

CEC HOLDINGS LIMITED

Consolidated Financial Statements

For the year ended 31 December 2021

Registered number SC135444

CEC HOLDINGS LIMITED
Consolidated financial statements
For the year ended 31 December 2021

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CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activities, business review, results for the year and future developments

CEC Holdings Limited is a company limited by shares which is incorporated and domiciled in Scotland. The principal activities of the Group, which is ultimately wholly owned by the City of Edinburgh Council, are property development, urban regeneration and the operation of an international conference centre.

The results of the year are set out in the Consolidated Statements of Profit and Loss and Other Comprehensive Income on pages 11. The profit on ordinary activities after taxation for the year is £1,034k (2020: loss of £4,937k).

CEC Holdings Limited

The administrative expenses of the company were met from management fees for the administration of group tax relief and retained earnings.

The company acts as a holding company for the Council's arms-length property companies. It does not have any employees and its activities have negligible environmental impact.

The EDI Group ("EDI")

The financial performance of the group in 2021 was a net profit of £1.1m compared to a loss of £3.2m in 2020. Retained earnings increased from negative £2.5m to negative £1.4m. The major factor influencing the year's results has been property sales.

The group had a cash balance of £3.3m (2020: £6.1m). The sales expected in 2022 will be profitable and no dividends expected in 2022 to allow the retained earnings to recover from the write off.

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2021

Edinburgh International Conference Centre Limited ("EICC")

Principal activities

The principal activities that the Company undertook during the year were in respect of the operation of an international conference centre.

Results and review of the business

The loss from continuing operations before tax for the year amounted to £35,791 (2020 – loss of £1,721,998). The Company has, after taxation adjustments, a total comprehensive loss for the year of £35,791 (2020 – loss of £1,721,998). The Directors do not recommend the payment of a dividend for the year ended 31 December 2021.

The year to December 2021 saw the Company report an operating profit, before adjustments for depreciation and the release of capital grants, despite many government-imposed restrictions being in place for large parts of the year due to coronavirus.

At the outset of 2021 the company anticipated a challenging and uncertain financial year given the continued prevalence of coronavirus and the various government restrictions in place for a business of our nature. The Company had budgeted an operating deficit of £1.2m for 2021 based on, amongst other things: the level of contracted bookings that had been secured for the year including the NHS; the continued restrictions in place; the expectation that these restrictions could remain in place for large parts of the year; and the uncertainty with regards expenditure specifically the extension of the furlough scheme and extension of Non-Domestic rates relief.

Notwithstanding any restrictions in place in the first half of 2021 the Conference Centre had secured a large contract with NHS Lothian to use the Conference Centre as a covid mass vaccination centre between January and July. This was later extended until September. The contract was a huge success, the Company was pleased to be part of the solution in the country's vaccination rollout whilst allowing the Centre to be operational in a covid secure manner.

This proved to be a very challenging year which created a dynamic environment with constantly changing client situations and scenarios given the uncertainty on the timescale of restrictions within the events sector and the impact on international travel. The company dealt with the situation in a measured and professional way, dealing with client's requests on an event by event basis.

Live events, on reduced scale, recommenced in May with international events resuming in September when travel restrictions and testing requirements eased. We also saw a return of the Edinburgh Festival in August albeit on a reduced scale due to social distancing requirements. Operations and events were building momentum towards the end of the year however the emergence of the Omicron variant in December resulted in the reintroduction of restrictions and consequently the cancellation or postponement of some events. At this point the centre pivoted for the second time and re-opened as a mass vaccination centre as the NHS ramped up the roll out of the booster vaccination program.

The cumulative effect of the company's activities had a significant impact on the Company's revenues for the year which amounted to £6.616m. This was a significant increase on the previous year's figure of £3.188m. The revenues generated were greater than could have been expected given the Conference Centre was not permitted to host business events for almost 6 months of the financial year.

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2021

Expenditure in respect of cost of sales and administration expenses totalled £5.978m in 2021, which was an increase of £1.421m on the previous year's expenditure which had amounted to £4.557m. This represented an increase of 31% compared to the expenditure recorded during the previous year. This increase was in comparison to an increase in gross revenues of 107% and was primarily due to a continued focus on cost management, the benefit from government initiatives such as the Job Retention Scheme and Non-Domestic Rates relief and working closely with suppliers and third-party providers.

The delegates who did attend events at the EICC during the year generated an economic impact of £14.9m in the second half of 2021 compared to £4.2m for events held in the first quarter of 2020. The economic impact that is produced as a result of the EICC's activities helps to create and sustain employment within Edinburgh and further afield.

The Company continues to align its operations with the business excellence model, and it is accredited to several quality standards. These standards cover systems management, human resources and environmental practices and the EICC continues to achieve very positive results from assessments in respect of its re-accreditation to these standards.

The Company made significant progress towards its aim of operating an hotel, in close proximity to the Conference Centre, during the year and indeed post year end. It is believed that this is essential in order to provide the necessary funding for the Conference Centre's long-term capital expenditure programme. An agreement for lease with the developer and a franchise agreement with the hotel brand were completed and signed off in April 2022 with construction commencing in July this year. A new fully owned subsidiary, Edinburgh International Conference Centre Hotels Ltd, was incorporated in February prior to the formal sign off of the various agreements.

Future business on the books remained strong coming into 2022, both for the current year and for each of the succeeding years until 2026. The coronavirus pandemic, specifically the Omicron variant, has however had an impact on business event bookings for the period from January until the end of March this year as government restrictions prohibited large events from taking place.

The Company has held the view for many years that its team members are its principal asset. It has therefore been a key priority to protect and retain the experience and expertise that they have with regard to the operation of the Conference Centre. The support of the Job Retention Scheme throughout 2020 and 2021 has been crucial in achieving that objective.

The Company has budgeted an operating surplus for 2022 albeit we believe it will be 2024 before we return to pre pandemic financial results. Notwithstanding this the Conference Centre has an extensive list of bookings for future years and the Company's business outlook for the medium and long term remains very positive. The level of future bookings at the end of 2021 compares very favourably with previous years. Considering the impact of the pandemic, we believe that the Company's prospects look extremely healthy as we move into a new phase with an expanded business which includes the new hotel development.

