Company Registration Number SC110956

THE EDI GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010

THE EDI GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

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THE EDI GROUP LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010.

Principal activities
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.

The address of the registered office and principal place of business is Dolphin House, 4 Hunter Square, Edinburgh, EH1 1QW.

Business review
Following the asset sale and downsizing in 2009, the focus for 2010 was on realising the value in the remaining assets and on providing management services for the regeneration work in Craigmillar. The continued withdrawal of the banks from the property markets meant progress on realising values was slow, however, we have continued to invest in confirming the development capacity of our land at Brunstane. Also, Parc Craigmillar Limited had a very successful year in residential sales, boosted by significant Government and Edinburgh Council support for shared equity arrangements.

In 2011 we will continue to build on these successes and support our shareholders work in realigning their overall property and development activities.

Dividends
The Board declared interim dividends for the year totalling £Nil (2009: £Nil). The directors do not recommend payment of a dividend at the year end (2009: Nil).

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

Executive director:
E W Adair

Non-executive directors:
G F Mackenzie (Chair)
A Blacklock* (appointed 5 August 2010)
T Buchanan*
M Child (resigned 25 February 2010)
L Hinds
C Keir
T McKay*
J Rust

* Member of the Audit Committee.

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 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 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 estimates that are reasonable and prudent;
- 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. 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.

Statement of disclosure of information to auditors

In so far as each of the directors is 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.

Board statement on internal controls

During the year the Board operated a Risk Management Policy, which provides a process for identifying, evaluating and managing the risks faced by the Company. Through this process, the Board has assessed the nature and extent of risks facing the Company and the degree to which risk can be accepted, minimised or transferred as appropriate. Responsibility for specific actions on the management of risk is assigned to individual officers. Employees have been made aware of the Company's Risk Management Policy and have the appropriate knowledge, skills, information and authority to take responsibility for internal control and risk management as part of their accountability for achieving objectives. The Board has reviewed and monitored the effectiveness of this process during the year. As part of the Business Plan, a corporate risk register is prepared annually. This outlines key risks, impact and likelihood, describes the appropriate management policy, along with methods, responsible individuals and specific time tabled actions for review. The risk register is reviewed periodically throughout the year by the executive management team, the audit committee, and on a bi-annual basis by the full Board. The Directors are satisfied that this process of internal control is sufficient to manage those risks that are significant to the business, and provides reasonable assurance against material misstatement or loss.

Elective resolution
An elective resolution has been passed in accordance with Section 379A of the Companies Act 2006 that, pursuant to Sections 252, 366A and 386 of the Act, the requirement to hold Annual General Meetings at which accounts are presented and auditors re-appointed has been dispensed with.

ON BEHALF OF THE BOARD

E W Adair
Director

4 Hunter Square
Edinburgh
EH1 1QW

23rd June 2011

We have audited the financial statements of The EDI Group Limited for the year ended 31 December 2010 which comprise the consolidated Income Statement, the consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the group and company Statement of Financial Position, the group and company Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to them in an auditors' 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 shareholders 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 Statement of Directors' Responsibilities, 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 of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 of the information and explanations we require for our audit.

Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)
For and on behalf of
CHIENE + TAIT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

28 July **2011**

THE EDI GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Revenue	5	**1,677**	*4,853*
Cost of sales		**(1,372)**	*(1,611)*
GROSS PROFIT		**305**	*3,242*
Other operating income		**76**	-
Administrative expenses		**(243)**	*(2,145)*
OPERATING PROFIT	6	**138**	*1,097*
Share of operating profit/(loss) in joint ventures		**103**	*(2,845)*
Dividends received from joint ventures		**925**	-
Profit on sale of investment properties		**1,000**	*255*
Finance income	9	**172**	*440*
Finance costs	10	**(476)**	*(6,826)*
Other non-operating expenses		**(409)**	-
PROFIT/(LOSS) BEFORE TAX		**1,453**	*(7,879)*
Taxation	11	**(29)**	*1,645*
PROFIT/(LOSS) FOR THE YEAR		**1,424**	*(6,234)*

All activities of the group are classified as continuing.

The notes on pages 12 to 32 form part of the financial statements.

