Governance, Risk and Best Value Committee

10.00am, Tuesday 8 December 2020

Edinburgh International Conference Centre – Annual Update – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine	
Wards	**All**
Council Commitments	

1. For Decision/Action

1.1 The Housing, Homelessness and Fair Work Committee has referred an annual update report on the Edinburgh International Conference Centre (EICC) to the Governance, Risk and Best Value Committee for information.

Andrew Kerr

Chief Executive

Contact: Sarah Stirling, Committee Services

Email: sarah.stirling@edinburgh.gov.uk | Tel: 0131 529 3009

Referral Report

Edinburgh International Conference Centre – Annual Update

2. Terms of Referral

2.1 On 5 November 2020, the Housing, Homelessness and Fair Work Committee considered a report which provided an update on the performance of the EICC in the year ending 31 December 2019 and identified key areas of performance to be embedded as Key Performance Indicators (KPIs) in the Strategic Delivery Agreement (SDA) that was now under development.

2.2 The Housing, Homelessness and Fair Work Committee agreed:

2.2.1 To note the annual performance update provided by the EICC as detailed in Appendix 1 of the report by the Executive Director of Place.

2.2.2 To note the EICC Statement of Accounts for 2018 as reported to CEC Holdings Ltd and the Auditor's Report for EICC as detailed in Appendices 2 and 3 of the report respectively.

2.2.3 To note the update on progress with the development of a Strategic Delivery Agreement and the proposed areas identified as KPIs.

2.2.4 To refer this report to Governance Risk and Best Value Committee for information.

3. Background Reading/ External References

Minute of the Housing, Homelessness and Fair Work Committee of 5 November 2020

4. Appendices

Appendix 1 – report by the Executive Director of Place

Housing, Homeless and Fair Work Committee

10.00am, Thursday, 5 November 2020

Edinburgh International Conference Centre – annual update

Executive/routine	**Executive**
Wards	**Citywide**
Council Commitments	**2, 31**

1. Recommendations

1.1 It is recommended that the Committee:

1.1.1 notes the annual performance update provided by Edinburgh International Conference Centre (EICC) as detailed in Appendix 1;

1.1.2 notes the EICC Statement of Accounts for 2018 as reported to CEC Holdings Ltd and the Auditor's Report for EICC as detailed in Appendices 2 and 3 respectively;

1.1.3 notes the update on progress with the development of a Strategic Delivery Agreement and the proposed areas identified as Key Performance Indicators (KPIs); and

1.1.4 refers this report to Governance Risk and Best Value Committee for information.

Paul Lawrence

Executive Director – Place

Contact: David Cooper, Commercial Development and Investment Manager

E-mail: david.cooper@edinburgh.gov.uk | Tel: 0131 529 6233

Report

Edinburgh International Conference Centre – annual update

2. Executive Summary

2.1 This report provides an update on the performance of the EICC in the year ending 31 December 2019 and identifies key areas of performance to be embedded as KPIs in the Strategic Delivery Agreement (SDA) that is now underdevelopment.

3. Background

3.1 On 13 December 2012 the Council approved arrangements for the governance of arms-length companies. The responsibility for overseeing the performance of EICC lies with the Housing, Homelessness and Fair Work Committee.

3.2 The principal remit of EICC, as detailed in the Shareholders' Agreement with the City of Edinburgh Council, is to:

3.2.1 procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, cultural and sporting events, award ceremonies and other such events in a global market place with international and national customers so as to maximise the economic benefit to the City of Edinburgh;

3.2.2 insure, maintain and upgrade the Centre from time to time as necessary to carry on its business; and

3.2.3 operate on a prudent commercial basis in accordance with the Business Plan.

3.3 The Centre opened on Morrison Street in 1995 as a joint undertaking between Edinburgh District Council and Lothian and Edinburgh Enterprise. It is now owned by the City of Edinburgh Council. A £30m expansion of the Centre completed in 2013, enabling it to accommodate conferences of up to 2,000 delegates.

