

# **Edinburgh Living MMR LLP**

## **Members' report and financial statements**

Registered number SO306071

For the year ended 31 December 2020

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## **Members' report**

The members present their members' report and financial statements for the year ended 31 December 2020.

### **Principal activities**

The principal activity of the LLP during the year was investment in residential property for rental purposes.

### **Business review**

Edinburgh Living is a housing delivery partnership created to address housing need in Edinburgh. The initiative is a partnership between the City of Edinburgh Council (The Council) and Scottish Futures Trust (SFT). The Limited Liability Partnership will deliver homes for mid-market rent to let households in housing need.

Edinburgh Living bought its first homes in January 2019 and owned 243 homes across eight sites in the city by the end of 2020.

Edinburgh Living is 99.999% owned by the Council and is financed under a Facility Agreement with the Council to borrow up to £248m along with a contribution of up to £16.1m from a Scottish Government grant.

### **Results**

The results for the year are shown on the profit and loss account on page 6.

### **Members**

The members who held office during the year were as follows:

Scottish Futures Trust Investments Limited  
The City of Edinburgh Council

### **Policy with respect to members' drawings and subscription and repayments of amounts subscribed or otherwise contributed by members**

Cash received by Edinburgh Living, excluding property disposal proceeds, will be allocated firstly to pay any operating costs, secondly in payment of any loan advances and associated accrued interest charges, thirdly to fund the Lifecycle Account as necessary to establish and maintain the Maintenance Fund and fourthly to establish and maintain the required Reserve Account balance. Any residual balances after making the above allocations will be held to apply in early repayment of loan advances. Such balances will not be distributed without the unanimous approval of members and where any payment under the Facility Agreement (between Edinburgh Living and the Council) has not been made in accordance with its terms.

Cash received from property disposals will be allocated firstly to reimburse any subsidy paid out under the Scottish Government Grant, secondly in payment of any accrued interest charges on loan advances, thirdly to repay the outstanding balance of the principal of the loan advances, fourthly to pay any operating costs including any disposal costs, to establish and maintain the Reserve Account balance, fifthly to pay for the acquisition of any replacement units, sixthly to fund the Lifecycle Account, seventhly to the Reserve Account as necessary and finally, following disposal of the final property, to repay the initial capital.

### **Disclosure of information to auditor**

The members who held office at the date of approval of this members' report confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditor is unaware; and each member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

**Members' report** *(continued)*

**Auditor**

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

The above report has been prepared in accordance with the special provisions relating to limited liability partnerships subject to the small limited liability partnerships' regime within Part 15 of the Companies Act 2006, as applied by The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

Signed on behalf of the members

**Christa Reekie** *on behalf of Scottish Futures Trust  
Investments Limited  
Designated member*

Waverley Court  
4 East Market Street  
Edinburgh  
EH8 8BG  
21 September 2021

## **Statement of members' responsibilities in respect of the Members' report and the financial statements**

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with applicable law and Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members 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 LLP and of its profit or loss for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Edinburgh Living MMR LLP**

### **Opinion**

We have audited the financial statements of Edinburgh Living MMR LLP (the 'limited liability partnership') for the year ended 31 December 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the limited liability partnership's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**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 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit.

**Responsibilities of members**

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the members are responsible for assessing the limited liability partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

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

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

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

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

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

**Use of our report**

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Nick Bennett (Senior Statutory Auditor)**  
**For and on behalf of Azets Audit Services**

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**Chartered Accountants**  
**Statutory Auditor**

Exchange Place 3  
Semple Street  
Edinburgh  
United Kingdom



EH3 8BL

**Profit and loss account**  
for the year ended 31 December 2020

Note

		2020 £	2019 £
<b>Turnover</b>		1,025,440	224,830
Cost of sales		(208,817)	(76,423)
		816,623	148,407
<b>Gross profit</b>			
Government grant release	8	89,805	23,065
Administrative expenses		(192,555)	(12,996)
Net gain from fair value adjustment on investment properties		2,502,272	8,235,245
		3,216,145	8,393,722
<b>Operating profit</b>			
Interest payable and similar charges	4	(588,878)	(141,699)
		2,627,268	8,252,022
<b>Profit before tax</b>			
<b>Profit for the financial year available for discretionary division among members</b>	3	2,627,268	8,252,022

The LLP's turnover and expenses all relate to continuing operations.

There are no items of other comprehensive income for the current or previous year and therefore no separate statement of other comprehensive income has been presented.

