretaries

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

CEC HOLDINGS LIMITED

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

For the year ended 31 December 2019

Opinion

We have audited the financial statements of CEC Holdings Limited for the year ended 31 December 2019 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 2019 and of its profit for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

CEC HOLDINGS LIMITED

Independent auditors' report to the members of CEC Holdings Limited - continued

For the year ended 31 December 2019

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.

CEC HOLDINGS LIMITED

Independent auditors' report to the members of CEC Holdings Limited - continued

For the year ended 31 December 2019

Use of our report

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

Nick Bennett, Senior Statutory Auditor
For and on behalf of Azets Audit Services
Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: **October 2020**

Consolidated and Parent Company Statement of Profit or Loss

For the year ended 31 December 2019

		Consolidated Group		Parent Entity	
	Note	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Continuing Operations					
Revenue	3	14,432	12,133	11	53
Cost of sales		(7,902)	(7,318)	-	-
Gross profit		6,530	4,815	11	53
Development expenses		(115)	(22)	-	-
Other operating income	4	1	32	1	10
Grant release	19	-	138	-	-
Employee benefits expense	9	(2,748)	(3,171)	-	-
Administrative expenses		(1,094)	(1,294)	(36)	(45)
Work in progress written off		(733)	60	-	-
Impairment movement on investments	13	-	-	-	3,116
Profit/(loss) from operations		1,841	558	(24)	3,134
Loss on disposal		(1)	(82)	-	-
Dividend income		-	-	1,047	-
Finance income	6	80	76	164	94
Finance costs	7	(389)	(246)	(163)	(94)
Other income		1,499	4	-	-
Loss on settlement	23	-	(152)	-	-
Increase in fair value of investment property	12	28	-	-	-
Profit/(loss) before income tax expense		3,058	158	1,024	3,134
Income tax credit/(charge)	8	(449)	121	4	(3)
Net profit/(loss) for the year from continuing operations		2,609	279	1,028	3,131
Attributable to:					
Equity holders of the parent		2,609	279	1,028	3,131

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.

Consolidated and Parent Company Statement of Financial Position

As at 31 December 2019

	Note	Consolidated Group 2019 £'000	Consolidated Group 2018 £'000	Parent Entity 2019 £'000	Parent Entity 2018 £'000
Non-current assets					
Property, plant and equipment	10	7,628	6,598	-	-
Investment property	12	248	220	-	-
Investments in associates and subsidiaries	13	269	269	16,393	16,393
Total non-current assets		8,145	7,087	16,393	16,393
Current assets					
Cash and cash equivalents	21	11,110	7,196	128	111
Trade and other receivables	15	8,726	8,582	1,449	278
Inventory	14	9,244	9,595	-	-
Total current assets		29,080	25,373	1,577	389
Total assets		37,225	32,460	17,970	16,782
Equity and Liabilities					
Equity attributable to equity holders of the parent					
Contributed equity	22	3,000	3,000	3,000	3,000
Retained earnings	23	(49,497)	(51,059)	1,007	1,026
Capital contribution reserve	23	66,913	66,196	12,523	12,523
Total equity		20,416	18,137	16,530	16,549
Non-current liabilities					
Other financial liabilities	17	380	217	380	217
Accruals and deferred income	19	1,701	1,947	-	-
Lease obligations	11	970	-	-	
Total non-current liabilities		3,051	2,164	380	217
Current liabilities					
Trade and other payables	16	8,959	8,181	1,060	13
Corporation tax	16	-	7	-	3
Other financial liabilities	17	4,799	3,971	-	-
Total current liabilities		13,758	12,159	1,060	16
Total liabilities		16,809	14,323	1,440	233
Total equity and liabilities		37,225	32,460	17,970	16,782

The financial statements were approved by the board of directors and authorised for issue on ____October 2020 and are signed on its behalf by

....

Director

Registered number SC135444

The accompanying notes form part of these financial statements.

