

WATERFRONT EDINBURGH LIMITED

Directors' report and financial statements

For the year ended 31 December 2017

Registered number SC200223



WATERFRONT EDINBURGH LIMITED
Directors' report and financial statements
For the year ended 31 December 2017

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WATERFRONT EDINBURGH LIMITED

Officers and professional advisers

For the year ended 31 December 2017

The Board of Directors

E Adair
H Rutherford
I Whyte
L M Cameron
K Campbell

Registered Office

3 Cockburn Street
Edinburgh
EH1 1QB

Auditor

Scott Moncrieff
Chartered Accountants
& Statutory Auditor
Exchange Place 3
Sempie 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 2017

The directors present their report and the financial statements of the company for the year ended 31 December 2017.

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 has 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

G Munro (resigned 29 June 2017)

I Whyte

H Rutherford

L M Cameron (appointed 29 June 2017)

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 2017

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:



Eric Adair
Director

Approved by the directors on 30th May 2018

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2017

Opinion

We have audited the financial statements of EDI Market Street Limited for the year ended 31 December 2017 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 2017 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 2017

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2017

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 3, 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: 30 May 2018

WATERFRONT EDINBURGH LIMITED

Statement of profit or loss and other comprehensive Income

For the year ended 31 December 2017

	Notes	2017 £	2016 £
Revenue	4	49,803	57,623
Cost of sales	5	419,960	(136,917)
Gross profit/(loss)		<u>469,763</u>	<u>(79,294)</u>
Administrative expenses		(123,238)	(113,045)
Profit/(loss) from operations	6	346,525	(192,339)
Increase/(decrease) in fair value of investments		45,450	(67,250)
Profit/(loss) before interest and tax		<u>391,975</u>	<u>(259,589)</u>
Finance income		2,541	4,970
Profit/(loss) before tax		<u>394,516</u>	<u>(254,619)</u>
Income tax credit		-	38,089
Net profit/(loss) for the year		<u><u>394,516</u></u>	<u><u>(216,530)</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 24 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of changes in equity

For the year ended 31 December 2017

	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

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	33,250,000	(30,781,648)	2,468,352
Profit for the year	-	(216,530)	(216,530)
Balance at 31 December 2016	33,250,000	(30,998,178)	2,251,822

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

The accompanying notes on pages 12 to 24 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of financial position

As at 31 December 2017

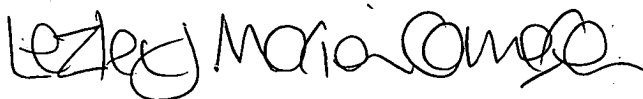
	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	10	-	-
Investment property	11	210,000	200,000
Investments in subsidiary and associate	12	269,200	233,750
Total non-current assets		479,200	433,750
Current assets			
Inventories	13	1,050,000	1,121,952
Trade and other receivables	14	27,029	155,048
Cash and cash equivalents	16	587,127	1,263,863
Total current assets		1,664,156	2,540,863
Total assets		2,143,356	2,974,613
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	17	200	33,250,000
Retained earnings		1,046,138	(30,998,178)
Total equity		1,046,338	2,251,822
Non-current liabilities			
Provisions	19	-	500,000
Current liabilities			
Trade and other payables	18	1,097,018	222,791
Total liabilities		1,097,018	722,791
Total equity and liabilities		2,143,356	2,974,613

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 30th May 2018 and signed on its behalf by



Eric Adair, Director



Lezley Marion Cameron, Director

Company number: SC200223

The accompanying notes on pages 12 to 24 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of cash flows

For the year ended 31 December 2017

	2017	2016
	£	£
Cash flow from operating activities		
Profit/(loss) before tax	394,516	(254,619)
Adjustments for:		
Finance income	(2,541)	(4,970)
(Increase)/decrease in fair value of investments	(45,450)	67,250
Operating profit/(loss)	<u>346,525</u>	<u>(192,339)</u>
Decrease in inventories	71,952	109,798
Decrease in trade and other receivables	128,019	117,880
Increase/(decrease) in trade and other payables	874,227	(190,557)
(Decrease) in long-term provisions	<u>(500,000)</u>	<u>-</u>
Cash flows from operations	920,723	(155,218)
Income taxes received	-	38,089
Interest received	2,541	4,970
Net cash inflow/(outflow) from operating activities	<u>923,264</u>	<u>(112,159)</u>
Cash flows from financing activities		
Dividends paid	(1,600,000)	-
Net cash outflow from financing activities	<u>(1,600,000)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(676,736)	(112,159)
Cash and cash equivalents as at 1 January	<u>1,263,863</u>	<u>1,376,022</u>
Cash and cash equivalents as at 31 December	<u><u>587,127</u></u>	<u><u>1,263,863</u></u>

