

EDI FOUNTAINBRIDGE LIMITED

Directors' report and financial statements

For the year to 31 December 2016

Registered Number SC498147

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EDI FOUNTAINBRIDGE LIMITED

Directors' Report and Financial Statements

For the year to 31 December 2016

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EDI FOUNTAINBRIDGE LIMITED

Officers and Professional Advisers

For the year to 31 December 2016

The Board of Directors

E W Adair
G K Barrie
G Munro
I Whyte
H Rutherford

Registered Office

3 Cockburn Street
Edinburgh
EH1 1QB

Auditor

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

EDI FOUNTAINBRIDGE LIMITED

Directors' report

For the year to 31 December 2016

The directors present their report and the financial statements of the company for the period to 31 December 2016.

Principal activities

EDI Fountainbridge 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 principal activity of the company is the development of a site in the Fountainbridge area of Edinburgh

Over the early part of 2017 the Council conducted a review of its approach to the use of surplus land and its interactions with the property market. On land and buildings which are no longer being used for Council activities, the Council has concluded that such land and buildings will be used to deliver affordable housing. As a result the group will have no future pipeline of projects which leads to the conclusion that the group and this company should begin a process of managed closure. The Council as shareholder has instructed the directors to begin this process.

No timescale has been set for the closure to be completed. The Council's intention is that the group will fulfil all current project obligations. When a project or development reaches a gateway decision point, the Council and the company will assess the optimum route for completing the development including the option of the development being taken forward from within the Council.

It is the opinion of the directors at the date of this report that it is not possible to indicate a date when the company's operational activities will cease. The directors envisage that a managed process of development completions and cessation will therefore take place over a short number of years.

Directors

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

E W Adair	
G K Barrie	- Appointed 10/03/16
F W Ross	- Resigned 10/03/16
G Munro	
I Whyte	
D Benson	- Resigned 31/05/16
H Rutherford	-
J Watt	- Resigned 31/05/16

Directors' responsibilities

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.

EDI FOUNTAINBRIDGE LIMITED

Directors' report (continued)

For the year to 31 December 2016

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.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any of that information.

Auditor

Scott-Moncrieff 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



E W Adair

Director

Approved by the directors on 28th June 2017

EDI FOUNTAINBRIDGE LIMITED

Independent auditor's report to the directors of EDI Fountainbridge Limited (continued)

For the year to 31 December 2016

Independent auditor's report to the shareholders of EDI Fountainbridge Limited

We have audited the financial statements of EDI Fountainbridge Limited for the year to 31 December 2016 which comprise of the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 of the financial statements

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/auditscopeukprivate.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Directors' Report and in note 2 to the financial statements concerning the company's ability to continue as a going concern, as well as the post balance sheet event disclosed in note 13.

In the early part of 2017 the Group's ultimate parent, City of Edinburgh Council, concluded that the EDI Group should begin a process of managed closure. No timescale has been set for the closure to be completed. It is of the opinion of the directors at the date of this report that it is not possible to indicate a date when the company's operational activities will cease. The directors envisage that a managed process of development completions and cessation will therefore take place over a short number of years. In the absence of a date as to when the company's activities will cease, a material uncertainty exists regarding the company's ability to continue as a going concern.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EDI FOUNTAINBRIDGE LIMITED

Independent auditor's report to the directors of EDI Fountainbridge Limited (continued)

For the year to 31 December 2016

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Exchange Place 3
Seemple Street
Edinburgh
EH3 8BL

Date: 28th June 2017

EDI FOUNTAINBRIDGE LIMITED

Statement of profit or loss and other comprehensive income

For the year to 31 December 2016

	Notes	2016 £	2015 £
Revenue		-	-
Cost of sales		-	-
GROSS PROFIT		-	-
Government grant release		167,753	-
Administrative expenses		(5,250)	(5,250)
PROFIT/(LOSS) BEFORE TAX		162,503	(5,250)
Corporation tax		(32,501)	1,062
PROFIT/(LOSS) FOR THE YEAR		<u>130,002</u>	<u>(4,188)</u>

There are no other items of comprehensive income or expense in the current period therefore no statement of comprehensive income is shown.