THE EDI GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2010

	2010	*2009*
	£'000	*£'000*
PROFIT/(LOSS) FOR THE YEAR	**1,424**	*(6,234)*
OTHER COMPREHENSIVE INCOME		
Gain on revaluations of investment property	-	*208*
Reclassification of deferred tax provision	-	*(22)*
Actuarial loss on defined benefit pension scheme	**(311)**	*(764)*
Deferred tax charge thereon	**76**	*231*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,189**	*(6,581)*

All profit for the year and total comprehensive income for the year is attributable to the owners of the company.

The notes on pages 12 to 32 form part of the financial statements.

THE EDI GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2010

	Issued Capital £'000	Revaluation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010		-		
- as originally stated	8,500	845	2,184	11,529
- changes in accounting policy relating to first-time adoption of IFRS (note 2)	-	(845)	1,081	236
- as restated	8,500	-	3,265	11,765
Profit for the year	-	-	1,424	1,424
Actuarial loss in pension plan	-	-	(311)	(311)
Deferred tax charge thereon	-	-	76	76
Total recognised income for the year	-	-	1,189	1,189
Balance at 31 December 2010	8,500	-	4,454	12,954

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

The notes on pages 12 to 32 form part of the financial statements

THE EDI GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 £'000	*2009 £'000*
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	**27**	*51*
Investments in joint ventures	14	**7,591**	*8,197*
Deferred income tax assets	22	**307**	*327*
		7,925	*8,575*
CURRENT ASSETS			
Inventories	15	**9,305**	*9,218*
Trade and other receivables	16	**4,013**	*3,835*
Cash and cash equivalents	17	**1,111**	*9,582*
		14,429	*22,635*
TOTAL ASSETS		**22,354**	*31,210*
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	18	**8,500**	*8,500*
Retained profits		**4,454**	*3,265*
TOTAL EQUITY		**12,954**	*11,765*
Equity minority interests		**(307)**	*(307)*
		12,647	*11,458*
NON CURRENT LIABILITIES			
Loan Stock	21	**3,806**	*4,306*
Retirement benefit obligation	24	**1,136**	*1,168*
Provisions for liabilities and charges	22	**96**	*96*
CURRENT LIABILITIES			
Trade and other payables	19	**4,669**	*14,182*
TOTAL EQUITY AND LIABILITIES		**22,354**	*31,210*

The financial statements were approved by the Board of Directors on 23rd June 2011 and are signed on its behalf by:

.... Chair
G F Mackenzie

.... Director
E W Adair

Company Registration Number SC110956

The notes on pages 12 to 32 form part of the financial statements.

THE EDI GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2010

	Notes	2010 £'000	*2009 £'000*
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	**27**	*51*
Investments in joint ventures	14	**8,001**	*8,334*
Deferred income tax assets	22	**307**	*327*
		8,335	*8,712*
CURRENT ASSETS			
Inventories	15	**4,175**	*4,088*
Trade and other receivables	16	**13,222**	*12,748*
Cash and cash equivalents		**604**	*9,403*
		18,001	*26,239*
TOTAL ASSETS		**26,336**	*34,951*
EQUITY			
ISSUED CAPITAL AND RESERVES			
Issued share capital	18	**8,500**	*8,500*
Retained profits		**(2,276)**	*(2,495)*
TOTAL EQUITY		**6,224**	*6,005*
NON CURRENT LIABILITIES			
Loan stock	21	**3,500**	*4,000*
Retirement benefit obligation	24	**1,136**	*1,168*
CURRENT LIABILITIES			
Trade and other payables	19	**15,476**	*23,778*
TOTAL EQUITY AND LIABILITIES		**26,336**	*34,951*

The financial statements were approved by the Board of Directors on 23rd June 2011 and are signed on its behalf by:

G F Mackenzie .... Chair

E W Adair .... Director

Company Registration Number SC110956

The notes on pages 12 to 32 form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2010