3.4 EICC occupies the Conference Centre on a peppercorn rent. Loan stock of £61.6m is due to the Council/CEC Holdings, representing money and assets paid into the company since its inception (for example the cost of constructing and extending the

Centre) but no call is being made on this at the current time. Since 2014, EICC has been charged by the Council with being financially self-sufficient.

3.5 On 7 June 2018, the Housing and Economy Committee agreed a motion calling for a report into the future capital expenditure requirements of EICC.

3.6 On 12 March 2020, the City of Edinburgh Council was presented with a business case proposing that the Council enter into a 25-year lease on a 365-bedroom hotel at The Haymarket Edinburgh, which would in turn be sub-let to EICC to operate as a hotel and hotel school under a franchise agreement with an international hotel brand, generating sufficient income to meet all EICC capital expenditure requirements over the duration of the lease along with surpluses for redistribution to the Council in later years. The Council agreed the business case and granted delegated authority to the Chief Executive to proceed with all agreements and actions required to commence the project. Subsequently, officers began detailed negotiations with the hotel developer around the lease terms.

4. Main report

EICC performance

4.1 Appendix 1 provides a summary of EICC's activities in financial year 2019 (1 January 2019 to 31 December 2019).

4.2 The paper summarises:

4.2.1 the company's Key Performance Indicators (KPIs) set against previous years' performance;

4.2.2 the key business developments achieved in the year;

4.2.3 EICC's corporate and social responsibility, activity and its environmental focus; and

4.2.4 the challenges the EICC is facing and its focus and key objectives moving forward.

4.3 Appendix 2 sets out the financial position of the company for 2019. The performance is positive and broadly consistent with the previous year, with a slight fall in total comprehensive profits attributable to increased finance costs. The headline figure is £623,483 of profit after tax, compared to £756,135 in the prior year. This performance taken alongside the awards and accreditations that have been achieved, show the company to have had a successful year.

4.4 Appendix 3 provides the Auditor's report for the 2019 year. The report concludes that the financial statements give a true and fair view and accord with applicable law; that no material issues affecting the company's ability to continue as a going concern have been identified (albeit Covid-19 is identified as an ongoing area of material uncertainty); and that no subsequent events necessitating amendments or disclosures to be made to the financial statements had been identified.

4.5 This performance update should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arms-length companies.

4.6 It should also be noted that in accordance with Council policy on arms-length external organisations (ALEOs) that a service level agreement (SLA) needs to be agreed between the Council and the EICC. This work has been delayed due to the need to revise the document to reflect the hotel and hotel school project but a draft document (referred to as the Strategic Delivery Agreement) is scheduled to be brought to Committee on 14 January 2021.

Strategic Delivery Agreement (SDA)

4.7 In agreeing to enter into a lease to allow a hotel for the EICC to be established, the Council requested that additional governance arrangements be put in place to reflect the greater span of operations.

4.8 Heads of Terms for a Strategic Delivery Agreement are now in draft form and are being discussed between Council officers and the EICC Executive. The purpose of this document will be to sit alongside the Shareholder Agreement and to set out requirements in terms of performance, risk management and operating arrangements between the Council and EICC. This will cover the core business and the hotel and hotel school. More detail on the content of the SDA was set out in the above-mentioned report to the Council of 12 March 2020.

4.9 The areas identified for development into key performance indicators (KPIs) are as follows:

4.9.1 <u>Turnover</u> – This is an existing KPI and will continue to be monitored.

4.9.2 <u>Economic Impact</u> – As above.

4.9.3 <u>Customer Satisfaction</u> – As above.

4.9.4 <u>Carbon Footprint</u> – The EICC has already set out its commitment to carbon reduction. The intention is to report on the EICC targets and performance monitoring through a KPI.

4.9.5 <u>Fair Work</u> – The Council has recently agreed the Poverty Commission's call to action and adopt the recommendations set out by the Commission. The EICC already has a range of policies in place to support and develop its staff. The purpose of a KPI will be to ensure that performance is tracked and reported. Discussions with the EICC Executive will explore whether there any additional or wider benefits that can be delivered. Training will most likely be covered within the Fair Work KPI although this may also be looked at separately in relation to the EICC Hotel School so as to capture benefits being realised by that initiative.