CEC HOLDINGS LIMITED

Strategic Report

For the year ended 31 December 2021

Key performance indicators

The Company's performance with regard to its key financial and other performance indicators during the year was as follows:-

| | 2021 £'000 | 2020 £'000 | % Change |
|---|---------------|---------------|-------------|
| Turnover | 6,616 | 3,188 | 107.5% |
| Cost of sales and administration expenses | 5,978 | 4,557 | 31.2% |
| Customer delight | 94% | 90% | |
| Economic impact | 14,937 | 4,158 | |

Risks and uncertainties

In common with many other businesses the Company is exposed to a range of risks. The principal risks and uncertainties facing the Company are associated with market forces and the behaviour of competition as well as the risks associated with catastrophic events.

As noted above, the coronavirus pandemic will continue to have an impact on the Company's business results for 2022 albeit on a lesser scale. Directors believe that the business outlook for the medium and long term remains very positive.

Future developments

The Directors intend to maintain the objectives and aims of the Company, which have resulted in many notable achievements and successes to date.

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

Date: **October 2022**

Burness Paull LLP
Secretaries

Company registered
office:
Waverley Court
4 East Market Street
Edinburgh
EH8 8BG

CEC HOLDINGS LIMITED

Directors' Report

For the year ended 31 December 2021

The directors present their annual report and audited financial statements for the year ended 31 December 2021

Directors

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

Mr C Rose (resigned 14 July 2022)
Ms L Cameron
Ms K Campbell (resigned 14 July 2022)
Mr A C Beal (appointed 14 July 2022)
Mr P Doggart (appointed 22 September 2022)

Board operation

All decisions are taken by the Board with the exception of delegated authority to the Executive Director of Resources:

- (i) To procure advisory services at a cost not exceeding £20,000 (plus VAT).
- (ii) To make suitable cash flow arrangements with the Council as and when necessary.

Political and charitable contributions

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

Going Concern

In line with the FRC guidance on Going Concern issued in April 2017, the directors have considered the appropriateness of the continued use of the going concern basis.

The Company's ultimate parent entity, The City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

CEC HOLDINGS LIMITED

Directors' report

For the year ended 31 December 2021

Responsibilities of the directors

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with UK adopted International Accounting Standards.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs 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 group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

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

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

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

Date: October 2022

Burness Paul LLP
Secretaries

Company registered office:
Waverley Court
4 East Market Street Edinburgh
EH8 8BG

CEC HOLDINGS LIMITED

Independent auditor's report to the members of CEC Holdings Limited

For the year ended 31 December 2021

Opinion

We have audited the financial statements of CEC Holdings Limited for the year ended 31 December 2021 which comprise consolidated and parent company statement of profit or loss and other comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion:

- the financial statements give a true and fair view of the state of the group and parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and parent company 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 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 audit opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 company'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 directors with respect to going concern are described in the relevant sections of this report.

CEC HOLDINGS LIMITED

Independent auditors' report to the members of CEC Holdings Limited - continued

For the year ended 31 December 2021

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors 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 directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

CEC HOLDINGS LIMITED

Independent auditors' report to the members of CEC Holdings Limited - continued

For the year ended 31 December 2021

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 for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 company 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.

CEC HOLDINGS LIMITED

Independent auditors' report to the members of CEC Holdings Limited - continued

For the year ended 31 December 2021

Use of our report

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.

Nick Bennett, Senior Statutory Auditor
For and on behalf of Azets Audit Services
Statutory Auditor
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date: _____ **October 2022**

CEC HOLDINGS LIMITED

Consolidated and Parent Company Statement of Profit or Loss

For the year ended 31 December 2021

| | Note | Consolidated Group | | Parent Entity | |
|--|------|--------------------|---------------|---------------|---------------|
| | | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Continuing Operations | | | | | |
| Revenue | 3 | 9,286 | 3,373 | 1 | 9 |
| Cost of sales | | (3,748) | (2,528) | - | - |
| Gross profit | | 5,538 | 845 | 1 | 9 |
| Development expenses | | (115) | (18) | - | - |
| Other operating income | 4 | - | 1 | - | 1 |
| Employee benefits expense | 9 | (1,854) | (1,679) | - | - |
| Administrative expenses | | (692) | (795) | (35) | (37) |
| Work in progress written off | | (1,194) | (2,898) | - | - |
| Profit/(loss) from operations | | 1,683 | (4,544) | (34) | (27) |
| Loss on disposal | | - | - | - | - |
| Dividend income | | - | - | - | 1,750 |
| Finance income | 6 | 4 | 44 | 499 | 285 |
| Finance costs | 7 | (660) | (446) | (499) | (285) |
| Other income | 8 | 5 | 5 | - | - |
| Increase in fair value of investment property | 13 | - | - | - | - |
| Profit/(loss) before income tax expense | | 1,032 | (4,941) | (34) | 1,723 |
| Income tax credit/(charge) | 9 | 2 | 4 | - | 5 |
| Net profit/(loss) for the year from continuing operations | | 1,034 | (4,937) | (34) | 1,728 |
| Attributable to: | | | | | |
| Equity holders of the parent | | 1,034 | (4,937) | (34) | 1,728 |

There are no other items of comprehensive income or expense in the current year or prior year and therefore no Statement of Comprehensive Income is shown.

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Consolidated and Parent Company Statement of Financial Position

As at 31 December 2021

| | | Consolidated Group | | Parent Entity | |
|--|------|--------------------|---------------|---------------|---------------------------|
| | Note | 2021 £'000 | 2020 £'000 | 2021 £'000 | Restated 2020 £'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 6,247 | 6,816 | - | - |
| Investment property | 13 | 248 | 248 | - | - |
| Investments in associates and subsidiaries | 14 | 268 | 267 | 21,903 | 21,903 |
| Total non-current assets | | <u>6,763</u> | <u>7,331</u> | <u>21,903</u> | <u>21,903</u> |
| Current assets | | | | | |
| Cash and cash equivalents | 22 | 10,995 | 12,885 | 90 | 95 |
| Trade and other receivables | 16 | 4,454 | 3,951 | 1,170 | 2,450 |
| Inventory | 15 | 5,262 | 9,321 | - | - |
| Total current assets | | <u>20,711</u> | <u>26,157</u> | <u>1,260</u> | <u>2,545</u> |
| Total assets | | <u>27,474</u> | <u>33,488</u> | <u>23,163</u> | <u>24,448</u> |
| Equity and Liabilities | | | | | |
| Equity attributable to equity holders of the parent | | | | | |
| Contributed equity | 23 | 3,000 | 3,000 | 3,000 | 3,000 |
| Retained earnings | 24 | (55,073) | (56,107) | 951 | 985 |
| Capital contribution reserve | 24 | 67,050 | 66,944 | 12,523 | 12,523 |
| Total equity | | <u>14,977</u> | <u>13,837</u> | <u>16,474</u> | <u>16,508</u> |
| Non-current liabilities | | | | | |
| Other financial liabilities | 18 | 399 | 665 | 5,910 | 6,175 |
| Accruals and deferred income | 20 | 1,663 | 1,812 | - | - |
| Lease obligations | 12 | 790 | 899 | - | - |
| Total non-current liabilities | | <u>2,852</u> | <u>3,376</u> | <u>5,910</u> | <u>6,175</u> |
| Current liabilities | | | | | |
| Trade and other payables | 17 | 6,640 | 11,476 | 14 | 1,765 |
| Corporation tax | 17 | - | - | - | - |
| Other financial liabilities | 18 | 3,005 | 4,799 | 765 | - |
| Total current liabilities | | <u>9,645</u> | <u>16,275</u> | <u>779</u> | <u>1,765</u> |
| Total liabilities | | <u>12,496</u> | <u>19,651</u> | <u>6,689</u> | <u>7,940</u> |
| Total equity and liabilities | | <u>27,474</u> | <u>33,488</u> | <u>23,163</u> | <u>24,448</u> |