	2010 £'000	*2009 £'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Total operating (Loss)/profit	**138**	*1,097*
Adjustments for:		
Corporation tax	**(29)**	*1,645*
Interest paid	**(476)**	*(6,826)*
	(367)	*(4,084)*
INCREASE IN WORKING CAPITAL		
(Increase)/Decrease in inventories	**(87)**	*318*
Decrease in trade and other receivables	**378**	*855*
(Decrease)/Increase in trade and other payables	**(10,598)**	*6,416*
INCREASE IN WORKING CAPITAL	**(10,307)**	*7,589*
CASH FLOWS FROM OPERATING ACTIVITIES	**(10,674)**	*3,505*
CASH FLOWS FROM OTHER OPERATING ACTIVITIES		
Other cash (outflows) from other operating activities	**24**	*35*
NET CASH FLOWS FROM OPERATING ACTIVITIES	**(10,650)**	*3,540*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**172**	*440*
Receipts from sale of property, plant and equipment	**1,000**	*55,204*
Dividends received from joint ventures	**925**	-
Impairment loss on investments	**(409)**	-
Other cash inflows/(outflows) from investing activities	**491**	*(50,793)*
NET CASH FLOWS FROM INVESTING ACTIVITIES	**2,179**	*4,851*
NET CASH FLOWS FROM INVESTING ACTIVITIES	**8,471**	*8,391*
Cash and cash equivalents as at 1 January 2010	**9,582**	*1,191*
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2010	**1,111**	*9,582*

The notes on pages 12 to 32 form part of the financial statements.

1. Presentation of financial statements

The group's consolidated financial statements have been prepared, for the first time, 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 financial statements have been presented in Pounds Sterling as this is the currency of the economic environment that the company and group operates in.

As at the date of approval of these financial statements, the following Standards and Interpretations, that were in issue but not yet effective, have not been applied in these financial statements:

- IFRS 9 *Financial instruments,* effective 1 January 2013*.
- IFRS 1 Amendment – *"First time adoption of IFRS", on IFRS 7 exemptions,* effective 1 July 2010.
- IFRS 1 Amendment – *"First time adoption of IFRS", on hyperinflation and fixed dates,* effective 1 July 2011*.
- IFRS 7 *Improving Disclosures about Financial Instruments Amendments to IFRS 7 Financial Instruments:Disclosures,* effective 1 July 2011*.
- Amendment to IAS 32 *Financial instruments: Presentation - Classification of rights issues,* effective 1 February 2010.
- IAS 24 *Related Party Disclosures (revised),* effective 1 January 2011.
- IFRIC 19 *Extinguishing financial liabilities with equity instruments,* effective 1 July 2010.
- IFRIC 14 (Amendment) *The limit on a defined benefit asset, minimum funding requirements and their interaction,* effective 1 January 2011.

(Standards marked "*" have not yet been adopted by the European Union.)

In addition, there are certain requirements of *Annual Improvements to IFRSs (2010)* which are generally effective for accounting periods beginning on or after 1 January 2011.

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.

2. Going Concern

The group has successfully raised financing in the past to provide funding for its activities and to augment its working capital. Having regard to the group's existing working capital position the Directors are of the opinion that the group has adequate resources to enable it to undertake its planned activities over the next twelve months.

3. First-time adoption of international financial reporting and accounting standards

In the current year, the company has adopted International Financial Reporting and Accounting Standards for the first time.

The company has applied IFRS 1 *First time adoption of International Financial Reporting Standards* to provide a starting point for reporting under International Financial Reporting and Accounting Standards. The date of transition to International Financial Reporting and Accounting Standards was selected as 31 December 2009 and all comparative information in these financial statements has been restated to reflect the company's adoption of International Financial Reporting and Accounting Standards.

3. First-time adoption of international financial reporting and accounting standards *(Cont'd)*

Reconciliation of equity at 31 December 2009

The effect of the changes to the company's accounting policies on the equity of the company at the date of the last financial statements presented under previous UK GAAP was as follows.

Note	*As reported Under Previous GAAP*	*Effect of Transition to IFRSs*	*IFRSs*
	£'000	*£'000*	*£'000*
1 Investments in joint ventures	7,961	236	8,197
2 Pension liabilities	841	327	1,168
3 Revaluation reserve	845	(845)	-

Notes to the reconciliation of equity at 31 December 2009

1. This consisted of two adjustments, the first being to discontinue the recognition of joint venture losses/net liabilities of £406k, offset by a second adjustment of £170k, in respect of the recognition of deferred tax provisions on unrealised revaluation gains for investment properties held by joint ventures.
2. To reclassify the deferred tax asset of £327k, previously offset against net pension liabilities under UK GAAP.
3. To reclassify all remaining unrealised revaluation gains on investment properties to retained earnings.

Reconciliation of profit for 2009

The changes in accounting policies had the following effect on the loss reported for the year ended 31 December 2009.