Consolidated and Parent Company Statement of Changes in Equity

As at 31 December 2019

Group	**Share Capital £'000**	**Capital Contribution £'000**	**Retained Earnings £'000**	**Total £'000**
Balance at 1 January 2018	3,000	65,601	(51,338)	17,263
Profit for the year	-	-	279	279
Net movement on recognition of loans	-	595	-	595
Balance at 31 December 2018	3,000	66,196	(51,059)	18,137
Balance at 1 January 2019	3,000	66,196	(51,059)	18,137
Profit for the year	-	-	2,609	2,609
Net movement on recognition of loans	-	717	-	717
Dividend declared	-	-	(1,047)	(1,047)
Balance at 31 December 2019	3,000	66,913	(49,497)	20,416

Company	**Share Capital £'000**	**Capital Contribution £'000**	**Retained Earnings £'000**	**Total £'000**
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
Balance at 1 January 2019	3,000	12,523	1,026	16,549
Profit for the year	-	-	1,028	1,028
Dividend declared	-	-	(1,047)	(1,047)
Balance at 31 December 2019	3,000	12,523	1,007	16,530

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Consolidated Group 2019 £'000	Consolidated Group 2018 £'000	Parent Entity 2019 £'000	Parent Entity 2018 £'000
Cash flow from operating activities				
Total comprehensive profit/(loss) for year	2,609	279	1,028	3,131
Adjustments for:				
Taxation (credit)/charge	449	(125)	-	3
Depreciation	841	844	-	-
Interest received	(80)	(76)	(164)	(94)
Interest paid	389	246	163	94
Loss on disposal of available for sale assets	1	82	-	-
Net revaluations of non-current assets	(28)	-	-	(3,116)
Release of deferred grant income	(282)	(460)	-	-
Decrease in inventories	351	1,108	-	-
Decrease/(Increase) in receivables	(144)	2,054	(1,171)	(123)
(Decrease)/Increase in payables	1,947	(1,466)	1,207	86
Decrease in defined benefit obligation	-	(415)	-	-
Taxation (paid)/received	(456)	(28)	-	3
Net cash flows from operating activities	5,597	2,043	1,063	(16)
Cash flow from investing activities				
Purchase of property, plant and equipment	(1,871)	(595)	-	-
Proceeds from sale of available for sale assets	(1)	747	-	-
Interest received	80	(18)	1	-
Net cash flows from investing activities	(1,792)	134	1	(16)
Cash flow from financing activities				
Dividends paid	(1,047)	-	(1,047)	
Loan stock issued	717	595	-	-
Increase/(decrease) in loan stock borrowings	828	(2,221)	-	-
Interest paid	(389)	(152)	-	-
Net cash flows from financing activities	109	(1,778)	(1,047)	-
Net increase/(decrease) in cash and cash equivalents	3,914	399	17	(16)
Cash and cash equivalents at beginning of year	7,196	6,797	111	127
Cash and cash equivalents at end of year	11,110	7,196	128	111
Bank balances and cash	11,110	7,196	128	111

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.

Adoption of new and revised standards

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

The Group has adopted the following new and amended IFRSs as of 1 January 2019:

- Leases (IFRS 16)
- Income taxes: treatment of tax consequences of dividends and other distributions (Amendments to IAS 12)
- Uncertainty over income tax treatments (IFRIC 23)

The introduction of IFRS 16 has not had any significant impact on the operating profits generated by the Group during the year. Its principal effect has, however, been to introduce approximately £1m of right-of-use assets onto the Statement of Financial Position. These assets have been offset by a corresponding increase in financial liabilities.

The above amendments are not considered to have materially impacted the financial statements of the Group.

Guidance in issue but not in force

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

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

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

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Notes to the Financial Statements (continued)

For the year ended 31 December 2019

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 13 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has left the economic entity during the year its operating results have been included until the date control ceased.

b. Going concern

The 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.

c. Investments in associates

The group's share of its associates' 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 equals or exceeds its interest in the associate, 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.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. 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.

d. Income tax

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

The amount of benefit brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

e. 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.

f. 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.

g. Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position.