The financial statements were approved by the board of directors and authorised for issue on ___ October 2022 and are signed on its behalf by

.....
Director

Registered number SC135444

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Consolidated and Parent Company Statement of Changes in Equity

As at 31 December 2021

| Group | Share Capital £'000 | Capital Contribution £'000 | Retained Earnings £'000 | Total £'000 |
|--------------------------------------|------------------------------------|---|--|------------------------|
| Balance at 1 January 2020 | 3,000 | 66,913 | (49,420) | 20,493 |
| Profit for the year | - | - | (4,937) | (4,937) |
| Net movement on recognition of loans | - | 31 | - | 31 |
| Dividend declared | - | - | (1,750) | (1,750) |
| Balance at 31 December 2020 | <u>3,000</u> | <u>66,944</u> | <u>(56,107)</u> | <u>13,837</u> |
| Balance at 1 January 2021 | 3,000 | 66,944 | (56,107) | 13,837 |
| Profit for the year | - | - | 1,034 | 1,034 |
| Net movement on recognition of loans | - | 106 | - | 106 |
| Balance at 31 December 2021 | <u>3,000</u> | <u>67,050</u> | <u>(55,073)</u> | <u>14,977</u> |
| Company | Share Capital £'000 | Capital Contribution £'000 | Retained Earnings £'000 | Total £'000 |
| Balance at 1 January 2020 | 3,000 | 12,523 | 1,007 | 16,530 |
| Profit for the year | - | - | 1,728 | 1,728 |
| Dividend declared | - | - | (1,750) | (1,750) |
| Balance at 31 December 2020 | <u>3,000</u> | <u>12,523</u> | <u>985</u> | <u>16,508</u> |
| Balance at 1 January 2021 | 3,000 | 12,523 | 985 | 16,508 |
| Profit for the year | - | - | (34) | (34) |
| Balance at 31 December 2021 | <u>3,000</u> | <u>12,523</u> | <u>951</u> | <u>16,474</u> |

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

| | Consolidated Group | | Parent Entity | |
|--|--------------------|----------------|---------------|----------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Cash flow from operating activities | | | | |
| Total comprehensive profit/(loss) for year | 1,034 | (4,937) | (34) | 1,728 |
| <i>Adjustments for:</i> | | | | |
| Taxation (credit)/charge | (2) | (4) | - | (5) |
| Depreciation | 678 | 878 | - | - |
| Interest received | (4) | (44) | (499) | (285) |
| Interest paid | 660 | 446 | 499 | 285 |
| Loss on disposal of available for sale assets | - | - | - | - |
| Net revaluations of non-current assets | - | - | - | - |
| Release of deferred grant income | (91) | (217) | - | - |
| Decrease in inventories | 4,059 | (77) | - | - |
| Decrease/(Increase) in receivables | (502) | 4,775 | 1,281 | (996) |
| (Decrease)/Increase in payables | (5,006) | 3,136 | (1,252) | 990 |
| Taxation (paid)/received | 2 | 4 | - | - |
| Net cash flows from operating activities | <u>828</u> | <u>3,960</u> | <u>(5)</u> | <u>1,717</u> |
| Cash flow from investing activities | | | | |
| Purchase of property, plant and equipment | (109) | (66) | - | - |
| Proceeds from sale of available for sale assets | - | 2 | - | - |
| Interest received | 4 | 44 | 499 | - |
| Net cash flows from investing activities | <u>(105)</u> | <u>(20)</u> | <u>499</u> | <u>-</u> |
| Cash flow from financing activities | | | | |
| Dividends paid | - | (1,750) | - | (1,750) |
| Loan stock issued | 106 | 31 | - | - |
| Unwinding of interest | 499 | - | - | - |
| Write off of loan stock | (2,558) | - | - | - |
| Interest paid | (660) | (446) | (499) | - |
| Net cash flows from financing activities | <u>(2,613)</u> | <u>(2,165)</u> | <u>(499)</u> | <u>(1,750)</u> |
| Net increase/(decrease) in cash and cash equivalents | (1,890) | 1,775 | (5) | (33) |
| Cash and cash equivalents at beginning of year | 12,885 | 11,110 | 95 | 128 |
| Cash and cash equivalents at end of year | <u>10,995</u> | <u>12,885</u> | <u>90</u> | <u>95</u> |
| Bank balances and cash | <u>10,995</u> | <u>12,885</u> | <u>90</u> | <u>95</u> |

The accompanying notes form part of these financial statements.

CEC HOLDINGS LIMITED

Notes to the Financial Statements

For the year ended 31 December 2021

1. Presentation of financial statements

The consolidated financial statements of CEC Holdings Limited have been prepared in accordance with the UK adopted International Accounting Standards (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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

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

Adoption of new and revised standards

The following standards and interpretations are mandatory for the first time for the year ended 31 December 2021 but are either not applicable or have no material impact on the Group's financial statements; IBOR Reform and its Effects on Financial Reporting – Phase 2 and Covid-19 Related Rent Concessions beyond 30 June 2021 (amendment to IFRS 16).

The Group has adopted, where applicable, the following new and amended IFRSs as of 1 January 2021:

- IBOR Reform and its Effects on Financial Reporting – Phase 2
- IFRS 16, Amendment – Covid-19 Related Rent Concessions beyond 30 June 2021

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2021 are considered to have no significant or material effect on the Group's financial statements.