Note	*As reported Under Previous GAAP*	*Effect of Transition to IFRSs*	*IFRSs*
	£'000	*£'000*	*£'000*
1 Tax expense	1,815	(170)	1,645

Notes to the reconciliation of loss at 31 December 2009

1. To recognise deferred tax provisions on unrealised revaluation gains for investment properties held by joint ventures.

Explanation of material adjustments to the cash flow statement for 2009

Income taxes of £1,645k received during 2009 are classified as operating cash flows under IFRSs, but were included in a separate category of tax cash flows under previous GAAP. There are no other material differences between the cash flow statement presented under IFRSs and the cash flow statement presented under previous GAAP.

4. ACCOUNTING POLICIES

Basis of preparation

The consolidated 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 consolidated financial statements have been prepared on the historic cost basis except for certain assets which are stated at their fair value. The principal accounting policies adopted to prepare the consolidated financial statements are set out below.

Basis of consolidation

The group financial statements comprise the financial statements of The EDI Group Limited and all its subsidiaries made up to 31 December 2010.

The results of operations of subsidiary undertakings are included in the consolidated financial statements as from the date of acquisition, which is the date on which control of the acquired subsidiary is effectively transferred to the buyer. The results of operations of subsidiary undertakings disposed of are included in the consolidated income statement until the date of disposal, which is the date on which the parent ceases to have control of the subsidiary undertaking. Intragroup balances and intragroup transactions and resulting unrealised profits are eliminated in full. Unrealised losses resulting from intragroup transactions are also eliminated unless cost can be recovered.

Associates are those enterprises in which the Group has significant influence but not control. Associates are accounted for in the consolidated financial statements using the equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The income statement reflects the investor's share of the results of operations of the investee. If the investor's share of losses exceeds the carrying amount of the investment, the carrying amount of the investment is reduced to nil and recognition of further losses are discontinued, unless the investor has incurred obligations to the investee or to satisfy obligations of the investee that the investor has guaranteed or otherwise committed, whether funded or not. To the extent that the investor has incurred such obligations, the investor continues to recognise its share of losses of the investee.

In its consolidated financial statements, the Group reports its interest in jointly controlled equities using proportionate consolidation. A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. The Group discontinues proportionate consolidation from the date on which it ceases to have joint control over a jointly controlled entity.

Transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the investor's interest in the entity. Unrealised losses are not eliminated to the extent that the transaction provides evidence of an impairment of the asset transferred.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

4. ACCOUNTING POLICIES *(cont'd)*

Critical accounting estimates and sources of estimation uncertainty

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

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

Revenue recognition

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

Revenue from property sales is recognised when missives are concluded with a buyer.

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 and prepayments
Trade and other receivables, and prepayments 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.

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.

4. ACCOUNTING POLICIES *(cont'd)*

Financial instruments *(cont'd)*

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

Investments
Investments in subsidiary undertakings and joint ventures and associates are stated at cost less any provisions for impairment.

Joint ventures and associates
A joint venture is an undertaking which the group has a long term interest and over which it exercises joint control. An associate is an undertaking in which the group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. The group's share of the profits less losses of joint ventures and associates is included in the consolidated statement of income.

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 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.

4. ACCOUNTING POLICIES *(cont'd)*

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 to the income statement on a straight line basis to write off the the carrying value of each asset over their UEL.

The following annual depreciation rates, which reflect the useful lives of the assets concerned, are applied on a monthly basis:

Furniture and equipment	- 20% of cost
Computer equipment	- 33.33% of cost

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, 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.

Where the Group expects a provision to be reimbursed, the reimbursement is recognised as an asset only when it is virtually certain that reimbursement will be received if the enterprise settles the obligation.

Dividends

Dividends payable are recorded in the financial statements in the period in which they are declared.

Inventories

Inventories, consisting of properties in the course of development or major refurbishment which are held for resale, are stated in the financial statements at the lower of cost and net realisable value.

Interest incurred during the construction and development phase is capitalised as part of the cost of the property. All other interest payable is charged to the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Employee benefits

For defined benefit schemes, the pension costs are assessed using the projected unit credit method and reviewed annually by independent actuaries. The liability recognised in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs. The cost of providing pensions is charged to the income statements so as to spread the regular costs over the service lives of employees. The pension obligation is measured at the present value of the estimated future cash flows using interest rates on government securities that have terms to maturity approximating the terms of the related liability.

