

WATERFRONT EDINBURGH LIMITED

Directors' report and financial statements

For the year ended 31 December 2020

Registered number SC200223



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WATERFRONT EDINBURGH LIMITED
Directors' report and financial statements
For the year ended 31 December 2020

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WATERFRONT EDINBURGH LIMITED

Officers and professional advisers

For the year ended 31 December 2020

The Board of Directors

I Whyte
L M Cameron
K Campbell

Registered Office

Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

Auditor

Azets Audit Services
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 2020

The Directors present their report and the financial statements of the company for the year ended 31 December 2020.

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.

In this context, the remaining inventories (land held for development) and investment properties were transferred to the Council in May 2018. The company has remained active whilst holding the investment in its joint venture company and because the Council is undertaking a major regeneration of the Granton Waterfront and is therefore actively considering the role WEL might play in supporting the project.

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:

I Whyte
L M Cameron
K Campbell

Directors' responsibilities statement

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

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

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

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

WATERFRONT EDINBURGH LIMITED

Directors' report (continued)

For the year ended 31 December 2020

Directors' responsibilities statement (continued)

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.

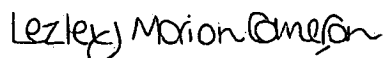
Auditor

Azets Audit Services are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Signed by order of the Directors:



L M Cameron
Director

Approved by the Directors on 21 September 2021

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2020

Opinion

We have audited the financial statements of Waterfront Edinburgh Limited for the year ended 31 December 2020 which comprise the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter - Basis of preparation

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

WATERFRONT EDINBURGH LIMITED

Directors' report (continued)

For the year ended 31 December 2020

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 and 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 5, 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

WATERFRONT EDINBURGH LIMITED

Directors' report (continued)

For the year ended 31 December 2020

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

WATERFRONT EDINBURGH LIMITED

Directors' report (continued)

For the year ended 31 December 2020

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.

A handwritten signature in black ink that reads "Nick Bennett". The signature is written in a cursive style with a large initial 'N' and a long horizontal stroke at the end.

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

Date: 21 September 2021

WATERFRONT EDINBURGH LIMITED

Statement of profit or loss and other comprehensive Income

For the year ended 31 December 2020

| | Notes | 2020 £ | 2019 £ |
|--|-------|-----------|-----------|
| Revenue | | - | - |
| Cost of sales | | - | - |
| Gross profit | | - | - |
| Administrative expenses | | (9,488) | (13,230) |
| (Loss) / Profit from operations | | (9,488) | (13,230) |
| (Decrease)/Increase in fair value of investments | | (162) | (741) |
| (Loss) / Profit before interest and tax | | (9,650) | (13,971) |
| Finance income | | 115 | 205 |
| (Loss)/Profit before tax | | (9,535) | (13,766) |
| Corporation Tax | 6 | - | 2,835 |
| Net (Loss)/profit for the year | | (9,535) | (10,931) |

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 13 to 21 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of changes in equity

For the year ended 31 December 2020

| | Issued capital £ | Retained earnings £ | Total equity £ |
|------------------------------------|---------------------------------|------------------------------------|-------------------------------|
| Balance at 1 January 2020 | 200 | 321,256 | 321,456 |
| Profit for the year | - | (9,535) | (9,535) |
| Balance at 31 December 2020 | 200 | 311,721 | 311,921 |

| | Issued capital £ | Retained earnings £ | Total Equity £ |
|------------------------------------|---------------------------------|------------------------------------|-------------------------------|
| Balance at 1 January 2019 | 200 | 1,138,280 | 1,138,480 |
| Profit for the year | - | (10,931) | (10,931) |
| Dividends payable | - | (806,093) | (806,093) |
| Balance at 31 December 2019 | 200 | 321,256 | 321,456 |

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

The accompanying notes on pages 13 to 21 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of financial position

As at 31 December 2020

| | Notes | 2020 £ | 2019 £ |
|--|-------|-----------|-----------|
| Non-current assets | | | |
| Investments in subsidiary and associate | 7 | 268,297 | 268,459 |
| Total non-current assets | | 268,297 | 268,459 |
| Current assets | | | |
| Trade and other receivables | 8 | 24,145 | 24,146 |
| Cash and cash equivalents | 11 | 39,640 | 48,362 |
| Total current assets | | 63,785 | 72,508 |
| Total assets | | 332,082 | 340,967 |
| Equity and Liabilities | | | |
| Equity attributable to equity holders of the parent | | | |
| Share capital | 12 | 200 | 200 |
| Retained earnings | | 311,721 | 321,256 |
| Total equity | | 311,921 | 321,456 |
| Current liabilities | | | |
| Trade and other payables | 13 | 20,161 | 19,511 |
| Total liabilities | | 20,161 | 19,511 |
| Total equity and liabilities | | 332,082 | 340,967 |