4.9.6 Community Benefits – The EICC already report this but not as a KPI. Officers will explore whether this can be developed into a metric as well as a qualitative assessment.

4.9.7 Accreditation and Awards – As above.

4.10 Committee are asked to note these KPI headings as the key areas that officers will discuss with the EICC Executive in developing the detail of the SDA. A further report will be provided once the Strategic Delivery Agreement is fully drafted. This is programmed for January 2021 and will seek final approval of the new governance arrangements.

5. Next Steps

5.1 A draft Strategic Delivery Agreement will be provided to Committee in 14 January 2021.

5.2 The next annual update on EICC's performance will be in Quarter 3 2021.

6. Financial impact

6.1 There are no financial impacts for the Council arising from this report. The costs associated with the development of the Strategic Development Agreement are being met from existing budgets.

7. Stakeholder/Community Impact

7.1 There are no stakeholder or community impacts arising from this report.

8. Background reading/external references

8.1 "Edinburgh International Conference Centre Annual Update" – report to the Housing, Homelessness and Fair Work Committee, 31 October 2019

8.2 "Edinburgh International Conference Centre Hotel and Hotel School – Business Case" – report to the City of Edinburgh Council, 12 March 2020

9. Appendices

9.1 Appendix 1 - EICC Performance Review 2019.

9.2 Appendix 2 - EICC Statement of Accounts 2019.

9.3 Appendix 3 – EICC audit management report 2019.

Appendix 1: EICC Performance Review 2019

INTRODUCTION

The purpose of this paper is to update and inform the Board on the performance of the Edinburgh International Conference Centre during the year to 31 December 2019 and to highlight some of the successes and achievements realised by the Company in the period under review.

PERFORMANCE

The Executive had forecast an operating surplus of £721,000 for the year to 31 December 2019. This was based on, amongst other things: the level of contracted bookings that had been secured for the year: an assessment of the conference market, which had been undertaken in the latter part of 2018; and the revenue shortfall that still had to be achieved to make the sales target for 2019.

The Executive believed that achieving this target would constitute a significant challenge as the Company faced a gross profit shortfall for the year of £1.625m as at 1 January. Due to the booking lead times of the various market segments it was recognised that this shortfall would have to be secured largely from short lead corporate business.

This was the highest value of business that the sales team had been required to contract, in the year - for the year, in the Company's history. The task of achieving target was made more difficult given the: relatively low levels of short lead business achieved historically; limited amount of space available for hire; difficulties faced by clients in securing hotel accommodation; and general levels of business uncertainty.

These challenges were compounded by an uncertain economic outlook, a relatively pessimistic corporate market and significant levels of competition from other venues.

In an effort to mitigate these factors the Sales Team's approach was to develop and build on the activities that they had introduced over the previous two years. These included: increasing the number of sales visits undertaken in the year; increasing the level of engagement with booking agents; increasing the reach of the EICC's campaigns; making more flexible offerings to clients and; increasing the overall appeal of the EICC to clients.

During the year the Sales Team also continued to adopt a much more focussed approach to securing corporate business by: offering commission to booking agents; promoting Day Delegate Rate business; securing increased levels of filler business and; broadening the breadth of the Company's sales base through increasing the diversity of events held at the EICC.

The combined effect of these initiatives had a significant impact on gross revenues for the year which amounted to £12.582m. This was an increase of £757k, compared to the previous year's figure of £11.825m, equivalent to an increase of 6.40.

These gross revenues generated a gross profit of £7.721m in 2019 compared to £7.346m for the previous year, which represents an increase of 5.10%. The gross profit from operating activities amounted to £7.628m while other income and bank interest received generated a gross profit of £93k.

Operating activities for the year were made up of: room rentals amounting to £4.590m; additional event services, minus agents commission, which generated £1.454m; and £1.584m which was received in respect of catering commission.