5. REVENUE

An analysis of revenue is as follows:

	2010 £'000	*2009 £'000*
Rental income	1,588	*4,383*
Rendering of services	89	*470*
	1,677	*4,853*

6. OPERATING PROFIT

Operating profit is stated after charging the following:

	2010 £'000	*2009 £'000*
Depreciation of property, plant and equipment	23	*35*

7. STAFF NUMBERS AND COSTS

The average number of persons employed by the group (including executive directors) during the year was 10 (2009: 24).

The aggregate costs of these persons were as follows:

	2010 £'000	2009 £'000
Salaries	506	1,548
Social security costs	48	126
Other pension costs	79	236
	633	1,910

Directors' remuneration

	2010 £'000	2009 £'000
Directors' emoluments	101	262
Pension contributions	18	27
	119	289
Highest paid director:		
Emoluments (including benefits-in-kind)	101	160
Pension contributions	18	10
	119	170

No remuneration is paid to non-executive directors.

Retirement benefits are accruing to one (2009: one) director under a defined contribution scheme.

8. AUDITORS REMUNERATION

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

	2010	2009
	£'000	£'000
Fee's payable to the company's auditor for audit services	31	35
Fee's payable to the company's auditor for other services	30	30

9. FINANCE INCOME

	2010	2009
	£'000	£'000
Group:		
Bank deposits	10	109
Interest receivable from joint ventures	161	298
Other interest	-	30
	171	437
Share of joint ventures:		
Bank deposits	1	3
	172	440

10. FINANCE COSTS

	2010	2009
	£'000	£'000
Group:		
Secured loan stock held by The City of Edinburgh Council	226	254
Bank loans and overdrafts	-	3,136
Interest swap and other charges of loan redemption	-	3,159
Other interest	-	3
Net return on pension assets	20	26
Less: amounts capitalised in the year	-	-
	246	6,578
Share of joint ventures:		
Bank loans and overdrafts	248	325
Less: amounts capitalised in the year	(18)	(77)
	476	6,826

11. TAXATION

(a) Analysis of (credit)/charge in year

	2010 £'000	2009 £'000
Current tax:		
UK corporation tax on profits of the year	1	(15)
Adjustments in respect of prior periods	(82)	(15)
Group/consortium relief – prior periods	-	7
Share of joint ventures – current year	-	3
Share of joint ventures – prior periods	-	(148)
Total current tax (note 11(b))	(81)	(168)
Deferred tax:		
Origination and reversal of timing differences	1	(1,685)
Pension scheme deficit	20	(210)
Share of joint ventures	13	177
Total deferred tax	34	(1,708)
Tax on loss on ordinary activities	(47)	(1,876)

The tax (credit)/charge is allocated in the financial statements as follows:

	2010 £'000	2009 £'000
Profit and loss account	29	(1,645)
Statement of total recognised gains and losses	(76)	(231)
	(47)	(1,876)

(b) Factors affecting tax (credit)/charge for the year

The current tax credit for the year is lower (2009: lower) than the expected tax credit as explained below:

	2010 £'000	2009 £'000
Profit/(loss) on ordinary activities before tax	1,453	(7,879)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 28% (2009: 28%)	407	(2,206)
Effects of:		
Expenses not deductible for tax purposes	139	265
Non-taxable income	(259)	-
Difference between tax and accounting gain on asset disposals	(186)	748
Capital allowances in excess of depreciation	3	(4)
Tax rate differences	-	(2)
Tax losses carried forward	24	1,054
Tax losses carried back	-	122
Movement in other timing differences	(30)	30
Adjustments in respect of previous periods	(83)	(155)
Pension scheme deficit	(96)	(20)
Current tax (credit)/charge for year (note 11(a))	(81)	(168)

11. TAXATION (cont'd)

(c) Factors affecting future tax charges

Deferred tax assets of £1,197,273 (2009: £885,000) exist which have not been recognised in the financial statements. These relate to losses carried forward, of which £631,000 (2009: £237,000) are the group's share of losses carried forward within joint venture companies and are only recoverable against those companies' future taxable trading profits.

12. PROFIT OF THE COMPANY FOR THE FINANCIAL YEAR

The profit for the year attributable to the company was £461,549 (2009: £5,705,000 loss).