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 21 September 2021 and signed on its behalf by

Lezley Marion Cameron

L M Cameron, Director

Company number: SC200223

The accompanying notes on pages 13 to 21 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of cash flows

For the year ended 31 December 2020

| | 2020 | 2019 |
|---|----------------------|----------------------|
| | £ | £ |
| Cash flow from operating activities | | |
| Profit/(loss) before tax | (9,535) | (13,766) |
| Adjustments for: | | |
| Finance income | (115) | (205) |
| Decrease in fair value of investments | 162 | 741 |
| Operating profit/(loss) | <u>(9,488)</u> | <u>(13,230)</u> |
| Decrease in trade and other receivables | 1 | 818,258 |
| (Decrease)/Increase in trade and other payables | <u>650</u> | <u>2,814</u> |
| Cash flows from operations | (8,837) | 807,842 |
| Income taxes paid | - | 2,885 |
| Interest received | 115 | 205 |
| Net cash inflow/(outflow) from operating activities | <u>(8,722)</u> | 810,883 |
| Cash flows from financing activities | | |
| Dividends paid | - | (806,093) |
| Net cash outflow from financing activities | <u>(8,722)</u> | 4,789 |
| Net increase/(decrease) in cash and cash equivalents | <u>(8,722)</u> | 4,789 |
| Cash and cash equivalents as at 1 January 2020 | 48,362 | 43,573 |
| Cash and cash equivalents as at 31 December 2020 | <u><u>39,640</u></u> | <u><u>48,362</u></u> |

The accompanying notes on pages 13 to 21 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2020

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

Adoption of new and revised standards

The following standards and interpretations are mandatory for the first time for the year ended 31 December 2020 but are either not applicable or have no material impact on the company's financial statements; IFRS 3, Amendments to IFRS 3 – definition of a business, IAS 1 and IAS 8, Amendments to IAS 1 and IAS 8 on the definition of material and Conceptual Framework, Revised Conceptual Framework for Financial Reporting.

The company has adopted, where applicable, the following new and amended IFRSs as of 1 January 2020:

- IFRS 3, Amendments to IFRS 3 – definition of a business
- IAS 1 and IAS 8, Amendments to IAS 1 and IAS 8 on the definition of material
- Conceptual Framework for Financial Reporting (Revised)
- IBOR Reform and its Effects on Financial Reporting – Phase 1
- IFRS 16, Amendment – Covid-19 Related Rent Concessions

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2020 are considered to have no significant or material effect on the company's financial statements.

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 2020, and with potential effect.

| International Accounting Standards and Interpretations | Effective for periods beginning on or after |
|---|--|
| IBOR Reform and its Effects on Financial Reporting – Phase 2 | 1 January 2021 |
| Annual Improvements to IFRS: 2018 – 2020 Cycle | 1 January 2022 |
| Conceptual Framework for Financial Reporting (Amendments to IFRS 3) | 1 January 2022 |
| IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract) | 1 January 2022 |
| IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use) | 1 January 2022 |
| IFRS 17 Insurance Contracts | 1 January 2023 |
| IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current) | 1 January 2023 |

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 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 2020

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 has remained active whilst holding the investment in its joint venture company, although this is due to be transferred to the parent company to allow Waterfront Edinburgh Limited to close.

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 remaining external liabilities and obligations and to repay its share capital in full and this is subject to ongoing review.

The Directors agreed in 2020 to close the company, and the active implementation of the decision which will lead to the company ceasing to trade, means that it is not appropriate to prepare the accounts on a going concern basis. Each asset and liability will be valued to reflect the closure strategy intention for that asset or liability. The details are described below under each asset class.

3. Accounting policies

Basis of preparation

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

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

Critical accounting estimates and sources of estimation uncertainty

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

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

Revenue recognition

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

related costs is recognised accordingly.

3. Accounting policies (continued)

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.

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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

3. Accounting policies (continued)

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.

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.

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. 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.

