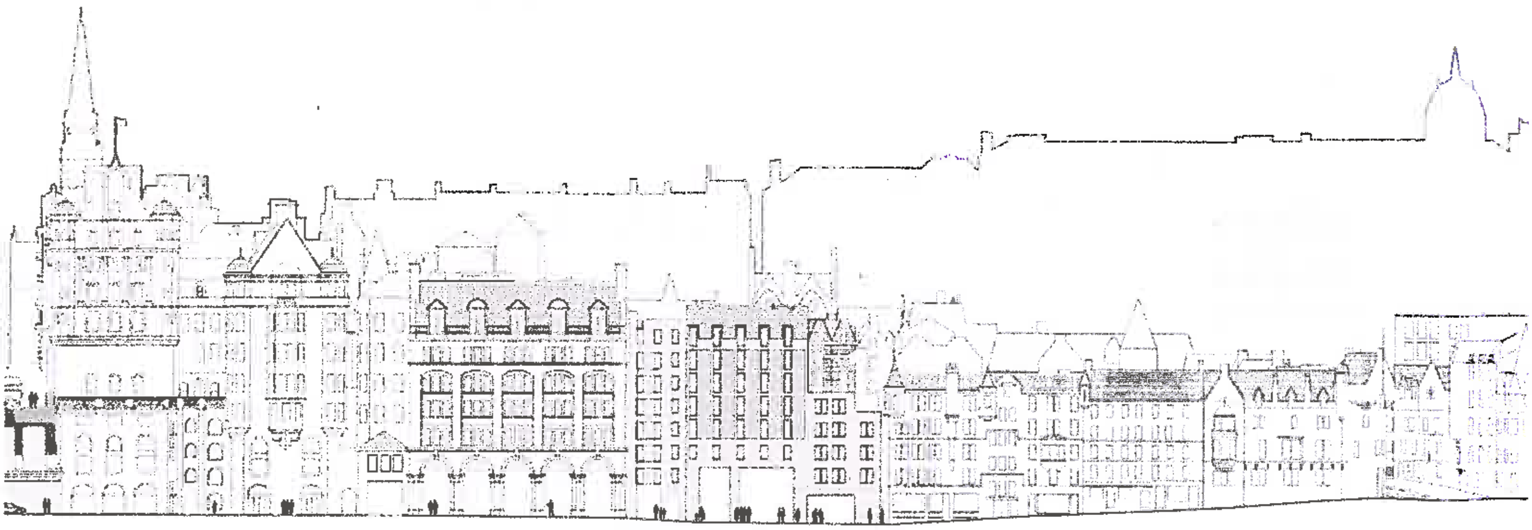
The EDI Group Limited

Financial statements for the year ended 31st December 2013



THE EDI GROUP LIMITED

Directors' report and consolidated financial statements

For the year ended 31 December 2013

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Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2013.

Principal activities and business review

The EDI Group Limited is a company limited by shares which is incorporated and domiciled in Scotland. The principal activities of the group, which is ultimately owned by The City of Edinburgh Council, are property development and investment.

2013 was a relatively quiet year in financial terms, with our efforts concentrated on preparing projects for future implementation. We continued our design work on the Market Street gap site and have attracted strong interest from the hotel market, and are now strongly confident of commencing on site in early 2015. The masterplan process for the Council's Fountainbridge site involved extensive community consultation and this has produced a proposal with an exceptional quality of placemaking, and consequently an exceptional level of community support. The planning application will be lodged in mid-2014. The sale of the first phase of our Newcraighall site was agreed during the year with completion scheduled for the middle of 2014. This will boost our financial capacity to support the progress on the other projects. We also disposed of our investment in two non-core joint-ventures.

A significant proportion of our work is providing management support for Parc Craigmillar Limited and Waterfront Edinburgh Limited in their role of leading the physical regeneration of Craigmillar and Granton. These areas are beginning to show signs of recovery and we have re-established interest from the retail sector for our proposals for the Craigmillar town centre. We envisage being able to make progress in the year ahead on delivering further housing in both areas.

The City of Edinburgh Council, as shareholder, has agreed a restructuring of its property companies. During 2014 Waterfront Edinburgh Ltd and Parc Craigmillar Ltd will become wholly owned subsidiaries of The EDI Group Ltd to ensure there is a coherent strategy across the three companies and to improve corporate governance.