The accompanying notes on pages 12 to 24 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2017

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 2017:

- IAS 7 "Statement of cash flows": requires additional disclosures in respect of movements in financing. This has had no effect on the recognition or measurement of items within the financial statements. The additional disclosures relating to this amendment can be found in the notes to the statement of cash flows.
- IAS 12 "Income taxes": relates to deferred tax on unrealised losses. This amendment has not had any impact on the company.
- IFRS 12 "Disclosure of interests in other entities": deals with the disclosure where interests in a subsidiary, associate or joint venture are also subject to the requirements of IFRS 5. This amendment has not had any impact on the company.

New standards and interpretations issued not applied

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

<i>International Accounting Standards and Interpretations</i>		<i>Effective for annual periods beginning on or after</i>
IFRS 4	Insurance contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
Amendments to IAS 1	Presentation of financial statements	1 January 2018
Amendments to IAS 39	Financial Instruments: Recognition and Measurement	1 January 2018
Amendments to IFRS 7	Financial Instruments: Disclosures	1 January 2018

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 2017

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.

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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

3. Accounting policies

Basis of preparation

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

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

Critical accounting estimates and sources of estimation uncertainty

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

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

Revenue recognition

Revenue is measured at the fair value of consideration received from income from the company's ordinary business activities. Revenue is stated net of discounts, sales and other taxes. 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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

3. Accounting policies (continued)

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.

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 subsidiary and 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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

3. Accounting policies (continued)

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.

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:

	2017 £	2016 £
Investment property rental income	9,274	11,387
Inventory property rental income	38,191	43,633
Rendering of services	2,338	2,603
	<u>49,803</u>	<u>57,623</u>

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

5. Cost of sales

	2017	2016
	£	£
Vacant property costs and works	1,335	17,839
Change in value of WIP	78,705	315,000
Release in provisions	(500,000)	(195,922)
	<u>(419,960)</u>	<u>136,917</u>

6. Operating profit

Operating profit is stated after crediting the following:

	2017	2016
	£	£
Lease payments under operating leases recognised as income in the period	47,465	55,020
	<u>47,465</u>	<u>55,020</u>

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:

	2017	2016
	£	£
Fees payable to the company's auditor for audit services	6,825	6,500
Fees payable to the company's auditor for tax services	1,575	1,500
	<u>8,400</u>	<u>8,000</u>

WATERFRONT EDINBURGH LIMITED
Notes to the financial statements (continued)
For the year ended 31 December 2017

9. Corporation tax

(a) Analysis of charge in the year

	2017	2016
	£	£
Current tax credit	-	(38,089)
Adjustments in respect of previous periods	-	-
	<u>-</u>	<u>(38,089)</u>

(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 19.25% (2016: 20.00%). The differences are explained below:

	2017	2016
	£	£
Profit/(loss) before tax	<u>394,516</u>	<u>(254,619)</u>
Tax on accounting profit at 19.25% (2016: 20.00%)	75,931	(50,924)
Effects of:		
Expenses not deductible for tax purposes	1,449	13,450
Group relief surrendered	-	38,088
Losses surrendered	-	(38,088)
Income not taxable for tax purposes	(8,748)	-
Adjust deferred tax to average rate	(8,010)	147,909
Deferred tax not recognised	<u>(60,622)</u>	<u>(148,524)</u>
Current tax credit in the year	<u>-</u>	<u>(38,089)</u>

The company has a deferred tax asset of £2,454,881 (2016: £2,513,123) 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. Property, plant and equipment

	Motor vehicles £	Fixtures and fittings £	Total £
Cost			
At 1 January 2016 and 31 December 2017	<u>10,533</u>	<u>21,031</u>	<u>31,564</u>
Depreciation			
At 1 January 2016 and 31 December 2017	<u>10,533</u>	<u>21,031</u>	<u>31,564</u>
Net book value			
At 31 December 2016 and 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>

WATERFRONT EDINBURGH LIMITED
Notes to the financial statements (continued)
For the year ended 31 December 2017

11. Investment property

	£
Cost	
At 1 January 2017	200,000
Change in fair value	10,000
	<u>210,000</u>
As at 31 December 2017	<u>210,000</u>
Net book value	
At 31 December 2017	<u>210,000</u>
At 31 December 2016	<u>200,000</u>

Investment property was valued at 31 December 2017 by GVA Grimley on the basis of open market value for existing use. The valuation was carried out in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual.

