

WATERFRONT EDINBURGH LIMITED

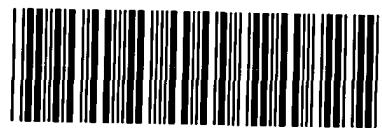
Directors' report and financial statements

For the year ended 31 December 2016

Registered number SC200223

COMPANIES HOUSE
22 SEP 2017
EDINBURGH FRONT DESK

FRIDAY



S6FJ97J7

SCT

22/09/2017

#181

COMPANIES HOUSE

WATERFRONT EDINBURGH LIMITED
Directors' report and financial statements
For the year ended 31 December 2016

Contents	PAGES
Officers and professional advisers	2
Directors' report	3 to 4
Independent auditor's report to the shareholders	5 to 6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of financial position	9
Statement of cash flows	10
Notes to the financial statements	11 to 23

WATERFRONT EDINBURGH LIMITED

Officers and professional advisers

For the year ended 31 December 2016

The Board of Directors

G Barrie
E Adair
G Munro
H Rutherford
I Whyte

Registered Office

3 Cockburn Street
Edinburgh
EH1 1QB

Auditor

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

Bankers

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

WATERFRONT EDINBURGH LIMITED

Directors' report

For the year ended 31 December 2016

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

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.

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 EDI will assess the optimum route for completing the development including the option of the development being taken forward from within the Council. The company's land is predominately residential and there is a clear benefit from merging our activities and the Council's. A revised development strategy is being prepared.

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:

F Ross (resigned 10 March 2016)
G K Barrie (appointed 10 March 2016)
E Adair
G Munro
I Whyte
H Rutherford
J Watt (resigned 31 May 2016)
D Benson (resigned 31 May 2016)

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;

WATERFRONT EDINBURGH LIMITED

Directors' report

For the year ended 31 December 2016

Directors' responsibilities statement (continued)

- 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

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

In so far as the directors are aware:

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

Auditor

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

Small company provisions

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

Signed by order of the directors:



E Adair

Director

Approved by the directors on 28th June 2017

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2016

We have audited the financial statements of Waterfront Edinburgh Limited for the year ended 31 December 2016 which are set out on pages 7 to 22. 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 pages 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 21.

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 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.

Opinion on other matters 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.

WATERFRONT EDINBURGH LIMITED

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

For the year ended 31 December 2016

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
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: 28th June 2017

WATERFRONT EDINBURGH LIMITED

Statement of profit or loss and other comprehensive Income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue	4	57,623	62,343
Cost of sales		(136,917)	(98,760)
Gross loss		<u>(79,294)</u>	<u>(36,417)</u>
Administrative expenses		(113,045)	(177,510)
Loss from operations	5	<u>(192,339)</u>	<u>(213,927)</u>
Decrease in fair value of investments		(67,250)	-
Loss before interest and tax		<u>(259,589)</u>	<u>(213,927)</u>
Finance income		4,970	7,628
Loss before tax		<u>(254,619)</u>	<u>(206,299)</u>
Income tax (charge)/credit		38,089	39,074
Net loss for the year		<u><u>(216,530)</u></u>	<u><u>(167,225)</u></u>

The loss 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 11 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of changes in equity

As at 31 December 2016

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

	Issued capital £	Retained earnings £	Total equity £
Balance at 1 January 2015	33,250,000	(30,614,423)	2,635,577
Profit for the year	-	(167,225)	(167,225)
Balance at 31 December 2015	<u>33,250,000</u>	<u>(30,781,648)</u>	<u>2,468,352</u>

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

The accompanying notes on pages 11 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of financial position