The directors do not recommend payment of a dividend at the year-end (2012: £nil).

Directors

The directors who held office during the year, and subsequently, were as follow:

E W Adair	
A Blacklock	
T Buchanan	deceased 3rd April 2013
L Hinds	resigned 23rd April 2013
J Rust	
G Munro	
F Ross	
M Chapman	
C B Day	appointed 2nd May 2013
S Cardownie	appointed 30th May 2013

Political and charitable contributions

The company made no political or charitable contributions during the year.

Responsibilities of the directors

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the directors, whose names and functions are listed in the Company Information confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the group and company; and
- the directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the company and group.

Auditor

The auditor, Scott-Moncrieff, is deemed to be reappointed under Section 487 (2) of the Companies Act 2006.

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

.... **Date:** 20 May **2014**

E W Adair
Director

7-9 North St David Street
Edinburgh
EH2 1AW

Independent auditor's report to the members of The EDI Group Limited

For the year ended 31 December 2013

We have audited the financial statements of The EDI Group Limited for the year ended 31 December 2013 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated Cash Flow and related notes. The financial reporting framework that has been applied in their preparation is applicable law and have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006.

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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the directors' report; or
- the directors were not exempt from the requirement to prepare a strategic report.

Nick Bennett

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

Date: 20 May 2014.

THE EDI GROUP LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Note	2013 £'000	Restated 2012 £'000
Continuing Operations			
Revenue	3	85	555
Cost of sales		3	(346)
Gross profit		88	209
Other income	5	-	330
Administrative expenses	9	(465)	(515)
Write off of subsidiaries		-	-
(Loss)/profit from operations		(377)	24
Finance income	6	5	6
Finance costs	7	(220)	(258)
Share of profit and losses of associates and joint ventures		(158)	(1,078)
Loss on sale of interest in associates and joint ventures		(240)	-
Share of decrease in fair value of investment property from joint ventures		-	(165)
Loss before income tax expense		(990)	(1,471)
Income tax credit	8	246	467
Loss for the year from continuing operations		(744)	(1,004)
Net loss for the year		(744)	(1,004)
Attributable to:			
Equity holders of the parent		(744)	(1,004)

	Note	2013 £'000	Restated 2012 £'000
Other comprehensive income:			
Items that will be reclassified subsequently to profit and loss			
Share of increase in fair value of available for sale financial assets held by associates and joint ventures		3	-
Tax relating to items that will be reclassified	8	-	-
		3	-
Items that will not be reclassified subsequently to profit and loss			
Actuarial gain/(loss) on defined benefit pension scheme	21	(14)	(599)
Tax relating to items that will not be reclassified	8	3	82
		(8)	(517)
Other comprehensive Income		(8)	(517)
Total comprehensive income for the year		(752)	(1,521)
Attributable to:			
Equity holders of the parent		(752)	(1,521)

The accompanying notes form part of these financial statements

THE EDI GROUP LIMITED

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	Consolidated Group 2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	10	-	2
Investments in joint ventures and associates	11	4,743	5, 822
Deferred tax asset	16	258	255
Total non-current assets		5,001	6,079
Current assets			
Cash and cash equivalents	17	1,698	1,155
Trade and other receivables	13	6,243	6,958
Inventories	12	4,955	4,695
Total current assets		12,896	12,808
TOTAL ASSETS		17,897	18,887
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	18	8,500	8,500
Retained earnings	19	2,854	3,606
Total equity		11,354	12,106
Liabilities			
Non-current liabilities			
Other financial liabilities	15	2,000	3,500
Retirement benefit obligation	21	1,289	1,275
Total non-current liabilities		3,289	4,775
Current liabilities			
Trade and other payables	14	3,150	1,907
Current tax payable	14	104	99
Total current liabilities		3,254	2,006
Total liabilities		6,543	6,781
TOTAL EQUITY AND LIABILITIES		17,897	18,887

The financial statements were approved by the board of directors and authorised for issue on 20 May 2014 and are signed on its behalf by:

...............................Director F Ross

...............................Director E Adair

Company number: SC110956

The accompanying notes form part of these financial statements

THE EDI GROUP LIMITED

Company Statement of Financial Position

As at 31 December 2013

	Note	Parent Entity 2013 £'000	2012 £'000
Non-current assets			
Property, plant and equipment	10	-	2
Investments in joint ventures and associates	11	8,000	8,026
Deferred tax assets	16	258	255
Total non-current assets		8,258	8,283
Current assets			
Cash and cash equivalents	17	1,698	1,155
Trade and other receivables	13	3,045	3,474
Inventories	12	4,955	4,695
Total current assets		9,698	9,324
TOTAL ASSETS		17,956	17,607
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Contributed equity	18	8,500	8,500
Retained earnings	19	4,163	4,030
Total equity		12,663	12,530
Liabilities			
Non-current liabilities			
Other financial liabilities	15	2,000	3,500
Retirement benefit obligation	21	1,289	1,275
Total non-current liabilities		3,289	4,775
Current liabilities			
Trade and other payables	14	2,004	302
Current tax payable	14	-	-
Total current liabilities		2,004	302
Total liabilities		5,293	5,077
TOTAL EQUITY AND LIABILITIES		17,956	17,607

The financial statements were approved by the board of directors and authorised for issue on
20 May 2014 and are signed on its behalf by:

..........................Director ....Director

F Ross E Adair

Company number: SC110956

The accompanying notes form part of these financial statements

Consolidated and Company Statement of Changes in Equity

As at 31 December 2013

Group - Restated

	Contributed Equity £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2012	8,500	5,127	13,627
Loss from continuing operations	-	(1,004)	(1,004)
Other comprehensive income for the year	-	(517)	(517)
Balance at 31 December 2012	8,500	3,606	12,106

Group

	Contributed Equity £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2013	8,500	3,606	12,106
Loss from continuing operations	-	(744)	(744)
Other comprehensive income for the year	-	(8)	(8)
Balance at 31 December 2013	8,500	2,854	11,354

Company - Restated

	Contributed Equity £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2012	8,500	4,947	13,447
Loss from continuing operations	-	(400)	(400)
Other comprehensive income for the year	-	(517)	(517)
Balance at 31 December 2012	8,500	4,030	12,530

Company

	Contributed Equity £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2013	8,500	4,030	12,530
Profit from continuing operations	-	144	144
Other comprehensive income for the year	-	(14)	(14)
Balance at 31 December 2013	8,500	4,163	12,663

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000
Cash flow from operating activities			
Profit from operations		(377)	24
Adjustments for:			
Depreciation and amortisation		2	11
Changes in assets and liabilities:			
Increase in inventories		(260)	(224)
Decrease in receivables and other financial assets		769	1,730
Decrease in payables		(257)	(1,242)
Cash flows from operations		(123)	299
Interest received		5	6
Interest paid		(220)	(224)
Income tax received/(paid)		237	(91)
Net cash flows from operating activities		(101)	(10)
Cash flow from investing activities			
Proceeds from sale of interests in joint ventures		644	-
Net cash flows from investing activities		644	-
Net increase/(decrease) in cash and cash equivalents		543	(10)
Cash and cash equivalents at beginning of year	17	1,155	1,165
Cash and cash equivalents at end of year	17	1,698	1,155
Bank balances and cash	17	1,698	1,155

The accompanying notes form part of these financial statements

1. Presentation of financial statements

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 from presenting a Company Statement of Profit or Loss and Other Comprehensive Income.

New standards, interpretations and amendments effective from 1 January 2013
A number of new standards, interpretations and amendments effective for the first time for periods beginning on (or after) 1 January 2013 have been adopted in these financial statements. Where there has been an alteration to the financial statements, the nature and effect on the results of each new standard, interpretation and amendment adopted by the company has been detailed below:

IAS 1 (amendment), 'Presentation of Items of Other Comprehensive Income

The amendment requires that items of other comprehensive income must be split into two categories; those that will be reclassified subsequently to profit or loss; and those that will not.

As the amendment only affects presentation, there is no effect on the company's financial position or performance.

Standards issued but not yet effective

There are standards which have been issued but are not yet effective at the date of issuance of the EDI Group Limited financial statements which the directors reasonably expect to be applicable at a future date. The intention is to adopt these standards when they become effective but early adoption has not been undertaken:

IFRS 12, 'Disclosure of interests in other entities', is endorsed by the EU to be effective for accounting periods beginning on or after 1 January 2014.