The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 when the option to enter into a new lease was exercised. From this date the assets have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing. The leaseholders hold no rights to impose restrictions on or reclaim the title of the Conference Centre.

Leased assets

For all contracts in existence on 1 January 2019 and any new contracts entered into on or after 1 January 2019, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'.

Where it is determined that: the contract contains an identified asset; the group has the right to obtain substantially all of the economic benefits from the use of that asset throughout the period of use; and it has the right to direct the use of that asset throughout the period of use, the contract will be deemed to include a right-of-use-asset.

At lease commencement date, a right-of-use asset and a lease liability are recognised on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred and an estimate of any costs required to dismantle and remove the asset at the end of the lease.

The right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

Within the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in financial liabilities.

In adopting IFRS 16 the group has used the modified retrospective approach of initially applying the standard as an adjustment to opening equity at the date of initial application. In keeping with this approach comparative figures have not been restated.

h. 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.

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Notes to the Financial Statements (continued)

For the year ended 31 December 2019

i. 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.

j. 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.

k. 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.

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Notes to the Financial Statements (continued)

For the year ended 31 December 2019

l. 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.

m. 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.

n. Investments

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

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.

Transaction price allocated to the remaining performance obligations

	2019
	£
Project management of Market Street Hotel	-

The hotel was handed over to HMI on 23 November 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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Rental income	-	5	-	-
Rendering of services	112	860	11	53
Property sales	5,020	2,547	-	-
Provision of conferencing facilities	9,301	8,721	-	-
	14,433	12,133	11	53

4. Other operating income

An analysis of other operating income is as follows:

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Reimbursement of development expenditure	1	32	1	10

5. Profit/(loss) before income tax expense

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Profit/(loss) before income tax expense is stated after charging:				
Auditor's remuneration:				
- Audit	58	50	5	5
- Non-Audit	19	17	8	8
Depreciation and other amounts written off tangible fixed assets:				
Owned	716	844	-	-
Operating lease rentals – land and buildings	113	154	-	-
Operating lease rentals – plant and equipment	12	87	-	-
Capital grant released	(282)	-	-	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6. Finance income

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Interest on bank deposits	-	-	-	-
Other interest receivable	80	76	164	94
	80	76	164	94

7. Finance costs

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
On secured loan stock held by the City of Edinburgh Council	319	246	163	94
Effective interest on leased assets	69	-	-	-
	388	246	163	94

8. Income tax expense

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current tax:				
- Domestic	536	(121)	(4)	3
- Adjustments in respect of previous periods	(87)	-	-	-
	449	(121)	(4)	3

8. Income tax expense (continued)

	Consolidated Group		Parent Entity	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
The tax charge is allocated in the financial statements as follows:				
Consolidated Statement of Comprehensive income	449	(121)	(4)	3
Statement of changes in equity	-	-	-	-
	449	(121)	(4)	3

Domestic income tax is calculated at 19% (2018: 19%) 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		Parent Entity	
	2019	**2018**	**2019**	**2018**
	£'000	**£'000**	**£'000**	**£'000**
Profit/(loss) on ordinary activities before taxation	3,059	158	1,024	3,134
Profit/(loss) on ordinary activities at the effective rate of corporation tax of 19% (2018 – 19%)	874	30	194	595
Effects of:				
Expenses that are not taxable for tax purposes	39	49	-	(592)
Tax effect of other short term timing differences	-	-	-	-
Non-taxable income	(5)	-	-	-
Exempt ABGH transfers	(333)	-	(198)	-
Deferred tax not recognised	(176)	(234)	-	-
Adjustment of deferred tax to average rate	(13)	(53)	-	-
Other timing differences	1	-	-	-
Utilisation of tax losses		-	-	-
Fixed asset differences	61	87	-	-
Change in tax rate		-	-	
Adjustment in respect of previous years	1	-	-	-
Losses surrendered	(6)	(118)	-	-
Group relief	6	118	-	-
Current tax charge/(credit) for year attributable to the company and its subsidiaries	449	(121)	(4)	3