As at 31 December 2016

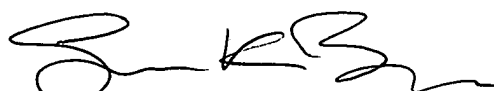
	Notes	2016 £	2015 £
Non-current assets			
Property, plant and equipment	10	-	-
Investment property	11	200,000	200,000
Investments in subsidiary and associate	12	233,750	301,000
Total non-current assets		<u>433,750</u>	<u>501,000</u>
Current assets			
Inventories	13	1,121,952	1,231,750
Trade and other receivables	14	155,048	272,928
Cash and cash equivalents	16	1,263,863	1,376,022
Total current assets		<u>2,540,863</u>	<u>2,880,700</u>
TOTAL ASSETS		<u><u>2,974,613</u></u>	<u><u>3,381,700</u></u>
Equity and Liabilities			
Equity attributable to equity holders of the parent			
Share capital	17	33,250,000	33,250,000
Retained earnings		(30,998,178)	(30,781,648)
Total equity		<u>2,251,822</u>	<u>2,468,352</u>
Non-current liabilities			
Provisions	19	500,000	500,000
Current liabilities			
Trade and other payables	18	222,791	413,348
Total liabilities		<u>722,791</u>	<u>913,348</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,974,613</u></u>	<u><u>3,381,700</u></u>

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 28th June 2017 and signed on its behalf by



E W Adair, Director



G K Barrie, Director

Company number: SC200223

The accompanying notes on pages 11 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Statement of cash flows

For the year ended 31 December 2016

	2016	2015
	£	£
Cash flow from operating activities		
Loss before tax	(254,619)	(206,299)
Adjustments for:		
Decrease in fair value of investments	67,250	-
Finance income	(4,970)	(7,628)
Operating loss	<u>(192,339)</u>	<u>(213,927)</u>
Decrease/(Increase) in inventories	109,798	(21,750)
(Increase)/Decrease in trade and other receivables	117,880	(257,506)
Decrease in trade and other payables	(190,557)	(10,285)
Cash flows from operations	<u>(155,218)</u>	<u>(503,468)</u>
Income taxes received	38,089	39,074
Interest received	4,970	7,628
Net cash outflow from operating activities	<u>(112,159)</u>	<u>(456,766)</u>
Net decrease in cash and cash equivalents	(112,159)	(456,766)
Cash and cash equivalents as at 1 January	<u>1,376,022</u>	<u>1,832,788</u>
Cash and cash equivalents as at 31 December	<u><u>1,263,863</u></u>	<u><u>1,376,022</u></u>

The accompanying notes on pages 11 to 22 form part of these financial statements.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

1. Presentation of financial statements

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

New accounting standards adopted during the year

The 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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 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

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

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

2. Going concern

As described in the Directors' Report, the groups 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.

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.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

3. Accounting policies (continued)

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.

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 subsidiary and associated undertakings are stated at cost less provision for permanent impairment.

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

3. Accounting policies (continued)

Current and deferred taxation

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

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

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

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

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

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

Property, plant and equipment

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

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

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

3. Accounting policies (continued)

Investment property

Investment property is property held to generate rental income and/or for capital appreciation. Investment property is initially measured at fair value and subsequently revalued annually to its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which they arise.

Inventories

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

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.

Provisions at the year-end relate to infrastructure works at sites, currently held within inventories, which the company is obliged to pay in the event of sale or disposal of individual sites.

4. Revenue

An analysis of revenue is as follows:

	2016 £	2015 £
Investment property rental income	11,387	9,829
Inventory property rental income	43,633	46,800
Rendering of services	2,603	5,714
	<u>57,623</u>	<u>62,343</u>

5. Operating profit

Operating profit is stated after crediting the following:

	2016 £	2015 £
Lease payments under operating leases recognised as income in the period	<u>55,020</u>	<u>56,629</u>

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

6. Employee expenses

	2016	2015
	£	£
Wages and salaries	-	20,149
Pension costs – defined contribution plans	-	1,410
Social security costs	-	3,331
	<u>-</u>	<u>24,890</u>
	<u>-</u>	<u>24,890</u>

The average number of employees during the year was 0 (2015: 1)

7. Directors

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

8. Auditor's remuneration

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

	2016	2015
	£	£
Fees payable to the company's auditor for audit services	<u>6,500</u>	<u>6,500</u>