## Balance sheet

at 31 December 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Investment properties	5	46,144,069	27,747,852
<b>Current assets</b>			
Debtors	6	217,255	51,807
Cash at bank and in hand		512,955	335,908
		<hr/>	<hr/>
<b>Current assets</b>			387,715
		730,210	
<b>Creditors: amounts falling due within one year</b>	7		
Trade and other payables		(1,372,752)	(428,991)
Deferred income	8	(133,650)	(72,050)
		<hr/>	<hr/>
<b>Net current assets</b>		(776,192)	(113,326)
		<hr/>	<hr/>
<b>Creditors: amounts falling due in more than one year</b>	7 & 8	(5,099,480)	(2,786,885)
		<hr/>	<hr/>
<b>Net assets attributable to members</b>		40,268,397	24,847,641
		<hr/>	<hr/>
<b>Represented by:</b>			
<b>Loans and other debts due to members</b>			
Other amounts	10	29,389,105	16,595,617
<b>Members' equity</b>			
Members' capital	11	2	2
Revaluation reserve		10,737,517	8,235,245
Profit & loss reserve		141,773	16,777
		<hr/>	<hr/>
		40,268,397	24,847,641
		<hr/>	<hr/>

These financial statements have been prepared in accordance with the special provisions relating to Limited Liability Partnerships subject to the small Limited Liability Partnerships' regime within Part 15 of the Companies Act 2006, as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, and in accordance with Section 1A "Small Entities" of FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice applicable to Small Entities), and the Statement of Recommended Practice Accounting by Limited Liability Partnerships.

The notes on pages 10 to 14 form part of these financial statements.

These financial statements were approved by the members and authorised for issue on 21 September 2021 and are signed on their behalf by:

**Christa Reekie** on behalf of *Scottish Futures Trust Investments Limited*  
Designated member

**Statement of changes in Members' interests**  
 for the year ended 31 December 2020

	Members' Capital (classified as equity)	Profit & Loss Reserve	Revaluation Reserve £	Loans & Other Debts Due to Members £	Total Members' interests £
Balance at 1 January 2019	2	-	-	-	2
New loans from Members during year	-	-	-	16,595,617	16,595,617
Profit for the financial year	-	16,777	-	-	16,777
Revaluations	-	-	8,235,245	-	8,235,245
<b>Balance at 31 December 2019</b>	<b>2</b>	<b>16,777</b>	<b>8,235,245</b>	<b>16,595,617</b>	<b>24,847,641</b>
New loans from Members during year	-	-	-	12,793,488	12,793,488
Profit for the financial year	-	124,996	-	-	124,996
Revaluations	-	-	2,502,272	-	2,502,272
<b>Balance at 31 December 2020</b>	<b>2</b>	<b>141,773</b>	<b>10,737,517</b>	<b>29,389,105</b>	<b>40,268,397</b>

The notes on pages 10 to 14 form part of these financial statements.

The revaluation element of Members' other interests is non-distributable.

## Notes

(forming part of the financial statements)

### 1. General information

Edinburgh Living MMR LLP (the "Partnership") is a Limited Liability Partnership, incorporated and domiciled in the Scotland. The address of the registered office is Waverley Court, East Market Street, Edinburgh, EH8 8BG.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the LLP's financial statements.

#### ***Basis of preparation***

These financial statements were prepared in accordance with Section 1A small entities of Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014 and amended in December 2018, and the LLP Statement of Recommended Practice (SORP) as issued in December 2018. The presentation currency of these financial statements is sterling.

#### ***Going concern***

In relation to the LLP's working capital requirements, the members have prepared cash flow forecasts which indicate that the LLP will continue to have sufficient resources available to it to enable it to continue in operational existence by meeting its day to day liabilities as they fall due for payment for a period of at least twelve months from the date of approval of these financial statements. The LLP finances its day to day working capital requirements through funds advanced to the LLP by its members, as detailed in note 10.

Covid-19 has had an effect on rental income and acquisitions and may continue to do so in 2021. The Board has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The Board concluded that there were sufficient resources available to the LLP to withstand a reasonable level of negative impact on the rental income. The LLP has a working capital facility arrangement in place with the Council to help manage its day-to-day cashflow in the early years as it builds up reserves.

Based upon the reasons outlined above, and after making appropriate enquiries, the members have a reasonable expectation that the LLP has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the members continue to adopt the going concern basis in preparing the annual financial statements.

#### ***Cash flow statement***

Under Section 1A Small entities of FRS 102, the company is not required to prepare a cash flow statement.

#### ***Turnover***

The turnover shown in the profit and loss account represents rental income, exclusive of value added tax, and is recognised as it accrues.

#### ***Investment properties***

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- i. Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. No depreciation is provided in respect of investment properties applying the fair value model.

**Notes** *(continued)*

**2. Accounting policies** *(continued)*

***Investment properties*** *(continued)*

If a reliable measure is not available with undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets until a reliable measure of fair value becomes available.

***Interest***

Interest payable and similar charges comprises interest payable on loans from members. Interest payable is recognised in the profit and loss account as it accrues.

***Taxation***

As members are personally liable for taxation on their share of the profits of the LLP there is no corporation or deferred tax charges.

The LLP is not making taxable supplies therefore is not required to register for VAT.

***Government grants***

The accrual model is applied to government grants relating to assets. Grants are recognised when receivable and measured at fair value.