9. Employee benefits expense

The average number of persons employed by the group (including directors) during the year was 65 (2018: 66). The aggregate payroll costs of these persons were as follows:

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Wages and salaries	2,403	2,711	-	-
Social security costs*	211	237	-	-
Pension costs*	134	212	-	-
Other staff costs	-	7	-	-
Redundancy salary costs*	-	4	-	-
	2,748	3,171	-	-

* 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 2017 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 prior 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 prior year. An additional £4,000 of redundancy salary costs were incurred when the costs crystallised in the prior year.

Directors' remuneration
Group and company

	2019 £'000	2018 £'000
Directors' emoluments	314	352
Pension contributions	21	41
Redundancy salary costs**	-	1
	335	394
Highest paid director:		
Directors' emoluments	185	172
Pension contributions	8	16
	193	188

No remuneration is paid to non-executive directors.

Retirement benefits are accruing to no directors (2018: one) under a defined benefit scheme. Directors' remuneration costs disclosed above exclude employer's national insurance costs of £Nil (2018: £Nil).

** As outlined above a provision was made for redundancy costs due to directors in 2017 which was incurred in 2018 because of the closure process in The EDI Group Limited.

10. Property, plant and equipment

	Right-of-use assets £'000	Leasehold Properties £'000	Motor Vehicles £'000	Infra-Structural Works £'000	Office Equipment & Furniture £'000	Total £'000
Group						
Cost or valuation						
At beginning of year	-	35,265	-	6,670	6,346	48,281
Additions	1,160	338	-	-	373	1,871
At end of year	-	35,603	-	6,670	6,719	50,152
Depreciation						
At beginning of year	-	(30,194)	-	(6,483)	(5,006)	(41,683)
Charge for year	(125)	(186)	-	(112)	(418)	(841)
At end of year	-	(30,380)	-	(6,595)	(5,424)	(42,524)
Net book value						
At 31 December 2019	1,035	5,223	-	75	1,295	7,628
At 31 December 2018	-	5,071	-	187	1,340	6,598

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

The right-of-use assets are included under the same fixed asset categories as they would be if they were owned.

11. Lease obligations

As a lessee

The Group has leases for several properties. With the exception of leases of low-value underlying assets, each lease is reflected in the Statement of Financial Position within Property, plant and equipment and Lease obligations.

Leases of properties have a remaining lease term ranging from 6 to 25 years. All lease payments are fixed and all lease contracts are non-cancellable. The Group does not sublet any of the properties under lease contract.

Right-of-use assets

	Consolidated Group 2019 Properties £'000	Parent Entity 2019 Properties £'000
Net book value at 1 January	-	-
Additions	1,160	-
Depreciation charge for the year	(125)	-
Net book value at 31 December	1,035	-

11. Lease obligations (continued)

Right-of-use assets

	Consolidated Group 2018	Parent Entity 2018
	Properties £'000	**Properties £'000**
Net book value at 1 January	-	-
Additions	-	-
Depreciation charge for the year	-	-
Net book value at 31 December	-	-

Lease liabilities are presented in the statement of financial position as follows:

Analysed as:	**Consolidated Group**		**Parent Entity**	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Current	93	-	-	-
Non-current	970	-	-	-

The lease liabilities are secured on the related underlying assets. The undiscounted maturity analysis of lease liabilities as at 31 December is as follows:

Group	**Within 1 year 2019 £'000**	**Between 2 and 5 years 2019 £'000**	**Over 5 years 2019 £'000**
Lease liability - properties	93	633	337
Net present value	93	633	337

Group	**Within 1 year 2018 £'000**	**Between 2 and 5 years 2018 £'000**	**Over 5 years 2018 £'000**
Lease liability - properties	-	-	-
Net present value	-	-	-