IAS 32 (amendment), 'Financial instruments: Presentation', is effective for accounting periods beginning on or after 1 January 2014.

IAS 36 (amendment), 'Impairment of assets', is effective for accounting periods beginning on or after 1 January 2014.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement', is effective for accounting periods beginning on or after 1 January 2014.

At the time of issuance of the Parc Craigmillar Limited financial statements, the following amendments and improvements had been published but were not incorporated as they were not in force and not endorsed for use in the EU:

IFRS 7, IFRS 9, IFRS 13, Improvements to IFRS 2010-2013, IAS 1, IAS 24, IAS 39 and IAS 40.

IFRS 9, 'Financial Instruments' will make it mandatory for entities to categorise all financial instruments into two categories based on their measurement, namely financial instruments at fair value through profit and loss or financial instruments at amortised cost. This will affect the current disclosure relating to Parc Craigmillar Limited's available-for-sale financial assets, a category that has now been removed by the amendment. The financial assets will remain held at fair value with movements being taken to profit-and-loss.

Aside from IFRS 9, the directors do not expect that the adoption of these standards and interpretations in future reporting periods will have a material impact on the company's financial statements.

At the time of issuance of The EDI Group Limited financial statements, the following amendments and improvements had been published but were not incorporated as they were not in force and not endorsed for use in the EU:

IFRS 7, IFRS 9, IFRS 13, Improvements to IFRS 2010-2013 and *IAS 1, IAS 16, IAS 19, IAS 24, IAS 39.*

2. Statement of significant accounting policies

The consolidated financial statements of The EDI Group Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The International Accounting Standards Board has issued a number of new and revised Accounting Standards that apply in future periods. The economic entity has not early adopted any of these Standards.

The following significant accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

a. Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard IAS 27 "Consolidated and Separate Financial Statements". A list of controlled entities appears in note 11 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

b. Investments in associates and joint ventures

The group's share of its associates' / joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate / joint venture equals or exceeds its interest in the associate / joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate / joint venture.

Unrealised gains on transactions between the group and its associates / joint ventures are eliminated to the extent of the group's interest in the associates / joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

2. Statement of significant accounting policies (cont'd)

c. Income tax

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

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

d. Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Plant and Equipment

The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of fixed asset	Useful life
Furniture and equipment	5 years
Computer equipment	3 years

Derecognition and disposal

An item of furniture or equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of comprehensive income in the year the asset is derecognised.

2. Statement of significant accounting policies (cont'd)

e. Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

f. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

g. Inventories

Inventory is stated at the lower of cost and net realisable value. Cost relates to purchase costs and direct labour costs incurred in bringing the inventories up to a saleable state.

h. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

i. Impairment

The carrying value of all assets are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of all assets is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which it belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of the asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

2. Statement of significant accounting policies (cont'd)

j. Employee entitlements and benefits

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to the balance sheet date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at an amount that is considered to approximate the present value of the estimated future cash outflows to be made for those entitlements.

The group contributes to a variety of money purchase schemes for employees and to a defined benefits scheme operated on behalf of local council employees. Contributions to the schemes are charged to the profit and loss account as they arise. The assets of the scheme are held separately from those of the company in independently administered funds. The group has fully adopted the accounting principles as required by International Accounting Standard 19 – Employee Benefits.

k. Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and is net of bank overdrafts.

l. Revenue

Revenue is measured at the fair value of consideration received from income from the Company's ordinary activities. Revenue is stated received net of discounts, sales and other taxes. Revenue from sales is recognised when persuasive evidence of an arrangement exists, the significant risks and rewards of ownership have been transferred to the buyer, the price is fixed and determinable and collectively probable.

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

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

m. Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

i. Where the amount of VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. For receivables and payables, which are recognised inclusive of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

n. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and from within the group.