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Group			
Cost or valuation			
At 1 January 2010	24	97	121
Additions	-	-	-
Disposals	-	-	-
At 31 December 2010	24	97	121
Depreciation			
At 1 January 2010	12	58	70
Charge for year	6	18	24
At 31 December 2010	18	76	94
Net book value			
At 31 December 2010	6	21	27
At 31 December 2009	12	39	51

13. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture and equipment £'000	Computer equipment £'000	Total £'000
Company			
Cost			
At 1 January 2010	24	97	121
Additions	-	-	-
At 31 December 2010	24	97	121
Depreciation			
At 1 January 2010	12	58	70
Charge for year	6	18	24
At 31 December 2010	18	76	94
Net book value			
At 31 December 2010	6	21	27
At 31 December 2009	12	39	51

14. INVESTMENTS

Group	Joint ventures and associates £'000
Shares	
At 1 January 2010 and 31 December 2010	25
Loans	
At 1 January 2010	8,174
Decrease in the year	(3,925)
At 31 December 2010	4,249
Post-acquisition reserves	
At 1 January 2010	(238)
Share of profits less losses for the year	(127)
Share of tax charge	(8)
Other movements	3,690
At 31 December 2010	3,317
Loans to and share of net assets in associates and joint ventures	
At 31 December 2010	7,591
At 31 December 2009	8,197
Other investments	
At 1 January 2010	(568)
Movement in year	-
At 31 December 2010	(568)

Other investments held at 31 December 2010 relate to the company's joint arrangement in Haymarket Projects Limited. The negative interests are classified as liabilities.

14. INVESTMENTS *(cont'd)* - Company

Subsidiary undertakings

	Ratho Ventures Limited £	EDI (Industrial) Limited £	Edinburgh Residential Accom-modation Limited £	Clocktower Edinburgh Limited £	New Dunfermline Limited £	EDI Central Limited £	New Glasgow Limited £	Edinburgh Retail Investments Limited £	Gyle Developments Limited £	Haymarket Projects Limited £	EDI Market Street Limited £	EDI Construction Limited £
Shares												
At 1 January 2010	408,752	2	2	100	51	100	2	1	100	1	1	1
Provisions	(408,652)	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2010	100	2	2	100	51	100	2	1	100	1	1	1

Joint ventures and associates

	Parc Craigmillar Limited £	New Laurieston (Glasgow) Limited £	Buredi Limited £	North Ayrshire Ventures Limited £	PSG (Edinburgh) Limited £	Maitland Develop-ments Limited £
Shares and loans						
At 1 January 2010	7,924,971	45	50	50	50	50
Conversion to preference shares	(7,924,971)	-	-	-	-	-
Preference shares issued	8,000,050	-	-	-	-	-
At 31 December 2009	8,000,050	45	50	50	50	50

	Subsidiary undertakings £	Joint ventures and associates £	Total £
Shares and loans			
At 1 January 2010	409,113	7,925,216	8,334,329
Provisions/conversion to preference shares	(408,652)	(7,924,971)	(8,333,623)
Preference shares issued	-	8,000,050	8,000,050
At 31 December 2010	461	8,000,295	8,000,756

14. INVESTMENTS *(cont'd)*

	Principal activity	Country of registration	Percentage of ordinary share capital held
EDI (Industrial) Limited	Property investment	Scotland	100%
Clocktower Edinburgh Limited	Property investment	Scotland	100%
Gyle Developments Limited	Property development	Scotland	100%
Edinburgh Retail Investments Limited	Property investment	Scotland	100%
Ratho Ventures Limited	Property development	Scotland	100%
EDI Central Limited	Property development	Scotland	100%
EDI Construction Limited	Property development	Scotland	100%
Haymarket Projects Limited	Non-trading	Scotland	100%
Edinburgh Industrial Estates Limited (joint venture of EDI (Industrial) Limited)	Property development	Scotland	50%
Buredi Limited	Property development	Scotland	50%
Buredi Developments Limited (Subsidiary of Buredi Limited)	Property development (in liquidation)	Scotland	50%
Buredi Fountainbridge Limited (Subsidiary of Buredi Limited)	Property development (in administration)	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%
Bell's Mills Developments Limited (Subsidiary of Bell's Mills Limited)	Non-trading (dissolved Feb 2011)	Scotland	25%
North Ayrshire Ventures Limited	Property development	Scotland	50%
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%
PSG (Edinburgh) Limited	Non-trading	Scotland	50%
New Laurieston (Glasgow) Limited	Property development	Scotland	45%
New Dunfermline Limited	Property development	Scotland	51%
New Glasgow Limited	Dormant	Scotland	100%
Edinburgh Residential Accommodation Limited	Dormant	Scotland	100%
EDI Market Street Limited	Dormant	Scotland	100%
Maitland Developments Limited	Dormant	Scotland	50%

14. INVESTMENTS *(cont'd)*

The total of the group's profit before taxation from interests in joint ventures and associates was £126,970 loss (2009: £3,137,000 loss).