The Company has entered into a number of leases in relation to office accommodation, office equipment and motor vehicles. These leases are in respect of identified assets and under the terms of the agreements the Company has the right to obtain substantially all of the economic benefits from the use of the assets throughout the period of their use. It also has the right to direct the use of the assets throughout their period of use.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11. Lease obligations (continued)

The lease liability, in respect of these assets, is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

12. Investment property

	Heritable Investment Properties
	£'000
Group	
Valuation	
At 1 January 2019	220
Increase in fair value	28
At 31 December 2019	248
Net book value	
At 31 December 2019	248
At 31 December 2018	220

An investment property owned by the group was valued at £247,934 at 31 December 2019 by an internal Chartered Surveyor on the basis of open market value for existing use. The valuation was carried out in accordance with the Practice Statement in RICS Appraisal and Valuation Manual. The related rental income recognised in the Statement of Profit or Loss and Other Comprehensive Income was £nil (2018: £nil) along with direct operating expenses of £nil (2018: £nil).

The Scottish Ministers hold a standard security on a development property in respect of any amounts due to them by the group. The carrying value of this at the year-end is £nil. (2018: £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.

13. Fixed asset investments

Group

	Associated Undertakings
Post acquisition reserves	**£'000**
At 1 January 2019	269
Increase in fair value	-
At 31 December 2019	269
Net book value	
Loans to and share of net assets in associated undertakings	
At 31 December 2019	269
At 31 December 2018	269

Company

	Shares in Group Undertakings £'000	Loans to Group Undertakings £'000	Total £'000
Shares and loans			
At 1 January 2019	13,517	2,876	16,393
Impairment movement	-	-	-
	13,517	2,876	16,393
Net book value			
At 31 December 2019	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 17.

13. 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.

14. Inventory

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Development properties and associated costs	9,244	9,595	-	-

15. Current trade and other receivables

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade receivables	1,545	3,032	-	-
Amounts owed by group & associated undertakings	2,322	1,571	1,063	53
Other receivables	1,960	2,026	6	8
Prepayments and accrued income	339	649	-	-
	6,166	7,278	1,069	61
Non-current trade and other receivables				
Other receivables	2,560	1,304	380	217
	8,726	8,582	1,449	278

16. Trade and other payables (current)

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade and other payables	1,019	1,456	-	-
Amounts due to group & associated undertakings	2,900	1,255	1,047	-
Other payables	455	430	-	-
Corporation tax	-	7	-	3
Other taxation and social security	116	423	-	-
Accruals and deferred income	3,361	2,967	13	13
Provisions (note 18)	1,108	1,289	-	-
Retired benefit obligation (note 23)	-	361	-	-
	8,959	8,188	1,060	16

17. Other financial liabilities

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current				
Convertible unsecured loan stock	4,799	3,971	-	-
	4,799	3,971	-	-
Non-current				
Convertible unsecured loan stock	-	-	-	-
Non-convertible unsecured loan stock	380	217	380	217
	380	217	380	217

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.

	2019 £'000	2018 £'000
Convertible unsecured loan stock – non-interest bearing	2,559	1,731
Convertible unsecured loan stock 2018	2,240	2,240
	4,799	3,971

17. Other financial liabilities (continued)

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

Loan Stock	Effective Interest Rate %	Amortised cost at 31 December 2019 £'000	Aggregate Interest £'000
Non-Convertible Unsecured Loan Stock 2022	75	250	250
Non-Convertible Unsecured Loan Stock 2023	75	93	93
Non-Convertible Unsecured Loan Stock 2024	70	33	33
Non-Convertible Unsecured Loan Stock 2025	75	4	4
		380	380

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 13) 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 £59,064k, was issued directly to The City of Edinburgh Council by Edinburgh International Conference Centre Limited.