2. Statement of significant accounting policies (cont'd)

o. Key estimates – impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

3. Revenue

An analysis of revenue is as follows:

	2013 £'000	2012 £'000
Rental income	-	475
Rendering of services	85	80
	85	555

4. Profit from operations

	2013 £'000	2012 £'000
After charging		
Auditors' remuneration:		
Audit	10	10
Non-Audit	6	6
Depreciation and other amounts written off tangible fixed assets:		
Owned	2	11

5. Other income

	2013 £'000	2012 £'000
Inflationary gain	-	-
Other income	-	330
	-	330

Other income in the prior year consists of the reimbursement of legal fees by a former tenant of EDI Central Limited following the conclusion of legal proceedings.

6. Finance income

	2013 £'000	2012 £'000
Interest on bank deposits	5	6
	5	6

7. Finance costs

	2013 £'000	Restated 2012 £'000
On secured loan stock held by the City of Edinburgh Council	200	224
Net return on pension assets	20	34
Other interest		-
	220	258

8. Income tax expense

	2013 £'000	2012 £'000
Current tax:		
- Current tax charge	-	99
- Group relief receivable	(173)	(231)
Current tax charge for year attributable to the company and its subsidiaries	(173)	(132)
Share of associates and joint ventures' tax	(73)	(335)
Total deferred tax	(3)	(82)
	(249)	(549)
The tax credit is allocated in the financial statements as follows:		
Profit and loss account	(246)	(467)
Statement of comprehensive income	(3)	(82)

Domestic income tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year.

8. Income tax expense (continued)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2013 £'000	Restated 2012 £'000
(Loss)/profit from operations	(377)	24
Finance income	5	6
Finance costs	(220)	(258)
(Loss)/profit for year attributable to the company and its subsidiaries	(592)	(228)
Loss on at the effective rate of corporation tax of 23.25% (2012 – 24.5%)	(138)	(56)
Effects of:		
Expenses that are not taxable for tax purposes	4	6
Non-taxable income	(2)	(3)
Capital allowances in excess of depreciation	-	3
Non-trade loan relationship deficit	(37)	(72)
Pension scheme adjustments	-	(14)
Prior period adjustment	-	4
Current tax charge for year attributable to the company and its subsidiaries	(173)	(132)

9. Employee benefits expense

The average number of persons employed by the group (including directors) during the year was 14 (2012: 16). The aggregate payroll costs of these persons, included within administrative expenses, were as follows:

	2013 £'000	2012 £'000
Wages and salaries	690	711
Social security costs	70	75
Other pension costs	147	91
Wages recharged	(496)	(517)
Net pension fund service gains	9	(49)
	420	311

9. Employee benefits expense (continued)

Directors' remuneration

	2013 £'000	2012 £'000
Directors' emoluments	101	101
Pension contributions	16	16
	117	117
Highest paid director:		
Emoluments (including benefits-in-kind)	101	101
Pension contributions	16	16
	117	117

No remuneration is paid to non-executive directors.

Retirement benefits are accruing to one (2012: one) director under a defined contribution scheme.

10. Property, plant and equipment

	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Group and company			
Cost or valuation			
At 1 January 2013 and 31 December 2013	24	97	121
Depreciation			
At 1 January 2013	24	95	119
Charge for year	-	2	2
At 31 December 2013	24	97	121
Net book value			
At 31 December 2013	-	-	-
At 31 December 2012	-	2	2

11. Fixed asset investments

Group

	Joint Ventures & Associated Undertakings 2013	Joint Ventures & Associated Undertakings 2012
Post acquisition reserves		
At 1 January 2013	5,822	6,511
Share of profits and losses for the year	(124)	(1,078)
Share of other comprehensive income for the year	3	-
Share of tax charge	73	335
Share of decrease in value of investment properties	-	(165)
Share of losses allocated against loans to associates and joint ventures	-	171
Other movements	(34)	48
Sale of interest in joint venture	(957)	-
Dividends received	(74)	-
	4,743	5,822
Net book value		
Loans to and share of net assets in joint ventures and associated undertakings	4,743	5,822
At 31 December 2013	4,743	5,822

Company

	Subsidiary undertakings £	Joint ventures and associates £	Total £
At 1 January 2013 and 31 December 2013	-	8,000	8,000

11. Fixed asset investments (continued)

The principal companies in which the company's interest is more than 10% are as follows:

All companies where greater than 50% of the share capital is held have been consolidated.

Where 50% or less of the share capital is held these companies have been consolidated using the equity accounting method.

