

**COMPANIES HOUSE
EDINBURGH**

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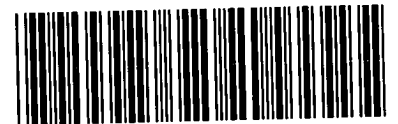
WATERFRONT EDINBURGH LIMITED

Directors' report and financial statements

For the year ended 31 December 2018

Registered number SC200223

TUESDAY



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20/08/2019
COMPANIES HOUSE

WATERFRONT EDINBURGH LIMITED
Directors' report and financial statements
For the year ended 31 December 2018

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WATERFRONT EDINBURGH LIMITED

Officers and professional advisers

For the year ended 31 December 2018

The Board of Directors

I Whyte
L M Cameron
K Campbell

Registered Office

Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Auditor

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

Bankers

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

WATERFRONT EDINBURGH LIMITED

Directors' report

For the year ended 31 December 2018

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

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

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

In early 2017 the Council conducted a review of its approach to the use of surplus land and its interactions with the property market. The Council concluded that the group will have no future pipeline of projects and therefore took the decision that the group and this company should begin a process of managed closure. The Council as shareholder instructed the Directors to begin this process.

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

The company will remain active whilst holding the investment in its joint venture company. The Directors are confident that the group and the company will have sufficient funds to meet all external liabilities.

Directors

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

G K Barrie (resigned 14 March 2018)
E Adair (resigned 30 June 2018)
I Whyte
H Rutherford (resigned 30 May 2018)
L M Cameron
K Campbell (appointed 27 March 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

WATERFRONT EDINBURGH LIMITED

Directors' report (continued)

For the year ended 31 December 2018

Directors' responsibilities statement (continued)

- 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.

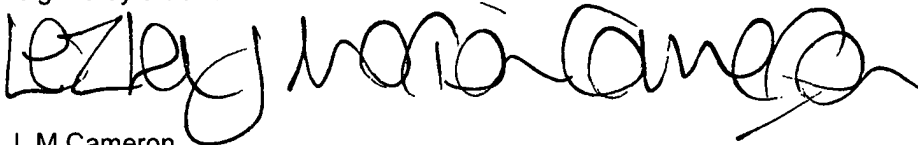
Auditor

The auditor, Scott-Moncrieff, is 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:

A handwritten signature in black ink, appearing to read 'L M Cameron', written over a horizontal line.

L M Cameron
Director

Approved by the Directors on 8 August 2019

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2018

Opinion

We have audited the financial statements of Waterfront Edinburgh Limited for the year ended 31 December 2018 which comprise the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Basis of preparation

We draw attention to notes 2 and 3 in the financial statements, which describe the basis of preparation. The Directors have prepared the financial statements using a non going concern basis of accounting as they consider that the company is not a going concern. Our opinion is not modified in respect of this matter.

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2018

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2018

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Nick Bennett, *Senior Statutory Auditor*

For and on behalf of Scott-Moncrieff, Statutory Auditor

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 8 August 2019

WATERFRONT EDINBURGH LIMITED

Statement of profit or loss and other comprehensive Income

For the year ended 31 December 2018

	Notes	2018 £	2017 £
Revenue	4	1,055,719	49,803
Cost of sales	5	(891,500)	419,960
Gross profit		<u>164,219</u>	<u>469,763</u>
Administrative expenses		(72,967)	(123,238)
Profit from operations	6	<u>91,252</u>	<u>346,525</u>
Increase in fair value of investments		-	45,450
Profit before interest and tax		<u>91,252</u>	<u>391,975</u>
Finance income		890	2,541
Profit before tax		<u>92,142</u>	<u>394,516</u>
Corporation Tax	9	-	-
Net profit for the year		<u><u>92,142</u></u>	<u><u>394,516</u></u>

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

The accompanying notes on pages 12 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of changes in equity

For the year ended 31 December 2018

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

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2017	33,250,000	(30,998,178)	2,251,822
Profit for the year	-	394,516	394,516
Dividends payable	-	(1,600,000)	(1,600,000)
Reduction in share capital	(33,249,800)	33,249,800	-
Balance at 31 December 2017	200	1,046,138	1,046,338

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

The accompanying notes on pages 12 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