18. Provisions

	Consolidated Group 2019 £'000	Consolidated Group 2018 £'000	Parent Entity 2019 £'000	Parent Entity 2018 £'000
Infrastructure expenditure				
Balance brought forward	464	736	-	-
Increase in provision for the year	644	-	-	-
Decrease in provision for the year	-	(272)	-	-
	1,108	464	-	-
Consultancy expenditure				
Balance brought forward	-	640	-	-
Increase in provision for the year	-	-	-	-
Decrease in provision for the year	-	(640)	-	-
	-	-	-	-
Overspend on Market Street Project				
Balance brought forward	825	401	-	-
Increase in provision for the year	-	424	-	-
Decrease in provision for the year	(825)	-	-	-
	-	825	-	-
Redundancy costs				
Balance brought forward	-	804	-	-
Increase in provision for the year	-	-	-	-
Decrease in provision for the year	-	(804)	-	-
	-	-	-	-
	1,108	1,289	-	-

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 prior year related to potential cost overruns on the project which are unlikely to be recoverable. As final negotiations were reached in the current year, the total provision was released against the total cost of sales in the current year.

As discussed in note 9, a provision for expected redundancy costs totalling £804,000 was recognised in 2017. All costs were paid in the prior year and there were no remaining objections. The unspent element of the provisions was released.

19. Deferred income & capital grants

	Consolidated Group		Parent Entity	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Capital grants	1,305	1,521	-	-
Deferred income	396	426	-	-
	1,701	1,947	-	-

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	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Capital grants brought forward	1,803	2,263		-
Received during period	-	-		-
Released during period	(282)	(460)		-
Capital grants carried forward	1,521	1,803		-
Analysed as follows:				
Current obligations	216	282		-
Non-current obligations	1,305	1,521		-
Capital grants carried forward	1,521	1,803		-

20. 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	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Balance brought forward	2,370	2,461	-	-
Deferred during the year	2,163	1,959	-	-
Income released to profit and loss	(1,944)	(1,911)	-	-
Grants released to profit and loss	-	(139)	-	-
Deferred income carried forward	2,589	2,370	-	-
Analysed as follows:				
Current obligations	2,193	1,944		-
Non-current obligations	396	426		-
Deferred income carried forward	2,589	2,370		-

21. Cash and cash equivalents

	Consolidated Group		Parent Entity	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank and in hand	11,110	7,196	128	111

22. Contributed equity

	Consolidated Group		Parent Entity	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	3,000	3,000	3,000	3,000

23. Reserves

Group	Capital Contribution £'000	Retained earnings £'000
At 1 January 2019	66,196	(51,059)
Profit for the year	-	2,611
Dividend declared	-	(1,047)
Actuarial gain on pension scheme	-	-
Deferred tax thereon	-	-
Net movement on recognition of loan	717	-
Release of capital contribution reserve	-	(2)
At 31 December 2019	66,913	(49,497)

Company	Capital Contribution £'000	Retained earnings £'000
At 1 January 2019	12,523	1,026
Profit for the year	-	1,028
Dividend declared	-	(1,047)
At 31 December 2019	12,523	1,007

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.

24. Employee benefits

The EDI Group Limited ("the Employer") 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.

Pension costs

As part of the closure process, 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 prior year and the final cessation valuation, was recorded as a 'Loss on settlement of the pension scheme' through the Statement of Profit or Loss and Other Comprehensive Income in the prior year:

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

As all liabilities relating to the pension fund were accounted for in the prior year, no further costs were incurred in the current year.

The cessation deficit, valued at 31 October 2018, of £361,000 was payable to the Fund at the end of the prior year. This amount was paid over during 2019.

Edinburgh International Conference Centre Limited

Edinburgh International Conference Centre Limited operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Company in an independently administered fund.

The total amount paid to the scheme during the year totals £133,630 (31 December 2018: £124,759).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £26,828 (31 December 2018: £3,238).