Guidance in issue but not in force

IAS 8 requires disclosure of guidance in issue but not in force. The minimum disclosure relates to guidance issued by 31 December 2021, and with potential effect.

| International Accounting Standards and Interpretations | Effective for periods beginning on or after |
|---|--|
| Annual Improvements to IFRS: 2018 – 2020 Cycle | 1 January 2022 |
| Conceptual Framework for Financial Reporting (Amendments to IFRS 3) | 1 January 2022 |
| IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract) | 1 January 2022 |
| IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use) | 1 January 2022 |
| IFRS 17 Insurance Contracts | 1 January 2023 |
| IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current) | 1 January 2023 |
| Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) | 1 January 2023 |
| Definition of Accounting Estimates (Amendment to IAS 8) | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) | 1 January 2023 |

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are either not applicable or not expected to have a material impact on the Group's financial statements in the period of initial application.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

2. Statement of significant accounting policies

a. Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard IAS 27 "Consolidated and Separate Financial Statements". A list of controlled entities appears in note 13 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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

b. Going concern

The future of the company and group is dependent on the continued financial support of the company's shareholders. Further details of the directors' assessment of going concern are provided in the directors' report.

c. Investments in associates

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

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

d. Income tax

The charge for income tax expense for the year is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future profits will be available against which deductible temporary differences can be utilised.

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

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

e. Property, plant and equipment

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

Plant and Equipment

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets are depreciated on a straight line basis over their estimated useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Given the closure strategy of The EDI Group Limited ('EDI') described in the Directors' Report, the useful life of all classes of fixed assets has been reassessed and adjusted in the prior year. The remaining life of all asset classes has been assessed as being to 30 June 2018, to coincide with the vacation of the company's offices.

The depreciation rates used for each class of assets are:

| Class of fixed asset | Depreciation rate |
|--------------------------------|--|
| Leasehold land | 50 years or over the period of the lease |
| Office equipment and furniture | 6 months – 10 years |
| Motor vehicles | 6 months - 5 years |
| Infrastructural works | See narrative below |

The capitalisation of infrastructural works is based on management's judgement of when a project's future economic benefit can be determined. Initial project development costs in respect of feasibility studies, design team fees and preconstruction activities are expensed via the statement of comprehensive income. However, once a project's feasibility has been determined and a future benefit is expected to arise from it the costs of that project are capitalised and depreciated over their useful life.

Derecognition and disposal

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

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

f. Acquisition of assets

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

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

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

g. Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position.

The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 when the option to enter into a new lease was exercised. From this date the assets have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing. The leaseholders hold no rights to impose restrictions on or reclaim the title of the Conference Centre.

Leased assets

For all contracts in existence on 1 January 2020 and any new contracts entered into on or after 1 January 2020 the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'.

Where it is determined that: the contract contains an identified asset; the group has the right to obtain substantially all of the economic benefits from the use of that asset throughout the period of use; and it has the right to direct the use of that asset throughout the period of use, the contract will be deemed to include a right-of-use-asset.

At lease commencement date, a right-of-use asset and a lease liability are recognised on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred and an estimate of any costs required to dismantle and remove the asset at the end of the lease.

The right-of-use assets are depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

Within the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in financial liabilities.

In adopting IFRS 16 the group has used the modified retrospective approach of initially applying the standard as an adjustment to opening equity at the date of initial application. In keeping with this approach comparative figures have not been restated.

h. Inventories

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

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

i. Borrowing costs

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

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

j. Impairment

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

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

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

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

k. Employee entitlements

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

Contributions are made by the economic entity to employee pension funds and are charged as expenses when incurred.

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

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

I. Financial instruments

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

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

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

Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

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.

m. 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.

n. Investments

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

o. Revenue

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

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

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

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

p. Critical accounting estimates and judgements

In applying the accounting policies, the Directors may at times, be required 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.

Key estimates:

- i. *Investment property valuation* – the Directors assess the valuation of the investment property at each reporting date by evaluating conditions specific to the Group that may lead to a revaluation of the asset.
- ii. *Provisions* – provisions are based on estimated costs provided by external professionals. The Directors review provisions regularly to assess how reasonable and accurate they are.

The other areas impacted by such judgements and estimation uncertainties, within these accounts, relate primarily to the depreciation policy used, assumptions used in undertaking impairment reviews and the basis of determining whether or not to capitalise equipment purchases in respect of fixed assets, the recoverability of items contained within trade and other receivables and the discount interest rates to fair value loan stock and right-of-use assets.

q. Value added tax

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

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

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

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

r. 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, where either temporary water connections were granted with the condition that infrastructure works were subsequently completed by the company, or which the company is obliged to pay in the event of sale or disposal of individual sites.

s. Grants receivable

Grants are accounted for by the company when receivable.

Grants receivable in respect of contributions to fixed assets in course of construction and property development work in progress costs are credited to deferred income.

Where grants are given for a specific purpose they are released to the profit and loss account to match the cost of the completed project.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Revenue

An analysis of revenue is as follows:

| | Consolidated Group | | Parent Entity | |
|--------------------------------------|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Rental income | - | - | - | - |
| Rendering of services | 213 | 39 | 1 | 9 |
| Property sales | 2,660 | 174 | - | - |
| Provision of conferencing facilities | 6,413 | 3,160 | - | - |
| | <u>9,286</u> | <u>3,373</u> | <u>1</u> | <u>9</u> |

4. Other operating income

An analysis of other operating income is as follows:

| | Consolidated Group | | Parent Entity | |
|--|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Reimbursement of development expenditure | <u>-</u> | <u>1</u> | <u>-</u> | <u>1</u> |

5. Profit/(loss) before income tax expense

Profit/(loss) before income tax expense is stated after charging:

| | Consolidated Group | | Parent Entity | |
|---|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Auditor's remuneration: | | | | |
| - Audit | 52 | 57 | 5 | 5 |
| - Non-Audit | 17 | 18 | 9 | 9 |
| Depreciation and other amounts written off tangible fixed assets: | | | | |
| Owned | 677 | 878 | - | - |
| Capital grant released | (91) | (216) | - | - |
| | <u>677</u> | <u>878</u> | <u>-</u> | <u>-</u> |

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

6. Finance income

| | Consolidated Group | | Parent Entity | |
|---------------------------|--------------------|------------------|-------------------|-------------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Other interest receivable | 4 | 44 | 499 | 285 |
| | <u>4</u> | <u>44</u> | <u>499</u> | <u>285</u> |
| | <u><u>4</u></u> | <u><u>44</u></u> | <u><u>499</u></u> | <u><u>285</u></u> |