The accompanying notes on pages 11 to 18 form part of these financial statements

EDI FOUNTAINBRIDGE LIMITED

Statement of changes in equity

For the year to 31 December 2016

	Issued Capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	2	(4,188)	(4,186)
Profit for the year	-	130,002	130,002
Balance at 31 December 2016	2	125,814	125,816

	Issued Capital £	Retained earnings £	Total equity £
Issued in the period	2	-	2
Loss for the period	-	(4,188)	(4,188)
Total recognised income for the period	-	-	-
Balance at 31 December 2015	2	(4,188)	(4,186)

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

The accompanying notes on pages 11 to 18 form part of these financial statements

EDI FOUNTAINBRIDGE LIMITED

Statement of financial position

As at 31 December 2016

	Notes	2016 £	2015 £
ASSETS			
CURRENT ASSETS			
Trade and other receivables	7	53,598	1,062
Inventories	8	3,644,635	1,885,002
Cash and cash equivalents		98,003	-
TOTAL ASSETS		<u>3,796,236</u>	<u>1,886,064</u>
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	9	2	2
Retained profits		125,814	(4,188)
TOTAL EQUITY		<u>125,816</u>	<u>(4,186)</u>
CURRENT LIABILITIES			
Trade and other payables	10	3,670,420	1,890,250
TOTAL EQUITY AND LIABILITIES		<u>3,796,236</u>	<u>1,886,064</u>

These 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 were authorised for issue by the Board of Directors on 28th June 2017 and signed on its behalf by



E W Adair, Director

Company registration number: SC498147

The accompanying notes on pages 11 to 18 form part of these financial statements

EDI FOUNTAINBRIDGE LIMITED

Statement of cash flows

As at 31 December 2016

	2016
	£
Cash flow from operating activities	
Profit before tax	162,303
Adjustments for:	
Increase in trade and other receivables	(52,536)
Decrease/(Increase) in inventories	(1,759,633)
(Decrease)/Increase in trade and other payables	1,780,170
Cash flows from operations	<u>130,504</u>
Income taxes paid	(32,501)
Net cash flows from operating activities	98,003
Net increase in cash and cash equivalents	98,003
Cash and cash equivalents as at 1 January 2016	0
Cash and cash equivalents as at 31 December 2016	<u><u>98,003</u></u>

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements

For the year to 31 December 2016

1. Presentation of financial statements

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

New accounting standards adopted during the year

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2016 and have been adopted by the company:

- Disclosure initiative (Amendments to IAS 1)

The above amendment is not considered to have materially impacted the financial statements of the company.

New standards and interpretations issued not applied

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

<i>International Accounting Standards and Interpretations</i>		<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 7	Statement of cash flows: disclosure initiative*	1 January 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
IFRS 9	Financial instruments	1 January 2018
Amendments to IAS 1	Presentation of financial statements	1 January 2018
Amendments to IAS 39	Financial Instruments: Recognition and Measurement	1 January 2018
Amendments to IFRS 7	Financial Instruments: Disclosures	1 January 2018

*not yet adopted for use in the European Union

The directors have reviewed the requirements of the new standards and interpretations listed above and they are not expected to have a material impact on the company's financial statements in the period of initial application

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements (continued)

For the year to 31 December 2016

1. Presentation of financial statements (continued)

New standards and interpretations issued and adopted early

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

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

Whilst the adoption of the above accounting standard has a significant impact on measuring revenue from contracts with customers, there is not considered to be a material impact on the financial statements in the current year.

2. Going Concern

As described in the Directors' Report, the group's ultimate shareholder, The City of Edinburgh Council, has concluded that the group should begin a process of closure. At the date of this report no timescale has been set or proposed for that closure and the Council has confirmed that the group and its subsidiaries will fulfil their development commitments. The directors envisage that a managed process of development completions and cessation will therefore take place over a short number of years.

Each operating 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 foreseeable future. This has included a range of trading and closure scenarios.

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 adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

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.

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements (continued)

For the year to 31 December 2016

3. Accounting policies (continued)

Critical accounting estimates and sources of estimation uncertainty

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

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

Revenue recognition

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

Financial instruments

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

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

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

Trade and other receivables

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

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

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

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements (continued)

For the year to 31 December 2016

3. Accounting policies (continued)

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

Deferred tax is 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.