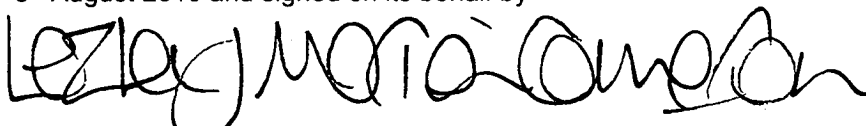
Statement of financial position

As at 31 December 2018

	Notes	2018 £	2017 £
Non-current assets			
Investment property	10	-	210,000
Investments in subsidiary and associate	11	269,200	269,200
Total non-current assets		269,200	479,200
Current assets			
Inventories	12	-	1,050,000
Trade and other receivables	13	842,404	27,029
Cash and cash equivalents	15	43,573	587,127
Total current assets		885,977	1,664,156
Total assets		1,155,177	2,143,356
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	16	200	200
Retained earnings		1,138,280	1,046,138
Total equity		1,138,480	1,046,338
Current liabilities			
Trade and other payables	17	16,697	1,097,018
Total liabilities		16,697	1,097,018
Total equity and liabilities		1,155,177	2,143,356

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

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



L M Cameron, Director

Company number: SC200223

The accompanying notes on pages 12 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of cash flows

For the year ended 31 December 2018

	2018	2017
	£	£
Cash flow from operating activities		
Profit/(loss) before tax	92,142	394,516
Adjustments for:		
Finance income	(890)	(2,541)
(Increase)/decrease in fair value of investments	-	(45,450)
Sale of investment property	210,000	-
Operating profit/(loss)	<u>301,252</u>	<u>346,525</u>
Decrease in inventories	1,050,000	71,952
(Increase)/Decrease in trade and other receivables	(815,375)	128,019
Increase/(decrease) in trade and other payables	(1,080,321)	874,227
(Decrease) in long-term provisions	-	(500,000)
Cash flows from operations	<u>(544,444)</u>	<u>920,723</u>
Interest received	890	2,541
Net cash inflow/(outflow) from operating activities	<u>(543,554)</u>	<u>923,264</u>
Cash flows from financing activities		
Dividends paid	-	(1,600,000)
Net cash outflow from financing activities	<u>(543,554)</u>	<u>(1,600,000)</u>
Net decrease in cash and cash equivalents	<u>(543,554)</u>	<u>(676,736)</u>
Cash and cash equivalents as at 1 January	<u>587,127</u>	<u>1,263,863</u>
Cash and cash equivalents as at 31 December	<u><u>43,573</u></u>	<u><u>587,127</u></u>

The accompanying notes on pages 12 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2018

1. Presentation of financial statements

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

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2018, and with potential effect.

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2018

1. Presentation of financial statements (continued)

New standards and interpretations issued and adopted early

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

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

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

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 year.

2. Going concern

As described in the Directors' Report, the group's ultimate shareholder, The City of Edinburgh Council, has concluded that the group should begin a process of closure. The company has now ceased all development activities and the remaining land and buildings were transferred to the Council in May 2018. Financial assets will be realised according to their contractual terms and the company intends to meet its contractual obligations in full. The company will remain active whilst holding the investment in its joint venture company.

The Company, and the Group, as part of its regular evaluation of liquidity risk, models the principal risks and uncertainties in its cash flow projections for the envisaged closure strategy. After discussions with the shareholder and after assessing the availability of cash balances under a range of scenarios, the Directors have formed the opinion that the company has sufficient resources to meet all 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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Accounting policies (continued)

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. Revenue from sales is recognised when persuasive evidence of an arrangement exists, the significant risks and rewards of ownership have been transferred to the buyer, the price is fixed and determinable and collectability is probable.

Revenue from property sales is recognised upon legal completion.

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

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

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

Financial instruments

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Accounting policies (continued)

Trade and other payables

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

Investments

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

Current and deferred taxation

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

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

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

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2018

3. Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition or production cost less accumulated depreciation and impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following bases:

Fixtures & Fittings	- 25% straight line
Motor Vehicles	- 25% straight line

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.

Inventories

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

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

4. Revenue

An analysis of revenue is as follows:

	2018 £	2017 £
Sale of property	1,050,000	-
Investment property rental income	-	9,274
Inventory property rental income	4,586	38,191
Rendering of services	713	2,338
Other income	420	-
	<u>1,055,719</u>	<u>49,803</u>

5. Cost of sales

	2018 £	2017 £
Sale of land	1,050,000	-
Vacant property costs and works	-	1,335
Change in value of WIP	-	78,705
Release in provisions	(158,500)	(500,000)
	<u>891,500</u>	<u>(419,960)</u>

WATERFRONT EDINBURGH LIMITED**Notes to the financial statements (continued)****For the year ended 31 December 2018****6. Operating profit**

Operating profit is stated after crediting the following:

	2018 £	2017 £
Lease payments under operating leases recognised as income in the period	4,586	47,465