	Principal Activity	Country of Registration	Percentage of Ordinary Share Capital Held
EDI (Industrial) Limited	Non-trading	Scotland	100%
Clocktower Edinburgh Limited	Non-trading	Scotland	100%
Gyle Developments Limited	Non-trading	Scotland	100%
Edinburgh Retails Investments Limited	Non-trading	Scotland	100%
Ratho Ventures Limited	Non-trading	Scotland	100%
EDI Central Limited	Property development	Scotland	100%
EDI Construction Limited	Non-trading	Scotland	100%
Haymarket Projects Limited	Non-trading	Scotland	100%
Buredi Limited	Property development	Scotland	50%
Buredi Developments Limited (Subsidiary of Buredi Limited)	Property development (in liquidation)	Scotland	50%
Buredi (Coalhill) Limited (Subsidiary of Buredi Limited)	Non-trading (in liquidation)	Scotland	50%
Bell's Mills Limited (Joint Venture of Buredi Limited)	Property development	Scotland	25%
Parc Craigmillar Limited	Regeneration	Scotland	50%
Parc Craigmillar Developments Limited (Subsidiary of Parc Craigmillar Limited)	Property development	Scotland	50%
Parc Whitehouse Limited (Subsidiary of Parc Craigmillar Limited)	Non-trading	Scotland	50%
New Laurieston (Glasgow) Limited	Property development	Scotland	45%
EDI Market Street Limited	Dormant	Scotland	100%
Edinburgh Industrial Estates Limited	Property development (sold February 2013)	Scotland	50%
North Ayrshire Ventures Limited	Property development (sold December 2013)	Scotland	50%

The total of the group's loss before taxation from interests in joint ventures and associates was £158,000 (2012: £1,243,000).

12. Inventories

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Development properties and associated costs	4,955	4,695	4,955	4,695

13. Trade and other receivables

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Trade receivables	-	1	-	1
Amounts owed by group & associated undertakings	6,032	6,688	2,835	3,204
Other debtors	175	231	174	231
Prepayments and accrued income	36	38	36	38
	6,243	6,958	3,045	3,474

14. Current liabilities

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Trade and other payables	176	40	176	40
Amounts due to group & associated undertakings	1,250	1,605	3	3
Other creditors	114	3	114	3
Corporation tax	-	99	-	-
Other taxation and social security	26	41	26	41
Accruals and deferred income	188	218	185	215
Convertible unsecured loan stock	1,500	-	1,500	-
	3,254	2,006	2,004	302

The group and company consider the fair value of payables to be in line with their carrying values. Further details of the convertible unsecured loan stock are provided in note 15.

15. Non current liabilities – Other financial liabilities

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Convertible unsecured loan stock	2,000	3,500	2,000	3,500

The convertible unsecured loan stock in notes 14 and 15 includes stock held by The City of Edinburgh Council, the company's parent undertaking. It bears interest at a variable rate and is repayable as follows:

	2013 £'000	2012 £'000
Unsecured loan stock 2014	1,500	1,500
Unsecured loan stock 2016	2,000	2,000
	3,500	3,500

16. Deferred tax assets

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Deferred tax				
At beginning of year	255	173	255	173
Charge for the year	3	82	3	82
Origination and reversal of temporary differences	-	-	-	-
At end of year	258	255	258	255

The elements of deferred tax are as follows:

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Pension scheme deficit	258	255	258	255
Origination and reversal of temporary differences	-	-	-	-
	258	255	258	255
Included in the accounts as follows:				
- Non current asset	258	255	258	255
Deferred tax asset	258	255	258	255

17. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2013.

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Cash at bank and in hand	1,698	1,155	1,698	1,155

18. Contributed equity

	Consolidated Group 2013 £'000	Consolidated Group 2012 £'000	Parent Entity 2013 £'000	Parent Entity 2012 £'000
Allotted, called up and fully paid				
Ordinary shares of £1 each	8,500	8,500	8,500	8,500

The ordinary shares carry one vote per share and participate in profits available for dividend pro rata.

19. Reserves

Group	Retained Earnings £'000
At 1 January 2013	3,606
Loss for the year	(744)
Other comprehensive income	3
Actuarial loss in pension scheme	(14)
Deferred tax thereon	3
At 31 December 2013	2,854

Company	Retained Earnings £'000
At 1 January 2013	4,030
Profit for the year	144
Actuarial loss in pension scheme	(14)
Deferred tax thereon	3
At 31 December 2013	4,163

20. Commitments

Commitments under non-cancellable operating leases are as follows.