Inventories

Inventories, consisting of work in progress, are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the work in progress to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provision is made for any foreseeable losses where appropriate. The directors consider all work-in-progress to be current in nature, however due to the activities of the company it is possible that they will not be realised within 12 months due to external factors such as customer demand and market activity.

4. Directors

No directors received emoluments from EDI Fountainbridge Limited in the period. There were no other transactions with directors in the period.

5. Auditor's remuneration

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

	2016	2015
	£	£
Fees payable to the company's auditor for audit services	<u>4,400</u>	<u>4,400</u>

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements (continued)

For the year to 31 December 2016

6. Corporation tax

(a) Analysis of charge in the year

	2016	2015
	£	£
Current tax:		
Current corporation tax charge/(credit)	32,501	(1,062)
	<u>32,501</u>	<u>(1,062)</u>

(b) Factors affecting tax credit in the year

The tax assessed for the period is different from that calculated using the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2016	2015
	£	£
Profit/(loss) on ordinary activities before tax	162,503	(5,250)
	<u>162,503</u>	<u>(5,250)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 20%	32,501	(1,062)
Effects of:		
Group relief (claimed)/surrendered	(32,501)	1,062
Group relief claimed from the EDI Group Limited	32,501	-
Payments for company losses surrendered	-	(1,062)
Current tax charge/(credit) in the year	<u>32,501</u>	<u>(1,062)</u>

(c) Factors affecting future tax charges

There are no specific factors which have been identified that will affect future tax charges.

7. Trade and other receivables

	2016	2015
	£	£
Other debtors	4,962	1,062
Accrued income	48,636	-
	<u>53,598</u>	<u>1,062</u>

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements (continued)

For the year to 31 December 2016

8. Inventories

	2016	2015
		£
Work in progress	3,644,635	1,885,002
	<u>3,644,635</u>	<u>1,885,002</u>

9. Share capital

Allotted and called up:

	2016	2015
	No	£
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

10. Trade and other payables

	2016	2015
	£	£
Accruals	35,124	225,859
Payable to trade suppliers	20,414	-
Amounts due to group undertakings	3,614,882	1,664,391
	<u>3,670,420</u>	<u>1,890,250</u>

11. Parent undertakings and related party transactions

The company is a wholly owned subsidiary of The EDI Group Limited, a company registered in Scotland whose financial statements can be obtained from its registered offices.

The ultimate controlling party is The City of Edinburgh Council.

During the year work in progress of £1,917,990 (2015: £1,664,391) was transferred to the company from The EDI Group Limited. At the balance sheet date the company owed £3,614,882 to The EDI Group Limited.

At 31 December 2016 £nil (2015: £1,062) was due from Parc Craigmillar Limited, a related company.

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements (continued)

For the year to 31 December 2016

12. Financial instruments and risk management

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

	2016 £	2015 £
Financial assets		
Financial assets at amortised cost		
- Trade and other receivables	4,962	1,062
- Accrued income	48,636	-
	<u>53,598</u>	<u>1,062</u>
	2016 £	2015 £
Financial liabilities		
Financial liabilities measured at amortised cost		
- Trade and other payables	3,670,420	1,890,250
	<u>3,670,420</u>	<u>1,890,250</u>

Capital risk management

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

Risk management objectives

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

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

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.

EDI FOUNTAINBRIDGE LIMITED

Notes to the financial statements (continued)

For the year to 31 December 2016

12. Financial instruments and risk management (continued)

Credit risk

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

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

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

- Only banks and institutions with an acceptable credit rating are utilised;
- All potential customers are rated for credit worthiness taking into account their size, market position and financial standing;
- 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.

The table below analyses the company's financial liabilities into relevant maturity grouping's based on the remaining period at the statement of financial position date to the expected maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than a year
	£
As at 31 December 2016	
Trade and other payables	<u>3,670,420</u>

13. Post balance sheet event

On 23rd February 2017 the Company's ultimate shareholder, The City of Edinburgh Council, decided that the company should begin a process of closure. At the date of these Financial Statements no timescale has been set or proposed for that closure and the Council has confirmed that the company will fulfil its development commitments. The directors envisage that a managed process of development completions and cessation will therefore take place over a short number of years.