	2010	2009
	£'000	£'000
Turnover	2,396	4,079
Share of fixed assets	3,163	2,685
Share of current assets	6,319	8,099
Share of liabilities:		
Due within one year	(4,819)	(4,870)
Due after one year	(1,560)	(6,127)
Share of net assets/(liabilities)	3,103	(213)

Additional disclosures for joint ventures and associates which exceed the 25% thresholds:

The group's share of the joint venture, Parc Craigmillar Limited, was as follows:

	2010	2009
	£'000	£'000
Turnover	2,108	3,805
Loss before tax	(72)	(2,572)
Taxation	7	142
Loss after tax	(65)	(2,430)
Share of fixed assets	784	220
Share of current assets	3,896	5,141
Share of liabilities:		
Due within one year	(3,090)	(1,626)
Due after one year	-	(5,793)
Share of net (liabilities)/assets	1,590	(2,058)

Additional disclosures for joint ventures and associates which exceed the 15% thresholds:

The group's share of the joint venture, Buredi Limited, was as follows:

	2010	2009
	£'000	£'000
Turnover	112	103
Share of fixed assets	-	-
Share of current assets	1,352	1,259
Share of liabilities:		
Due within one year	(656)	(1,125)
Due after one year	(349)	-
Share of net assets	347	134

15. INVENTORIES

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Development properties and associated costs	9,305	9,218	4,175	4,088

16. TRADE AND OTHER RECEIVABLES

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Receivables from trade customers	204	232	129	11
Receivable from group undertakings	-	-	10,290	10,024
Receivable from parent undertaking	1	-	1	-
Receivable from joint ventures and associated undertakings	3,471	3,429	2,776	2,660
Other receivables	224	152	-	31
Prepayments	113	22	26	22
	4,013	3,835	13,222	12,748

17. CASH AND CASH EQUIVALENTS

	2010 £'000	*2009 £'000*
Cash on hand	**1,111**	*9,582*

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2010.

18. SHARE CAPITAL

	Company 2010 £'000	Company 2009 £'000
Authorised:		
Ordinary shares of £1 each	8,500	8,500
Allotted, called up and fully paid:		
Ordinary shares of £1 each	8,500	8,500

19. TRADE AND OTHER PAYABLES

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Payable to trade suppliers	99	293	97	247
Payable to group undertakings	-	-	14,301	20,507
Payable to The City of Edinburgh Council	3,031	2,117	-	12
Payable to joint ventures and associated undertakings	265	1,326	842	1,577
Payable to joint arrangements (note 14)	568	568	-	-
Social security and other taxes	17	9,258	25	1,082
Other payables	-	111	-	24
Accruals and deferred income	689	509	211	329
	4,669	14,182	15,476	23,778

21. LONG TERM LIABILITIES – LOAN STOCK

Group	Group 2010 £'000	Company 2009 £'000	Company 2010 £'000	2009 £'000
Unsecured loan stock	3,806	4,306	3,500	4,000

Loan stock owed by the company to The City of Edinburgh Council bears interest at a variable rate; £1,000,000 is repayable by 5 January 2014 and £2,500,000 is repayable by 1 April 2016.

22. PROVISIONS FOR LIABILITIES AND CHARGES

	Group £'000	Company £'000
Deferred tax		
At beginning of year	(231)	(327)
Charge for the year	20	20
At end of year	(211)	(307)

The elements of deferred tax are as follows:

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Accelerated capital allowances	-	-	-	-
Other timing differences	96	96	-	-
Pension scheme deficit	(307)	(327)	(307)	(327)
	(211)	(231)	(307)	(327)

22. PROVISIONS FOR LIABILITIES AND CHARGES *(cont'd)*

The deferred tax liability is included in the financial statements as follows:

	Group 2010 £'000	Group 2009 £'000
Provisions for liabilities and charges	96	96
Deferred tax asset	307	327