9. Corporation tax

(a) Analysis of charge in the year

	2016	2015
	£	£
Current tax credit	(38,089)	(41,726)
Adjustments in respect of previous periods	-	2,652
	<u>(38,089)</u>	<u>(39,074)</u>

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

9. Corporation tax (continued)

(b) Factors affecting tax charge in the year

The tax charge for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.24%). The differences are explained below:

	2016	2015
	£	£
(Loss) / Profit before tax	<u>(254,619)</u>	<u>(206,299)</u>
Tax on accounting profit at 20.00% (2015: 20.24%)	(50,924)	(41,768)
Effects of:		
Expenses not deductible for tax purposes	(50,924)	921
Group relief surrendered	38,088	41,740
Losses surrendered	(38,088)	(41,726)
Adjustments in respect of previous periods	-	2,652
Adjust deferred tax to average rate	147,909	295,992
Deferred tax not recognised	<u>(148,524)</u>	<u>(296,885)</u>
Current tax credit in the year	<u>(38,089)</u>	<u>(39,074)</u>

The company has a deferred tax asset of £2,513,123 (2015: £2,664,026) primarily in respect of tax losses carried forward. This asset has not been recognised in the financial statements as there is not adequate assurance that sufficient future taxable profits will exist in the near future against which these tax losses can be offset. These tax losses are not expected to expire.

10. Property, plant and equipment

At 31 December 2016

	Motor vehicles £	Fixtures and fittings £	Total £
Cost			
At 1 January 2015 and 31 December 2016	10,533	21,031	31,564
Depreciation			
At 1 January 2015 and 31 December 2016	10,533	21,031	31,564
Net book value			
At 31 December 2015 and 31 December 2016	<u>-</u>	<u>-</u>	<u>-</u>

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

11. Investment property

	2016	2015
	£	£
At 1 January 2016 and 31 December 2016	<u>200,000</u>	<u>200,000</u>

Investment property was valued at 31 December 2016 by GVA Grimley on the basis of open market value for existing use. The valuation was carried out in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual.

The related rental income recognised in the income statement during the year was £11,387 (2015: £9,829) along with direct operating expenses of £16,761 (2015: £16,104).

12. Investments

	£
Cost	
At 1 January 2016 and 31 December 2016	<u>2,363,801</u>
Provisions	
At 1 January 2016	(2,062,804)
Increase in provision	(67,250)
At 31 December 2016	<u>(2,130,051)</u>
Net book value	
At 31 December 2015	<u>233,750</u>
At 31 December 2016	<u>301,000</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 2016 (prepared under UK GAAP) is set out below:

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

12. Investments (continued)

Caledonia Waterfront (Harbour Road) Limited

	£
Revenue	5,625
Loss before taxation	(147,779)
Taxation	-
Loss after taxation	<u>(147,779)</u>
Fixed Assets	550,000
Current Assets	17,758
Creditors: amounts falling due within one year	47,669
Creditors: amounts falling due after more than one year	-
Net Assets	<u>520,089</u>

The company has taken advantage of the exemption not to prepare consolidated financial statements on the basis that the immediate parent, The EDI Group Limited, prepares consolidated financial statements which are available for public use and comply with International Financial Reporting Standards, as adopted by the EU. The EDI Group Limited is a company incorporated in Scotland and its consolidated financial statements are available from The EDI Group Ltd, 3 Cockburn Street, Edinburgh, EH1 1QB.

13. Inventories

	2016	2015
	£	£
Work in progress	<u>1,121,952</u>	<u>1,231,750</u>

Work in progress consists of development properties which were valued by Messrs GVA Grimley Limited, Chartered Surveyors at 31st December 2016 in accordance with the definition of market value and good practice guidelines as set out in the RICS valuation and appraisal manual. £216,952 (2015: £11,750) of professional fees have also been included within the WIP balance.