7. Finance costs

| | Consolidated Group | | Parent Entity | |
|---|--------------------|-------------------|-------------------|-------------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| On secured loan stock held by the City of Edinburgh Council | 600 | 380 | 499 | 285 |
| Effective interest on leased assets | 60 | 66 | - | - |
| | <u>660</u> | <u>446</u> | <u>499</u> | <u>285</u> |
| | <u><u>660</u></u> | <u><u>446</u></u> | <u><u>499</u></u> | <u><u>285</u></u> |

8. Other income

| | Consolidated Group | | Parent Entity | |
|---------------|--------------------|-----------------|-----------------|-----------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Rental income | 5 | 5 | - | - |
| | <u>5</u> | <u>5</u> | <u>-</u> | <u>-</u> |
| | <u><u>5</u></u> | <u><u>5</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |

9. Income tax expense

| | Consolidated Group | | Parent Entity | |
|--|--------------------|-------------------|-----------------|-------------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Current tax: | | | | |
| - Domestic | - | - | - | - |
| - Tax adjustments, reliefs and transfers | (2) | (4) | - | (5) |
| - Adjustments in respect of previous periods | - | - | - | - |
| | <u>(2)</u> | <u>(4)</u> | <u>-</u> | <u>(5)</u> |
| | <u><u>(2)</u></u> | <u><u>(4)</u></u> | <u><u>-</u></u> | <u><u>(5)</u></u> |

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

9. Income tax expense (continued)

| | Consolidated Group | | Parent Entity | |
|---|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| The tax charge is allocated in the financial statements as follows: | | | | |
| Consolidated Statement of Comprehensive income | (2) | (4) | - | (5) |
| Statement of changes in equity | - | - | - | - |
| | <u>(2)</u> | <u>(4)</u> | <u>-</u> | <u>(5)</u> |

Domestic income tax is calculated at 19% (2020: 19%) of the estimated assessable profit/(loss) for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

| | Consolidated Group | | Parent Entity | |
|---|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Profit/(loss) on ordinary activities before taxation | 1,032 | (4,941) | (34) | 1,723 |
| Profit/(loss) on ordinary activities at the effective rate of corporation tax of 19% (2020 – 19%) | 194 | (938) | (7) | 327 |
| Effects of: | | | | |
| Expenses that are not taxable for tax purposes | 6 | 2 | - | - |
| Tax effect of other short term timing differences | - | - | - | - |
| Non-taxable income | - | - | - | - |
| Exempt ABGH transfers | - | - | - | (332) |
| Deferred tax not recognised | (32) | 953 | - | - |
| Adjustment of deferred tax to average rate | (41) | (1) | - | - |
| Remeasurement of deferred tax for changes in tax rates | 246 | (165) | (2) | - |
| Other timing differences | - | - | - | - |
| Utilisation of tax losses | 3 | - | - | - |
| Fixed asset differences | 57 | 63 | - | - |
| Movement in deferred tax not recognised | 9 | - | 9 | - |
| Adjustment in respect of previous years | (444) | - | - | - |
| Losses surrendered | - | 131 | - | (5) |
| Group relief | - | (49) | - | 5 |
| | <u>(2)</u> | <u>(4)</u> | <u>-</u> | <u>(5)</u> |
| Current tax charge/(credit) for year attributable to the company and its subsidiaries | | | | |

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

10. Employee benefits expense

The average number of persons employed by the group (including directors) during the year was 48 (2020: 54). The aggregate payroll costs of these persons were as follows:

| | Consolidated Group | | Parent Entity | |
|-----------------------|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Wages and salaries | 1,804 | 1,874 | - | - |
| Social security costs | 179 | 186 | - | - |
| Pension costs | 145 | 135 | - | - |
| Job Retention Scheme | (274) | (516) | - | - |
| | <u>1,854</u> | <u>1,679</u> | <u>-</u> | <u>-</u> |

No remuneration (2020 £Nil) is paid to directors or non-executive directors of the CEC Holdings Limited company.

Retirement benefits are accruing to no directors (2020: none) under a defined benefit scheme. Directors' remuneration costs disclosed above exclude employer's national insurance costs of £Nil (2020: £Nil).

11. Property, plant and equipment

| | Right-of-use assets | Leasehold Properties £'000 | Infra-Structural Works £'000 | Office Equipment & Furniture £'000 | Total £'000 |
|--------------------------|---------------------|-------------------------------|---------------------------------|---------------------------------------|-----------------|
| Group | | | | | |
| <i>Cost or valuation</i> | | | | | |
| At beginning of year | 1,186 | 35,603 | 6,670 | 6,750 | 50,209 |
| Additions | 3 | - | - | 106 | 109 |
| Disposal | - | - | - | - | - |
| At end of year | <u>1,189</u> | <u>35,603</u> | <u>6,670</u> | <u>6,856</u> | <u>50,318</u> |
| <i>Depreciation</i> | | | | | |
| At beginning of year | (235) | (30,616) | (6,670) | (5,872) | (43,393) |
| Charge for year | (123) | (188) | - | (367) | (678) |
| Released on disposal | - | - | - | - | - |
| At end of year | <u>(358)</u> | <u>(30,804)</u> | <u>(6,670)</u> | <u>(6,239)</u> | <u>(44,071)</u> |
| Net book value | | | | | |
| At 31 December 2021 | <u>831</u> | <u>4,799</u> | <u>-</u> | <u>617</u> | <u>6,247</u> |
| At 31 December 2020 | <u>951</u> | <u>4,987</u> | <u>-</u> | <u>878</u> | <u>6,816</u> |

Leasehold properties consist of heritable property constructed on land that is leased by a subsidiary company until 2117.

The right-of-use assets are included under the same fixed asset categories as they would be if they were owned.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

12. Lease obligations

As a lessee

The Group has leases for several properties. With the exception of leases of low-value underlying assets, each lease is reflected in the Statement of Financial Position within Property, plant and equipment and Lease obligations.

Leases of properties have a remaining lease term ranging from 6 to 25 years. All lease payments are fixed and all lease contracts are non-cancellable. The Group does not sublet any of the properties under lease contract.