23. CAPITAL AND FINANCIAL COMMITMENTS

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Contractual commitments	-	-	-	-
Authorised, but not contracted, commitments	-	-	-	-

At the end of the financial year the company and the group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Operating leases which expire:				
Within one year	-	-	4	2
In the second to fifth years	-	-	16	10
	-	-	20	12

24. PENSION FUND ASSETS AND LIABILITIES

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 account 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 2008. 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 2010. The major assumptions used in this valuation were:

	2010 %	2009 %
Inflation/pension increase rate	3.1	3.8
Salary increase rate	5.1	5.3
Expected return on assets	6.8	7.3
Discount rate	5.4	5.7

24. PENSION FUND ASSETS AND LIABILITIES *(cont'd)*

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 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 2010 %	**Assets at 2010** £'000	**Long term rate of return 2009** %	**Assets at 2009** £'000
Equities	7.3	2,513	7.8	2,136
Bonds	4.8	258	5.1	214
Property	5.3	290	5.7	214
Cash	4.4	161	4.8	107
		3,222		2,671

	2010 £'000	2009 £'000
Scheme assets	3,222	2,671
Present value of scheme liabilities	(4,358)	(3,839)
Net pension liabilities	(1,136)	(1,168)
Deferred tax thereon (note 22)		

Movement in deficit during the year:	**2010** £'000	**2009** £'000
Deficit at beginning of year	(1,168)	(416)
Current service cost	(71)	(112)
Employer contributions	171	186
Past service gains/(costs)	263	(29)
Losses on curtailments	-	(7)
Net return on assets	(20)	(26)
Actuarial (losses)/gains	(311)	(764)
Deficit at end of year	(1,136)	(1,168)

24. PENSION FUND ASSETS AND LIABILITIES *(cont'd)*

Analysis of amount charged to operating profit:	2010 £'000	2009 £'000
Current service cost	71	112
Past service (gain)/cost	(263)	29
Losses on curtailments and settlements	-	7
	(192)	148

Amount credited/(debited) to other finance income:

Expected return on pension scheme assets	199	149
Interest on pension scheme liabilities	(219)	(175)
	(20)	(26)
Net cost	(172)	174

Projected pension expense for the year to 31 December 2011:

	2011 £'000	% of pay
Projected current service cost	69	17.6
Interest on obligation	236	60.1
Expected return on plan assets	(220)	(56.0)
Past service cost	-	-
	85	21.7

25. PARENT COMPANY AND ULTIMATE HOLDING ORGANISATION

The parent company is CEC Holdings Limited, a company registered in Scotland. The ultimate holding organisation is The City of Edinburgh Council.

26. RELATED PARTY TRANSACTIONS

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

Related party	Relationship	Group company	Nature of transactions	Value of transactions during year £'000	Amount owed from/(to) at year end £'000
CEC Holdings Ltd	Parent company	The EDI Group Ltd	Management fees	-	2
City of Edinburgh Council	Ultimate holding organisation	The EDI Group Ltd	Loan stock	-	(3,500)
			Loan stock interest payable	226	(174)
City of Edinburgh Council	Ultimate holding organisation	EDI Central Ltd	Head lease rent	350	-
			Profit share rent	840	(406)
Buredi Ltd	Joint venture company	The EDI Group Ltd	Loan account	-	9
Edinburgh Industrial Estates Ltd	Joint venture company	The EDI Group Ltd	Loan account	-	6
North Ayrshire Ventures Ltd	Joint venture company	The EDI Group Ltd	Administration fees	30	24
Parc Craigmillar Ltd	Joint venture company	The EDI Group Ltd	Development costs	283	1,529
			Loan stock	-	-
			Loan stock interest receivable	161	-
Parc Craigmillar Developments Ltd	Joint venture company	The EDI Group Ltd	Management fees	93	1,137
PSG (Edinburgh) Ltd	Joint venture company	The EDI Group Ltd	Loan account	-	(13)

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	2010 £'000	*2009 £'000*
Financial assets		
Loans and receivables		
- Trade and other receivables	**4,101**	*3,835*
- Cash and cash equivalents	**1,111**	*9,582*
	5,212	*13,417*

	2010 £'000	*2009 £'000*
Financial liabilities		
Financial liabilities measured at amortised cost		
- Trade and other payables	**4,757**	*14,182*
	4,757	*14,182*

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 the 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.

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 statement.

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 dates.

The group 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.