7. Directors

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

8. 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	6,825	6,825
Fees payable to the company's auditor for tax services	1,575	1,575

9. Corporation tax**(a) Analysis of charge in the year**

	2018 £	2017 £
Current tax credit	-	-
Adjustments in respect of previous periods	-	-

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2018

9. Corporation tax (continued)

(b) Factors affecting tax charge in the year

The tax charge for the year is different than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Profit/(loss) before tax	92,142	394,516
Tax on accounting profit at 19.00% (2017: 19.25%)	17,507	75,931
Effects of:		
Expenses not deductible for tax purposes	81	1,449
Group relief surrendered	-	-
Losses surrendered	-	-
Income not taxable for tax purposes	-	(8,748)
Temporary differences not recognised	1,788	-
Adjust deferred tax to average rate	(2,038)	(8,010)
Deferred tax not recognised	(17,336)	(60,622)
Current tax credit in the year	-	-

The company has a deferred tax asset of £2,437,545 (2017: £2,454,881) primarily in respect of tax losses carried forward. This asset has not been recognised in the financial statements as there is not adequate assurance that sufficient future taxable profits will exist in the near future against which these tax losses can be offset. These tax losses are not expected to expire.

10. Investment property

	£
Cost	
At 1 January 2018	210,000
Sale during year	(210,000)
As at 31 December 2018	0
Net book value	
At 31 December 2018	0
At 31 December 2017	210,000

The investment property was sold on 23 May 2018.

The related rental income up until the point of sale recognised in the income statement during the year was £1,124 (2017: £8,948) along with direct operating expenses of £4,332 (2017: £11,017).

WATERFRONT EDINBURGH LIMITED**Notes to the financial statements (continued)****For the year ended 31 December 2018****11. Investments**

	£
Cost	
At 1 January 2018 and 31 December 2018	2,363,801
Provisions	
At 1 January 2018 and 31 December 2018	(2,094,601)
Net book value	
At 31 December 2018	269,200
At 31 December 2017	269,200

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

The results of this company are not consolidated in these financial statements. Summary financial information for this undertaking as extracted from audited accounts for the year ended 31 March 2018 (prepared under UK GAAP) is set out below:

Caledonia Waterfront (Harbour Road) Limited

	£
Revenue	7,500
Profit before taxation	112,183
Taxation	-
Profit after taxation	112,183
 Fixed Assets	 660,000
Current Assets	22,055
Creditors: amounts falling due within one year	(48,656)
Creditors: amounts falling due after more than one year	-
Net Assets	633,399

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2018

12. Inventories

	2018	2017
	£	£
Work in progress	-	1,050,000

Work in progress previously consisted of development properties which were sold to the EDI Group on 23 May 2018.

13. Trade and other receivables

	2018	2017
	£	£
Trade receivables	1,172	3,550
Amounts owed by group undertakings	841,232	20,139
Other debtors	-	3,340
	<u>842,404</u>	<u>27,029</u>

14. Related party transactions

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

At 31 December 2018, a net amount of £821,093 was due from (2017: £897,005 due to) The EDI Group Limited, the immediate parent company.

At 31 December 2018, £20,139 (2017: £20,139) was due from Caledonia Waterfront (Harbour Road) Limited, a related company.

15. Cash and cash equivalents

	2018	2017
	£	£
Cash on hand	<u>43,573</u>	<u>587,127</u>

For the purposes of the statement of cash flows, cash and cash equivalents comprise the above at 31 December 2018.

16. Share capital

Authorised, called up and fully paid:

	2018		2017	
	No	£	No	£
100 'A' ordinary shares of £1 each	100	100	100	100
100 'B' ordinary shares of £1 each	100	100	100	100
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

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

WATERFRONT EDINBURGH LIMITED**Notes to the financial statements (continued)****For the year ended 31 December 2018****17. Trade and other payables**

	2018	2017
	£	£
Trade payables	-	19,268
Other payables	-	2,723
Accrued liabilities	16,675	178,000
Amounts due to group undertakings	-	897,005
Corporation tax	22	22
	<u>16,697</u>	<u>1,097,018</u>

18. Financial instruments and risk management

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

	2018	2017
	£	£
<u>Financial assets</u>		
Financial assets measured at amortised cost	<u>44,745</u>	<u>594,017</u>

	2018	2017
	£	£
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>16,675</u>	<u>199,991</u>

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

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

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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2018

18. Financial instruments and risk management (continued)

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

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

Market risk

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

Credit risk

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

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net

of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

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

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

Liquidity risk

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

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

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 investment property and some inventory. These are valued annually by an independent valuer, GVA Grimley Limited, 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.