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	-	(2,240)
			Interest on loan	(156)	(125)
City of Edinburgh Council	Ultimate holding organisation	EDI Central Ltd	Funds due from NCP	535	420
City of Edinburgh Council	Ultimate holding organisation	EDI Market Street Ltd	Profit element of construction contract	(32)	-
City of Edinburgh Council	Ultimate holding organisation	Parc Craigmillar Ltd	Loan for infrastructure works	-	(1,220)
			Loan stock	828	(2,559)
City of Edinburgh Council	Ultimate holding organisation	Edinburgh International Conference Centre Ltd	Loan stock	373	(8,256)
			Development and construction costs	(115)	717
City of Edinburgh Council	Ultimate holding organisation	CEC Holdings Ltd	Professional services	(20)	-
			Unsecured loan notes	-	(2,876)
			Dividend declared	1,047	(1,047)

26. Ultimate parent undertaking

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

27. 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 2019.

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

	Consolidated group		Parent entity	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Financial assets				
Financial assets measured at amortised cost	17,514	13,545	514	111

	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Financial liabilities				
Financial liabilities measured at amortised cost	7,891	6,107	13	16

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.

28.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 2019 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.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

28.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 date.

The only financial instruments measured at fair value are available for sale financial assets. These are valued annually 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.

28. Movements in financing liabilities arising from financing activities

	Current loans and borrowings £'000	Non-current loans and borrowings £'000	Total £'000
At 1 January 2019	3,971	217	4,188
<u>Cash flows</u>			
Movement in loan stock borrowings	-	828	828
<u>Non cash flow borrowings</u>			
Effective interest on loan stock balances	-	163	163
Movement in ageing profile of other financial liabilities	828	(828)	-
At 31 December 2019	4,799	380	5,179

29. Post Balance Sheet Events

<u>EDI Group Limited</u>

Agreement has been reached to sell Greendykes plots K and L with the price currently under negotiation but expected to be in the region of £1.8-£1.9m. The transaction is expected to conclude by summer 2020.

Agreement has also been reached to sell land at New Brunstane, with the transaction expected to complete in September 2020.

The group carries out annual revaluations that ensures of all property, including investment property. All valuations were carried out internally, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020 has impacted global financial markets.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our post year-end sales valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we will keep the valuation of this property under review.

29. Post Balance Sheet Events (continued)

EICC Limited

A new transmittable disease, coronavirus, which was first recognised in China at the end of 2019, began affecting countries in Europe and the rest of the world in the early part of 2020. As a result of this and due to increasing concerns about the impact of the virus on people's health and wellbeing many businesses began to alter their modus operandi during February and March of this year.

The UK Government introduced a raft of lockdown restrictions on 23 March which meant that all non-essential business operations had to close. A number of events that had been schedules to be held at EICC prior to this date had previously been cancelled and the government restrictions resulted in a huge number of clients contacting the Company to advice that they wished to cancel or postpone their forthcoming events.

As a result of this no events have been held at the EICC since the middle of March. Many of the clients with events that had been due to take place between then and the end of August have subsequently either cancelled their event and agreed a cancellation charge or have rescheduled their event to later in the year or into subsequent years.

This has had a significant impact on the Company's revenues which are currently approximately £8.6m down on budget for the year with cost of sales showing a reduction of nearly £4.0m against budget. These figures have been offset by a reduction in operating expenses of approximately £2.9m resulting in an estimated overall reduction in operating profit for 2020 of £1.7m.

The Company is now forecasting an operating loss of £0.8m for the year to 31 December 2020 but it has sufficient cash reserves to be able to cover this projected loss.

As this point in time the Scottish Government has not given any indication of when conference and exhibition venues will be able to reopen. However, the Company has a full order book for early September to the end of the year and given the current progress with regard to the easing of lockdown restrictions it remains confident that it will be able to service these events.

It should also be noted that the Company already has a very healthy events diary for 2021 and that this has been significantly enhanced with the business that has been rescheduled from 2020. It is therefore anticipated, at this point in time, that the Company will return to its pre 2020 levels of operating profit next year.

The figures, shown in the accounts, for the year to 31 December 2019 have not had to be adjusted in any way as the impact of the coronavirus pandemic had no impact on the Company's business for the year under review.