Right-of-use assets

| | Consolidated Group 2021 | Parent Entity 2021 |
|----------------------------------|--|-----------------------------------|
| | Properties £'000 | Properties £'000 |
| Net book value at 1 January | 951 | - |
| Additions | 3 | - |
| Disposals | - | - |
| Depreciation charge for the year | (123) | - |
| Released on disposal | - | - |
| | 831 | - |
| Net book value at 31 December | 831 | - |

Right-of-use assets

| | Consolidated Group 2020 | Parent Entity 2020 |
|----------------------------------|--|-----------------------------------|
| | Properties £'000 | Properties £'000 |
| Net book value at 1 January | 1,035 | - |
| Additions | 35 | - |
| Disposals | (9) | - |
| Depreciation charge for the year | (119) | - |
| Released on disposal | 9 | - |
| | 951 | - |
| Net book value at 31 December | 951 | - |

Lease liabilities are presented in the statement of financial position as follows:

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

12. Lease obligations (continued)

| Analysed as: | Consolidated Group | | Parent Entity | |
|--------------|--------------------|-------------------|-------------------|-------------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Current | 109 | 104 | - | - |
| Non-current | 790 | 898 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The lease liabilities are secured on the related underlying assets. The undiscounted maturity analysis of lease liabilities as at 31 December is as follows:

| Group | Within 1 | Between | Over 5 |
|------------------------------|------------|------------|------------|
| | year | 2 and 5 | years |
| | 2021 | 2021 | 2021 |
| | £'000 | £'000 | £'000 |
| Lease liability - properties | 109 | 625 | 165 |
| Net present value | <u>109</u> | <u>625</u> | <u>165</u> |

| Group | Within 1 | Between | Over 5 |
|------------------------------|------------|------------|------------|
| | year | 2 and 5 | years |
| | 2020 | 2020 | 2020 |
| | £'000 | £'000 | £'000 |
| Lease liability - properties | 104 | 597 | 301 |
| Net present value | <u>104</u> | <u>597</u> | <u>301</u> |

The Company has entered into a number of leases in relation to office accommodation, office equipment and motor vehicles. These leases are in respect of identified assets and under the terms of the agreements the Company has the right to obtain substantially all of the economic benefits from the use of the assets throughout the period of their use. It also has the right to direct the use of the assets throughout their period of use.

The lease liability, in respect of these assets, is measured at the commencement of the lease as the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or an incremental borrowing rate.

The lease liability is subsequently reduced by the value of lease rentals paid and increased by a charge for interest, based on the value of the outstanding lease liability.

CEC HOLDINGS LIMITED
Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13. Investment property

| | Heritable Investment Properties |
|----------------------------|--|
| Group | £'000 |
| <i>Valuation</i> | |
| At 1 January 2021 | 248 |
| Increase in fair value | - |
| At 31 December 2021 | <u>248</u> |
| <i>Net book value</i> | |
| At 31 December 2021 | <u>248</u> |
| At 31 December 2020 | <u><u>248</u></u> |

An investment property owned by the company was valued at £247,934 at 31 December 2021 by an internal Chartered Surveyor on the basis of open market value for existing use. The valuation was carried out in accordance with the Practice Statement in RICS Appraisal and Valuation Manual. The related rental income recognised in the Statement of Profit or Loss and Other Comprehensive Income was £nil (2020: £nil) along with direct operating expenses of £nil (2020: £nil).

The Scottish Ministers hold a standard security on a development property in respect of any amounts due to them by the company. The carrying value of this at the year-end is £nil (2020: £nil).

Under the fair value hierarchy in IFRS 13 – Fair Value Measurement, investment property is deemed a level 2. Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

CEC HOLDINGS LIMITED
Notes to the Financial Statements (continued)

For the year ended 31 December 2021

14. Fixed asset investments

Group

| | Associated Undertakings |
|---|------------------------------------|
| | £'000 |
| <i>Post acquisition reserves</i> | |
| At 1 January 2021 | 267 |
| Movement in provision | 1 |
| | 268 |
| <i>Net book value</i> | |
| Loans to and share of net assets in associated undertakings | |
| At 31 December 2021 | 268 |
| At 31 December 2020 | 267 |

Company

| | Shares in Group Undertakings £'000 | Loans to Group Undertakings £'000 | Total £'000 |
|-------------------------|---|--|------------------------|
| <i>Shares and loans</i> | | | |
| At 1 January 2021 | 13,517 | 8,376 | 21,903 |
| Impairment movement | - | - | - |
| | - | - | - |
| <i>Net book value</i> | | | |
| At 31 December 2021 | 13,517 | 8,376 | 21,903 |

The City of Edinburgh Council paid for convertible unsecured loan stock with a value of £45.298m on behalf of CEC Holdings Limited. Further non-convertible unsecured loan stock was issued by Edinburgh International Conference Centre Limited to CEC Holdings Limited, in exchange for funding provision of £8,386m. This was matched by the issue of non-convertible loan stock to The City of Edinburgh Council by CEC Holdings Limited. Further details are provided in note 18.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

14. Fixed asset investments (continued)

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

| Company | Principal Activity | Registered office and country of incorporation | Percentage of Share Capital Held |
|--|--|---|---|
| The EDI Group Limited | Property development and investment | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| Edinburgh International Conference Centre Limited | Conference centre operator | Conference House, 152 Morrison Street, Edinburgh, EH3 8EB, Scotland | 100% preferred ordinary shares |
| EDI Central Limited | Property development | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| EDI Market Street Limited | Property development | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| EDI Fountainbridge Limited | Property development | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| Parc Craigmillar Limited | Regeneration | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| Parc Craigmillar Developments Limited (subsidiary of Parc Craigmillar Limited) | Property development and investment | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| Waterfront Edinburgh Limited | Property development and regeneration | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| Waterfront Edinburgh Management Limited (subsidiary of Waterfront Edinburgh Limited) | Property management services | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| New Laurieston (Glasgow) Limited (associate of the EDI Group Limited) | Property development | Miller House, 2 Lochside View, Edinburgh, EH12 9DH, Scotland | 45% ordinary shares |
| Shawfair Land Limited | Property development | Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG, Scotland | 100% ordinary shares |
| Caledonia Waterfront (Harbour Rd) Ltd (associate of Waterfront Edinburgh Limited) | Property development and letting of properties | Caledonia House, Lawmoor Street, Glasgow, G5 0US, Scotland | 42.5% ordinary shares |

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

Where 50% or less of the share capital is held these companies have been consolidated using the equity accounting method. In the case of New Laurieston (Glasgow) Limited, the group's share of losses exceed the value of its interest in the company, and therefore no further losses have been recognised.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