The related rental income recognised in the income statement during the year was £8,948 (2016: £11,387) along with direct operating expenses of £11,017 (2016: £16,761).

12. Investments

	£
Cost	
At 1 January 2017 and 31 December 2017	<u>2,363,801</u>
Provisions	
At 1 January 2017	(2,130,051)
Decrease in provision	35,450
	<u>(2,094,601)</u>
At 31 December 2017	<u>(2,094,601)</u>
Net book value	
At 31 December 2017	<u>269,200</u>
At 31 December 2016	<u>233,750</u>

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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

12. Investments (continued)

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 2017 (prepared under UK GAAP) is set out below:

Caledonia Waterfront (Harbour Road) Limited

	£
Revenue	5,625
Profit before taxation	112,178
Taxation	-
Profit after taxation	<u>112,178</u>
Fixed Assets	550,000
Current Assets	20,078
Creditors: amounts falling due within one year	(48,861)
Creditors: amounts falling due after more than one year	-
Net Assets	<u>521,217</u>

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, 3 Cockburn Street, Edinburgh, EH1 1QB.

13. Inventories

	2017 £	2016 £
Work in progress	<u>1,050,000</u>	<u>1,121,952</u>

Work in progress consists of development properties which were valued by Messrs GVA Grimley Limited, Chartered Surveyors at 31st December 2017 in accordance with the definition of market value and good practice guidelines as set out in the RICS valuation and appraisal manual. £nil (2016: £216,952) of professional fees have also been included within the WIP balance.

14. Trade and other receivables

	2017 £	2016 £
Trade receivables	3,550	3,013
Amounts owed by group undertakings	20,139	138,420
Other debtors	3,340	13,615
	<u>27,029</u>	<u>155,048</u>

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

15. 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 2017, a net amount of £897,005 was due to (2016: £80,194 due from) The EDI Group Limited, the immediate parent company.

At 31 December 2017, £20,139 (2016: £20,139) was due from Caledonia Waterfront (Harbour Road) Limited, a related company.

16. Cash and cash equivalents

	2017 £	2016 £
Cash on hand	587,127	1,263,863

For the purposes of the statement of cash flows, cash and cash equivalents comprise the above at 31 December 2017.

17. Share capital

Authorised, called up and fully paid:

	2017 No	£	2016 No	£
100 'A' ordinary shares of £1 each	100	100	100	100
100 'B' ordinary shares of £1 each	100	100	100	100
33,249,800 'C' ordinary shares of £1 each	-	-	33,249,800	33,249,800
	<u>200</u>	<u>200</u>	<u>33,250,000</u>	<u>33,250,000</u>

'A' and 'B' shares carry equal voting rights. During the year a special resolution was passed to reduce the 'C' Ordinary share capital to nil. The balance of £33,249,800 has been credited to retained earnings.

18. Trade and other payables

	2017 £	2016 £
Trade payables	19,268	47,881
Other payables	2,723	3,288
Accrued liabilities	178,000	171,600
Amounts due to group undertakings	897,005	-
Corporation tax	22	22
	<u>1,097,018</u>	<u>222,791</u>

WATERFRONT EDINBURGH LIMITED
Notes to the financial statements (continued)
For the year ended 31 December 2017

19. Long term liabilities - provisions

	2017 £	2016 £
Opening balance	500,000	500,000
Released in year	(500,000)	-
Closing balance	<u>-</u>	<u>500,000</u>

The company had obligations dating from 2009 for further development costs under section 75 of the Town and Country Planning (Scotland) Act 1997. The timing and eventual amount of these provisions remained uncertain and are subject to change but were valued by Messrs GVA Grimley Limited Chartered Surveyors as at 31 December 2016. As at 31 December 2017, the company considers this obligation extinguished and has released this provision in the year as a result.

20. Financial instruments and risk management

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

	2017 £	2016 £
<u>Financial assets</u>		
Financial assets measured at amortised cost	<u>590,874</u>	<u>1,267,516</u>
	2017 £	2016 £
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	<u>199,991</u>	<u>222,770</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).

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

20. Financial instruments and risk management (continued)

Capital risk management

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents. The directors are closely involved in the running of the company and are therefore fully aware of the capital position of the company at any point in time and any changes that circumstances bring. As a result they are in a position to address any issues that may arise on a timely basis.

Risk management objectives

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

The 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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2017

20. Financial instruments and risk management (continued)

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.

21. Post Balance Sheet Event

In May 2018 the City of Edinburgh Council acquired all of the company's inventories (land held for development) and investment properties at the December 2017 carrying value, which was also considered to be the market value.