Grants receivable in respect of contributions to fixed assets are initially credited to deferred income and released to the profit and loss account over the useful life of the asset which is deemed to be 40 years.

***Key sources of estimation uncertainty***

*Valuation of Investment Property*

The company believes that the most significant judgement applied is the valuation of investment properties. As described above investment properties are held at fair value. The investment property portfolio has been valued by the members and any valuation movement will be reflected in the profit and loss account. This results in inherent volatility in the expected results.

*Critical accounting judgements in applying the company's accounting policies*

The company believes that the major judgement applied is the use of the going concern principle which supports the valuation of the assets included in the Balance sheet.

**3. Profit for the financial year available for discretionary division among members**

	<b>2020</b>	<b>2019</b>
	£	£
<b>This is stated after charging:</b>		
Auditor's remuneration:		
Audit of these financial statements	7,500	8,000
	7,500	8,000

**Notes** *(continued)*

**4. Interest payable and similar charges**

	<b>2020</b>	<b>2019</b>
	£	£
On members' loans	588,878	141,699
	588,878	141,699

**5. Investment properties**

	<b>2020</b>	<b>2019</b>
	£	£
Opening balance at 1 January 2020	<b>27,747,852</b>	-
Acquisition cost	<b>15,893,945</b>	<b>19,512,607</b>
Change in fair value	<b>2,502,272</b>	<b>8,235,245</b>
Balance at 31 December 2020	<b>46,144,069</b>	<b>27,747,852</b>

The last valuation was carried out by a registered valuer and qualified Chartered Surveyor from the City of Edinburgh Council, in December 2020 and is based on market value.

The valuation report has been used to inform the measurement of assets in these financial statements. Although, due to COVID-19 impacts, the valuer has declared that the valuation be reviewed when the housing market resumes to normality and more information comes to light given the anticipated change in values. Despite this, the valuer has continued to exercise professional judgement in preparing the valuation and, therefore, this is the best information available to Edinburgh Living MMR LLP as at 31 December 2020 and thus can be relied upon.

**6. Debtors**

	<b>2020</b>	<b>2019</b>
	£	£
Other debtors	213,636	49,713
Unpaid members' capital	2	2
Prepayments	3,617	2,092
	217,255	51,807

**Notes** (continued)

**7. Creditors**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Amounts due to The City of Edinburgh Council	592,536	89,138
Retentions	468,253	250,629
Accruals	269,479	84,916
Other creditors	42,484	4,308
Deferred income	133,650	72,050
	1,506,402	501,041
	1,506,402	501,041
<b>Amounts falling due in more than one year:</b>		
Deferred income	5,099,479	2,786,885
	5,099,479	2,786,885
	5,099,479	2,786,885

**8. Deferred income**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Opening balance	2,858,935	-
Grant received during the year	2,464,000	2,882,000
Grant released to profit and loss account	(89,805)	(23,065)
	5,233,130	2,858,935
	5,233,130	2,858,935

**9. Related party transactions**

Throughout the year the partnership was controlled by the members.

During the year the LLP entered into transactions with related parties as follows:

		<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
		<b>Transactions</b>	<b>Short-term</b>	<b>Transactions</b>	<b>Short-term</b>
			<b>creditor at</b>		<b>creditor at</b>
			<b>year end</b>		<b>year end</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Related party</b>					
The City of Edinburgh Council	Management fees	154,301	94,507	42,654	42,654
The City of Edinburgh Council	Interest	588,878	166,343	141,699	89,138
The City of Edinburgh Council	Principal	12,793,488	426,193	16,595,617	227,368
The City of Edinburgh Council	Staff recharges	78,128	78,128	-	-
		13,614,795	765,171	16,779,970	359,160
		13,614,795	765,171	16,779,970	359,160

**Notes** *(continued)*

**10. Loans and other debts due to members**

On liquidation of the LLP, loan advances and related accrued interest will be repaid second after any required repayment of Scottish Government Grant.

	2020 £	2019 £
Due to The City of Edinburgh Council	29,389,105	16,595,617
	29,389,105	16,595,617
	29,389,105	16,595,617

**11. Members' capital**

	2020 £	2019 £
The City of Edinburgh Council	1	1
Scottish Futures Trust Investments Limited	1	1
	2	2
	2	2

**12. Ultimate controlling party**

The City of Edinburgh Council (CEC), Waverley Court, 4 East Market St Edinburgh, EH8 8BG is the ultimate controlling party. CEC's accounts is the largest published group accounts of which the LLP is a member.

**13. Subsequent events**

Covid-19 may continue to impact upon rental income. The Senior Management Team (SMT) has considered the potential impact and has reviewed some scenario modelling showing the financial implications. The SMT concluded that there were measures in place to enable to LLP to mitigate a reasonable level of negative impact on the rental income, therefore it is not considered to change the assessment of the LLP as a going concern.

The LLP has acquired a further 72 properties during 2021.