Group	2013		2012	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
- Within one year	-	21	-	7
- In the second to fifth years inclusive	-	39	-	5
	-	60	-	12

21. Employee benefits

The employees of the company are eligible for membership of the Local Government Pension Scheme administered by Lothian Pension Fund. This is a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss so as to spread the cost of pensions over employees' working lives with the company. A qualified actuary determines the contributions. The most recent formal actuarial valuation was at 31 March 2011. Details of the scheme can be obtained from the Director of Finance, The City of Edinburgh Council.

The valuation was updated by the actuary on an IAS 19 basis as at 31 December 2013.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long Term Rate of Return 2013 %	Value at 2013 £'000	Long Term Rate of Return 2012 %	Value at 2012 £'000
Equity Securities:				
Consumer	14	582	13	473
Manufacturing	12	533	12	461
Energy and Utilities	7	307	8	281
Financial Institutions	10	417	10	390
Health and Care	6	240	4	168
Information Technology	6	250	6	220
Other	4	155	3	110
Debt Securities:				
Corporate Bonds (Investment grade)	3	145	4	158
Corporate Bonds (non-investment grade)	0	18	0	12
UK Government	4	154	4	149
Other	0	4	0	3
Private Equity:				
All	12	510	12	450
Real Estate:				
UK Property	7	301	8	296
Overseas Property	1	37	1	36
Investment Funds and Unit Trusts:				
Equities	9	373	8	310
Bonds	0	20	1	22
Commodities	0	17	1	25
Other	0	14	0	13
Cash and Cash Equivalents:				
All	5	222	5	171
	100	4,299	100	3,748

21. Employee benefits (cont'd)

The amounts recognised in the statement of financial position are determined as follows:	2013 £'000	Restated 2012 £'000
Fair value of plan assets	4,299	3,748
Present value of scheme liabilities	(5,588)	(5,023)
Deficit in the scheme – pension liability	(1,289)	(1,275)
Net pension liability	(1,289)	(1,275)

Movement in defined benefit obligation during the year:

	2013 £'000	Restated 2012 £'000
At 1 January	5,023	4,117
Current service cost	109	69
Interest cost on obligation	196	213
Plan participants contributions	41	34
Benefits paid	(197)	(141)
Actuarial losses arising from changes in financial assumptions	395	625
Other actuarial (gains)/losses	21	106
At 31 December	5,588	5,023

Movement in fair value of plan assets during the year:

	2013 £'000	Restated 2012 £'000
At 1 January	3,748	3,445
Benefits paid	(197)	(141)
Interest income on plan assets	205	179
Contributions by employer	100	91
Contributions by member	41	34
Return on assets excluding amounts included in net interest	402	140
At 31 December	4,299	3,748

21. Employee benefits (cont'd)

The amounts recognised in the Statement of Comprehensive Income are as follows:

	2013 £'000	Restated 2012 £'000
Interest received on pension scheme assets	(205)	(179)
Interest cost on pension scheme liabilities	225	213
Finance cost	20	34
Current service cost	109	69
	129	103

The amounts recognised in other comprehensive income are as follows:

	2013 £'000	Restated 2012 £'000
Actuarial losses in the defined benefit obligation	(416)	(731)
Actuarial gains in the fair value of defined benefit assets	402	140
	(14)	(591)

The major actuarial assumptions used in this valuation were:

	2013 %	2012 %
Inflation/pension increase rate	2.9	2.4
Salary increase rate	5.2	4.7
Discount rate	4.6	4.5

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The sensitivity of the overall pension liability to changes in the weighted principal assumption is:

Change in assumption	Approximate % increase to employer liability	Approximate increase to employer liability (£'000)
0.5% decrease in real discount rate	9%	522
1 year increase in member life expectancy	3%	168
0.5% increase in salary increase rate	2%	95
0.5% increase in pension increase rate	8%	424

21. Employee benefits (cont'd)

Mortality rates:

Baseline life expectancy is based in member specific Vita Curves that are tailored to each individual within the Fund. Future longevity improvements are in line with the Medium Cohort and a 1% per annum underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	Female
Current pensioners	20.3 years	22.7 years
Future pensioners	22.0 years	24.8 years

Expected contributions to post employment benefit plans for the year ended 31 December 2014 are £98,000.