15. Inventory

| | Consolidated Group | | Parent Entity | |
|---|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Development properties and associated costs | 5,262 | 9,321 | - | - |
| | <u>5,262</u> | <u>9,321</u> | <u>-</u> | <u>-</u> |

16. Current trade and other receivables

| | Consolidated Group | | Parent Entity | |
|---|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Trade receivables | 1,328 | 853 | - | - |
| Amounts owed by group & associated undertakings | 142 | 159 | - | 1,780 |
| Other receivables | 2,765 | 1,272 | 5 | 4 |
| Prepayments and accrued income | 219 | 362 | - | - |
| | <u>4,454</u> | <u>2,646</u> | <u>5</u> | <u>1,784</u> |
| Non-current trade and other receivables | | | | |
| Other receivables | - | 1,305 | 1,165 | 666 |
| | <u>4,454</u> | <u>3,951</u> | <u>1,170</u> | <u>2,450</u> |

17. Trade and other payables (current)

| | Consolidated Group | | Parent Entity | |
|--|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Trade and other payables | 995 | 522 | - | - |
| Amounts due to group & associated undertakings | 1,237 | 3,626 | - | 1,750 |
| Other payables | 513 | 542 | - | - |
| Corporation tax | - | - | - | - |
| Other taxation and social security | 315 | 309 | - | - |
| Accruals and deferred income | 2,472 | 2,471 | 15 | 15 |
| Provisions (note 19) | 1,108 | 4,006 | - | - |
| | <u>6,640</u> | <u>11,476</u> | <u>15</u> | <u>1,765</u> |

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

18. Other financial liabilities

| | Consolidated Group | | Parent Entity | |
|--------------------------------------|--------------------|---------------|---------------|---------------------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | Restated 2020 £'000 |
| <u>Current</u> | | | | |
| Convertible unsecured loan stock | 3,005 | 4,799 | - | - |
| Non-convertible unsecured loan stock | - | - | 765 | - |
| | <u>3,005</u> | <u>4,799</u> | <u>765</u> | <u>-</u> |
| <u>Non-current</u> | | | | |
| Convertible unsecured loan stock | - | - | - | - |
| Non-convertible unsecured loan stock | 399 | 665 | 5,909 | 6,175 |
| | <u>399</u> | <u>665</u> | <u>5,909</u> | <u>6,175</u> |

The non-convertible unsecured loan stock is held by The City of Edinburgh Council, the company's parent undertaking. It bears no interest or the interest has been waived by the stockholder.

The non-convertible unsecured loan stock has been recognised at fair value by discounting the future cash flows using market interest rates. Loan stocks are then held at amortised cost by applying an effective interest rate, to increase the loan stock to its face value over the term of the loan stock's term. The difference between the loan stock's amortised cost and its face value has been recognised in the statement of profit and loss.

The convertible unsecured loan stock is held by The City of Edinburgh Council, the company's parent undertaking. It bears interest at a variable rate and is repayable on 31 March 2018. The Council has agreed to the repayment being delayed and settled as part of the closure process against the transfer of land and buildings to the Council or in cash as assets are realised.

| | 2021 £'000 | 2020 £'000 |
|---|---------------|---------------|
| Convertible unsecured loan stock – non-interest bearing | - | 2,559 |
| Convertible unsecured loan stock 2018 | 2,240 | 2,240 |
| | <u>2,240</u> | <u>4,799</u> |

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

18. Other financial liabilities (continued)

The non-convertible unsecured loan stock is repayable as follows:

| Loan Stock | Effective Interest Rate % | Amortised cost at 31 December 2021 £'000 | Aggregate Interest £'000 |
|---|--|---|---|
| Non-Convertible Unsecured Loan Stock 2022 | 75 | 765 | 765 |
| Non-Convertible Unsecured Loan Stock 2023 | 75 | 283 | 283 |
| Non-Convertible Unsecured Loan Stock 2024 | 70 | 102 | 102 |
| Non-Convertible Unsecured Loan Stock 2025 | 75 | 13 | 13 |
| | | <u>1,163</u> | <u>1,163</u> |

The non-convertible loan stock which is repayable in 2025 was issued to The City of Edinburgh Council by CEC Holdings Limited and has a fair value of £2,876k matched by a corresponding investment of £2,876k in loan stock issued by Edinburgh International Conference Centre Limited. This investment is classified as 'Loans to group undertakings' within Fixed Asset Investments (see note 14) in the Company Statement of Financial Position. The remaining non-convertible loan stock, recognised at an amortised cost of £nil and with a total fair value of £59,438k, was issued directly to The City of Edinburgh Council by Edinburgh International Conference Centre Limited.

CEC HOLDINGS LIMITED
Notes to the Financial Statements (continued)

For the year ended 31 December 2021

19. Provisions

| | Consolidated Group | | Parent Entity | |
|------------------------------------|---------------------------|-----------------------|-----------------------|-----------------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| <i>Infrastructure expenditure</i> | | | | |
| Balance brought forward | 1,108 | 1,108 | - | - |
| Increase in provision for the year | - | - | - | - |
| Decrease in provision for the year | - | - | - | - |
| | 1,108 | 1,108 | - | - |
| <i>Work in progress</i> | | | | |
| Balance brought forward | 2,898 | - | - | - |
| Increase in provision for the year | - | 2,898 | - | - |
| Decrease in provision for the year | (2,898) | - | - | - |
| | - | 2,898 | - | - |
| | 1,108 | 4,006 | - | - |

Provisions for infrastructure expenditure required additional works to be provided for due to land sold in the prior year.

Provisions for work in progress was utilised during the current year.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

20. Deferred income & capital grants

| | Consolidated Group | | Parent Entity | |
|-----------------|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2019 £'000 |
| Capital grants | 1,128 | 1,213 | - | - |
| Deferred income | 535 | 599 | - | - |
| | <u>1,663</u> | <u>1,812</u> | <u>-</u> | <u>-</u> |

The group has claimed capital grant funding from the Town Centre Regeneration Fund, made available by the Scottish Ministers. The Scottish Ministers hold a standard security on a development property in respect of any amounts due to them by the group. The total amount of grants that have been received in respect of building construction and road works is as follows:

| | Consolidated Group | | Parent Entity | |
|--------------------------------|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Capital grants brought forward | 1,304 | 1,521 | - | - |
| Received during period | - | - | - | - |
| Released during period | (91) | (217) | - | - |
| Capital grants carried forward | <u>1,213</u> | <u>1,304</u> | <u>-</u> | <u>-</u> |
| Analysed as follows: | | | | |
| Current obligations | 85 | 91 | - | - |
| Non-current obligations | 1,128 | 1,213 | - | - |
| Capital grants carried forward | <u>1,213</u> | <u>1,304</u> | <u>-</u> | <u>-</u> |