5. Auditor's remuneration

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

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | £ | £ |
| Fees payable to the company's auditor for audit services | 7,240 | 7,030 |
| Fees payable to the company's auditor for tax services | 1,675 | 1,625 |
| | <u> </u> | <u> </u> |

WATERFRONT EDINBURGH LIMITED
Notes to the financial statements (continued)
For the year ended 31 December 2020

6. Corporation tax

(a) Analysis of charge in the year

| | 2020 £ | 2019 £ |
|--------------------|-----------|--------------|
| Current tax credit | - | 2,835 |
| | <u>-</u> | <u>2,835</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.% (2019: 19%). The differences are explained below:

| | 2020 £ | 2019 £ |
|--|----------------|-----------------|
| (Loss)/profit before tax | <u>(9,535)</u> | <u>(13,766)</u> |
| Tax on accounting profit at 19.00% (2019: 19.00%) | (1,811) | (2,615) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 30 | 141 |
| Group relief surrendered | - | 2,836 |
| Losses surrendered | - | (2,836) |
| Income not taxable for tax purposes | - | - |
| Temporary differences not recognised | - | - |
| Remeasurement of deferred tax for changes in tax rates | (286,689) | - |
| Deferred tax not recognised | <u>288,470</u> | <u>(2,289)</u> |
| Current tax credit in the year | <u>-</u> | <u>(2,835)</u> |

The company has a deferred tax asset of £2,725,326 (2019: £2,438,822) 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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

7. Investments

| | £ |
|--|--------------------|
| Cost | |
| At 1 January 2020 and 31 December 2020 | <u>2,363,801</u> |
| Provisions | |
| At 1 January 2020 | <u>(2,095,342)</u> |
| Increase in provision | <u>(162)</u> |
| At 31 December 2020 | <u>(2,095,504)</u> |
| Net book value | |
| At 31 December 2020 | <u>268,297</u> |
| At 31 December 2019 | <u>268,459</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.

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 2020 (prepared under UK GAAP) is set out below:

Caledonia Waterfront (Harbour Road) Limited

| | £ |
|---|----------------|
| Revenue | 2,500 |
| Profit before taxation | (383) |
| Taxation | - |
| Profit after taxation | <u>(383)</u> |
| Fixed Assets | 660,000 |
| Current Assets | 15,814 |
| Creditors: amounts falling due within one year | (44,529) |
| Creditors: amounts falling due after more than one year | - |
| Net Assets | <u>631,285</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, Waverley Court, 4 East Market St, Edinburgh, EH8 8BG.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

8. Trade and other receivables

| | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| | £ | £ |
| Trade receivables | 1,171 | 1,171 |
| Amounts owed by group undertakings | 22,974 | 22,975 |
| | <u>24,145</u> | <u>24,146</u> |

9. Dividends

| <i>Ordinary share capital</i> | 2020 | 2019 |
|-------------------------------|----------|----------------|
| | £ | £ |
| | - | 806,093 |
| | <u>-</u> | <u>806,093</u> |

10. 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 2020, a net amount of £10,000 was due to (2019: £Nil due to) The EDI Group Limited, the immediate parent company.

At 31 December 2020, £20,139 (2019: £20,139) was due from Caledonia Waterfront (Harbour Road) Limited, a related company.

At 31 December 2020, £2,835 (2019: £2,835) was due from Parc Craigmillar Limited, a fellow subsidiary company.

During the year, recharges of £Nil (2019: £11,111) due to the City of Edinburgh Council relating to Malelvis House were incurred. At 31 December 2020, £Nil (2019: £11,111) was outstanding.

11. Cash and cash equivalents

| | 2020 | 2019 |
|--------------|---------------|---------------|
| | £ | £ |
| Cash on hand | <u>39,640</u> | <u>48,362</u> |

For the purposes of the statement of cash flows, cash and cash equivalents comprise the above at 31 December 2020.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

12. Share capital

Authorised, called up and fully paid:

| | 2020 No | £ | 2019 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.

13. Trade and other payables

| | 2020 £ | 2019 £ |
|-----------------------------------|---------------|---------------|
| Accrued liabilities | 10,161 | 19,511 |
| Amounts due to group undertakings | 10,000 | - |
| Corporation tax | - | - |
| | <u>20,161</u> | <u>19,511</u> |

14. Financial instruments and risk management

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

| | 2020 £ | 2019 £ |
|---|---------------|---------------|
| <u>Financial assets</u> | | |
| Financial assets measured at amortised cost | <u>40,812</u> | <u>49,532</u> |

| | 2020 £ | 2019 £ |
|--|---------------|---------------|
| <u>Financial liabilities</u> | | |
| Financial liabilities measured at amortised cost | <u>20,161</u> | <u>19,511</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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2020

14. Financial instruments and risk management (continued)

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.

14. Financial instruments and risk management (continued)

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

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

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

Liquidity risk

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

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

Fair values

The Directors consider that the carrying values of all the company's financial assets and liabilities approximate their fair values at the balance sheet dates.

The Directors therefore consider that the risk in relation to financial instruments at fair value is low.

15. Post Balance Sheet Events

The Board agreed in March 2021 to seek a meeting to secure agreement from all shareholders in Caledonia Waterfront (Harbour Road) Limited to transfer Waterfront Edinburgh Limited's interest in it to EDI.