22. Related party transactions

During the year group companies carried out the following transactions with related parties:

Related Party	Relationship	Group Company	Nature of Transaction	Value of transactions during year £'000	Amount owed from/(to) at year end £'000
City of Edinburgh Council	Ultimate holding organization	The EDI Group Ltd	Loan stock	-	(3,500)
			Interest on loan	200	-
			Management fees	1	2
City of Edinburgh Council	Ultimate holding organisation	EDI Central Ltd	Rent and loan account	(593)	(1,247)
			Funds due from NCP	535	3,630
North Ayrshire Ventures Ltd	Joint venture company	The EDI Group Ltd	Administration fees	23	-
Parc Craigmillar Ltd	Joint venture company	The EDI Group Ltd	Expenditure recharged	966	1,472
			Development costs	54	-
Parc Craigmillar Developments Ltd	Joint venture company	The EDI Group Ltd	Management fees	588	588
New Laurieston (Glasgow) Limited	Joint venture company	The EDI Group Ltd	Loan account write-down	(162)	-
Waterfront Edinburgh Ltd	Associate	The EDI Group Ltd	Management fees	250	258
Waterfront Edinburgh Ltd	Associate	EDI Central Ltd	Management fees	-	8
Buredi Limited	Joint venture company	The EDI Group Ltd	Dividend	74	-
			Loan repayment	75	-

23. Ultimate parent undertaking

The parent company is CEC Holdings Limited, a company registered in Scotland. The financial statements of the parent undertaking are available at their registered offices. The ultimate holding organisation is The City of Edinburgh Council.

24. Subsequent Events

On 6 February 2014 it was approved, by the City of Edinburgh Council, that EDI Group Limited would be reconstituted as the main property company held under CEC Holdings Limited with the City of Edinburgh Council remaining the ultimate parent company. The other arms-length property companies owned or jointly-owned by CEC Holdings Limited (Parc Craigmillar Limited, Parc Craigmillar Development Limited, Waterfront Edinburgh Limited and Shawfair Land Limited) would be restructured under EDI Group Limited's control.

In May 2014, the company concluded the sale of a plot of land at a value in excess of £7m. This will have a positive impact on both profitability and cash resources in 2014. A dividend of around £450,000 is expected to be paid as a result.

25. Going concern

The directors have reviewed the trading prospects of the company and group and the projected cash resources and are confident that the company and group can continue trading for the foreseeable future.

26. Financial Risk Management

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

	Note	Consolidated Group		Parent Entity	
		2013	2012	2013	2012
		£'000	£'000	£'000	£'000
Financial Assets					
Cash and cash equivalents	17	1,698	1,155	1,698	1,155
Trade and other receivables- current	13	6,243	6,958	3,045	3,474
Total Financial Assets		7,941	8,113	4,743	4,399
Financial Liabilities					
Financial liabilities at amortised cost					
Trade and other payables - current	14	3,254	2,006	2,004	302
Trade and other payables – non-current	15	2,000	3,500	2,000	3,500
Total Financial Liabilities		5,254	5,506	4,004	3,802

Capital risk management

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

Risk management objectives

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

The principal risk that the group is exposed is market risk.

26. Financial Risk Management (continued)

Market risk
Market risk is the risk that the value of the group's sites under development may fall resulting in further write-offs to the income statements. Also included in market risk is interest rate risk, which is the risk that the expected receipts from deposits may fluctuate due to market conditions. The group monitors this risk but it is very unlikely to affect the group's overall liquidity.

Fair values
The directors consider that the carrying values of all the group's financial assets and liabilities approximate their fair values at the balance sheet date.

The group does not hold any financial instruments that are classified as fair value through the profit or loss available for sale and therefore are measured at fair value.

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.

27. Prior Year Adjustment

Due to the change in accounting treatment required under IAS 19 'Employee benefits' £14,000 of finance costs recognised through other comprehensive income in 2012 has been reallocated to finance costs within the Statement of Profit or Loss.