14. Trade and other receivables

	2016	2015
	£	£
Trade receivables	3,013	8,127
Amounts owed by group undertakings	138,420	261,864
Other debtors	13,615	2,937
	<u>155,048</u>	<u>272,928</u>

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

15. Related party transactions

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

At 31 December 2016, a net amount of £80,194 was due from (2015: £5,129 due to) The EDI Group Limited, the immediate parent company.

At 31 December 2016, £nil (2015: £241,726) was due from PARC Craigmillar Limited, a related company.

At 31 December 2016, £20,138 (2015: £20,138) was due from Caledonia Waterfront (Harbour Road) Limited, a related company.

16. Cash and cash equivalents

	2016 £	2015 £
Cash on hand	1,263,863	1,376,022

For the purposes of the statement of cash flows, cash and cash equivalents comprise the above at 31 December 2016.

17. Share capital

Authorised, called up and fully paid:

	2016		2015	
	No	£	No	£
100 'A' Ordinary shares of £1 each	100	100	100	100
100 'B' Ordinary shares of £1 each	100	100	100	100
33,249,800 'C' Ordinary shares of £1 each	33,249,800	33,249,800	33,249,800	33,249,800
	<u>33,250,000</u>	<u>33,250,000</u>	<u>33,250,000</u>	<u>33,250,000</u>

The 'C' Ordinary shares rank pari passu with the 'A' and 'B' shares for the payment of dividends and the distribution of assets in the event of winding up. 'A' and 'B' shares carry equal voting rights.

18. Trade and other payables

	2016 £	2015 £
Trade payables	47,881	14,136
Other payables	3,288	4,042
Accrued liabilities	171,600	390,019
Amounts due to group undertakings	-	5,129
Corporation tax	22	22
	<u>222,791</u>	<u>413,348</u>

WATERFRONT EDINBURGH LIMITED

* Notes to the financial statements

For the year ended 31 December 2016

19. Long term liabilities - provisions

	£
Balance at 1 January and 31 December 2016	<u>500,000</u>

The company has obligations for further development costs under section 75 of the Town and Country Planning (Scotland) Act 1997. The timing and eventual amount of these provisions remain uncertain and are subject to change but were valued by Messrs GVA Grimley Limited Chartered Surveyors as at 31 December 2016.

20. Financial instruments and risk management

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

	2016 £	2015 £
Financial assets		
Loans and receivables		
- Trade and other receivables	142,073	270,453
- Cash and cash equivalents	1,263,863	1,376,022
	<u>1,405,936</u>	<u>1,646,475</u>

Trade and other receivables in note 14 includes an amount of £305 (2015: £558) which relates to prepayments and an amount of £12,760 (2015: £1,917) and are therefore not classed as financial assets.

	2016 £	2015 £
Financial liabilities		
Financial liabilities measured at amortised cost		
- Trade and other payables	51,170	23,307
	<u>51,170</u>	<u>23,307</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 cash equivalents. The directors are closely involved in the running of the company and are therefore fully aware of the capital position of the company at any point in time and any changes that circumstances bring. As a result they are in a position to address any issues that may arise on a timely basis.

Risk management objectives

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

20. Financial instruments and risk management (continued)

Risk management objectives (continued)

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

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

Market risk

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

Credit risk

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

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

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

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

WATERFRONT EDINBURGH LIMITED

Notes to the financial statements

For the year ended 31 December 2016

20. Financial instruments and risk management (continued)

Liquidity risk (continued)

	Less than a year
	£
As at 31 December 2016	
Trade payables	47,881
Other creditors	3,310
	<hr/>
	51,191
	<hr/> <hr/>
	Less than a year
	£
As at 31 December 2015	
Trade payables	14,136
Other creditors	9,193
	<hr/>
	23,329
	<hr/> <hr/>

Fair values

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

The only financial instruments measured at fair value are investment property and some inventory. These are valued annually by an independent valuer, GVA Grimley Limited, in accordance with the Practice Statement in the RICS Appraisal and Valuation Manual.

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

21. Post Balance Sheet Event

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.