20. Deferred income & capital grants (continued)

The group has deferred income in relation to advance deposits received in respect of events which are due to take place after the year-end and in relation to grants that are recognised when receivable.

| | Consolidated Group | | Parent Entity | |
|------------------------------------|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Balance brought forward | 2,206 | 2,589 | - | - |
| Deferred during the year | 1,591 | 1,810 | - | - |
| Income released to profit and loss | (1,606) | (2,193) | - | - |
| Deferred income carried forward | <u>2,191</u> | <u>2,206</u> | <u>-</u> | <u>-</u> |
| Analysed as follows: | | | | |
| Current obligations | 1,656 | 1,606 | - | - |
| Non-current obligations | 535 | 600 | - | - |
| Deferred income carried forward | <u>2,191</u> | <u>2,206</u> | <u>-</u> | <u>-</u> |

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

21. Cash and cash equivalents

| | Consolidated Group | | Parent Entity | |
|--------------------------|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Cash at bank and in hand | 10,995 | 12,885 | 90 | 95 |

22. Contributed equity

| | Consolidated Group | | Parent Entity | |
|---|--------------------|---------------|---------------|---------------|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| <i>Allotted, called up and fully paid</i> Ordinary shares of £1 each | 3,000 | 3,000 | 3,000 | 3,000 |

23. Reserves

| Group | Capital Contribution £'000 | Retained earnings £'000 |
|-------------------------------------|-------------------------------|----------------------------|
| At 1 January 2021 | 66,944 | (56,107) |
| Profit/(loss) for the year | - | 1,034 |
| Net movement on recognition of loan | 106 | - |
| At 31 December 2021 | 67,050 | (55,073) |

| Company | Capital Contribution £'000 | Retained earnings £'000 |
|----------------------------|-------------------------------|----------------------------|
| At 1 January 2021 | 12,523 | 985 |
| Profit/(loss) for the year | - | (34) |
| At 31 December 2021 | 12,523 | 951 |

The capital contributions reserve represents the excess of the fair value over the amount paid for shareholdings and loan stock either gifted or sold to the group.

24. Pension commitments

Edinburgh International Conference Centre Ltd operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Company in an independently administered fund.

The total amount paid to the scheme during the year totals £146,711 (31 December 2020: £135,486).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £nil (31 December 2020: £nil).

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Related party transactions

| Related Party | Relationship | Group Company | Nature of Transaction | Amount | Outstanding at Year End |
|---------------------------|-------------------------------|---|--------------------------------------|---------------|--------------------------------|
| | | | | £'000 | £'000 |
| City of Edinburgh Council | Ultimate holding organisation | Parc Craigmillar Ltd | - Loan for infrastructure works | - | (1,119) |
| | | Edinburgh International Conference Centre Ltd | - Loan stock | - | (8,736) |
| | | | - Development and construction costs | 75 | 106 |
| | | CEC Holdings Ltd | - Unsecured loan notes | - | (8,386) |

26. Ultimate parent undertaking

The company is a subsidiary undertaking of the City of Edinburgh Council. Their accounts are available from the Director of Finance, Waverley Court, Edinburgh EH8 8BG.

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

27. Financial Instruments and Risk Management (continued)

Financial risk exposures and management

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

a. 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 group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date 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 managed on a group basis and reviewed regularly by the Board of Directors. It arises from exposures to customers and amounts owed by group undertakings.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- 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 group's strict credit policies may only purchase in cash or using recognised credit cards.

The credit risk for all counter parties included in trade and other receivables at 31 December 2021 is not rated.

b. Liquidity Risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- ensuring that adequate unutilised borrowing facilities are maintained.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows as presented in the table (to settle financial liabilities) reflects the earliest contractual settlement dates.

c. Market risk

Market risk is the risk that the value of sites and properties under development may fall resulting in potential losses upon disposal or sale of each site or property. Also included in market risk is interest rate risk, which is the risk that the expected receipts from deposits may fluctuate due to market conditions. The group monitors this risk but it is very unlikely to affect the group's overall liquidity.

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

27. Financial Instruments and Risk management (continued)

d. Fair values

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

The only financial instruments measured at fair value are available for sale financial assets. These are valued annually 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.

28. Movements in financing liabilities arising from financing activities

| | Current loans and borrowings £'000 | Non-current loans and borrowings £'000 | Total £'000 |
|---|---|---|------------------------|
| At 1 January 2021 | 4,799 | 665 | 5,464 |
| <u>Cash flows</u> | | | |
| Movement in loan stock borrowings | (2,559) | - | (2,559) |
| <u>Non cash flow borrowings</u> | | | |
| Effective interest on loan stock balances | - | 499 | 499 |
| Movement in ageing profile of other financial liabilities | 765 | (765) | - |
| At 31 December 2021 | 3,005 | 399 | 3,404 |

CEC HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

29. Post Balance Sheet Events

The EDI Group Limited

Agreement has been reached to sell land at New Brunstane, with the transaction expected to finalise in late 2022.

In summer 2022, Waterfront Edinburgh Limited's interest in Caledonia Waterfront (Harbour Road) Limited was transferred to The EDI Group.

Edinburgh International Conference Centre Limited

In February 2022 a new fully owned subsidiary was incorporated. Edinburgh International Conference Centre Hotels Limited will operate a newly constructed hotel in Haymarket. It is anticipated the hotel will open in 2025 with construction due to commence in 2022.

In April 2022 Edinburgh International Conference Centre Hotels Limited entered into a Franchise Agreement with Hyatt International LLC to operate the hotel at Haymarket for a period of 25 years. Edinburgh International Conference Centre Hotels Limited also entered into a 25 year Sub Lease with the City of Edinburgh Council to lease the hotel which is being developed by the Qmile Group on behalf of The Prudential Assurance Company Limited

30. Prior year restatement

The loan stock held by CEC Holdings Ltd in Edinburgh International Conference Centre Ltd was paid for by Edinburgh Council. This means that CEC Holdings Ltd holds an investments balance of £8,386,134 in Edinburgh International Conference Centre Ltd and has a creditor balance of £8,386,134 with Edinburgh Council. In previous years these balances were netted off meaning the figures were not disclosed. A prior year restatement has therefore been posted to the single company figures for CEC Holdings Ltd to ensure the current and prior years reflect these figures grossed up.