The Company enjoyed a reasonable start to the year, given that it always faces a number of difficult trading months at the onset of its annual business operations. At the half year stage, the Conference Centre had generated gross profits of £3.473m which was £149k ahead of budget. The gross profit recorded in March, June and July was the highest level of gross profit recorded for those calendar months since the Company commenced trading.

The second half of the year saw a significant increase in business activity and operating performance generating gross profits of £4.248m. Whilst all six months performed well, in relative terms, the results for August and December generated the highest gross profit for their respective calendar month since the EICC opened in 1995.

The gross profit generated during 2019 from events was made up from the following market segments: international associations - £2.118m; national associations - £2.544m; corporates - £2.015m; exhibitions - £116k; stand-alone banqueting functions £627k; and venue 150 shows £208k.

The number of revenue generating events held during the year increased from 198 in the previous year to 209 in 2019. These events varied hugely in their size, duration, content, diversity and profitability.

However, 6 of the association events that were held in 2019 recorded a gross profit of over £170,000. Included in these numbers were 2 events which generated exceptional revenues, these were: TED Summit - £476k and; 31st FIRST annual conference - £312k. Indeed, the top 10 standard events by value generated £2.162m in cumulative gross profit during the year. This was an increase of £118k on the revenues generated by the top 10 standard events in 2018.

Day Delegate Rate business continued to grow during 2019. Of the £7.628m gross profit generated from operating activities, noted above, £5.932m was generated from standard/traditional events, whilst £1.696m was in respect of Day Delegate Rate events.

Until a few years ago these Day Delegate Rate events were regarded by the EICC as low value, unprofitable events. However, 85 events of this type were held during 2019. The top 10 Day Delegate Rate events by value generated £747k in cumulative gross profit during the year and 26 Day Delegate Rate events produced gross profits in excess of £20k per event.

Board Members should note that, following on from the success of the previous two years, an operating surplus was again recorded in 2019 for the month of August – this was only the third time that this has been achieved. The net operating profit of £61k for the month, was an increase on the figure achieved in the two previous years.

As an example of the increased volumes and diversity of business held in August the Conference Centre hosted 2 standard conferences, 3 Day Delegate Rate events and 24 Festival Fringe shows during the month.

Attendance at Fringe Festival shows has seen a steady increase over recent years. There were 75,860 attendees at festival events in 2017, this increased to 99,535 in 2018 and increased further to 102,700 in 2019. As an indicator of the growth of the EICC's festival business there were only 34,405 attendees at festival shows at the EICC in 2014.

The 24 festival shows that were held generated a cumulative gross profit of £169,113. Included within this total were 5 events showcasing Chinese music and culture which generated a combined gross profit of £52,984.

The Sales Team continued to broaden the diversification of events held at the EICC in the course of the year. During this period the Conference Centre hosted, amongst other things: celebrity dinners; a number of dance competitions; ballet performances; comedy shows; comic book and horror movie exhibitions; food and drink fairs; and university examinations.

Many of these types of events were held outwith normal event days and times and this, as well as the increase in the number of events, increased the occupancy levels of the Centre marginally to 60.41% for the year.

Events held at the EICC were attended by 89,505 delegates during the year, excluding festival performances. This equated to 287,714 delegate days which was a reduction of 12,738 delegate days compared to the previous year. This reduction was due to a change in the business mix.

These delegates generated an economic impact of £56.7m last year. Due to a change in the business mix, referred to above, this was a reduction of £1.4m on the figure generated in 2018. This reduction in economic impact for the year had been anticipated, however, and the resultant figure was £4.7m above budget for the year.

The Executive continued to place great focus on containing the levels of expenditure incurred during the year and as a result of; a stringent focus on cost controls; the achievement of a number of operating efficiencies; and deferring expenditure where appropriate, outgoings for the year were significantly below budget.

In overall terms the EICC generated an operating surplus of £1,446,046, for the year to 31 December 2019 compared to an operating surplus of £1,363,838 for the previous year. The operating surplus for 2019 represents a positive variance of £725,046 compared to the budget for the year.

It is worth noting that 2019 saw the EICC generate its highest ever levels of: gross revenues; gross profits; operating surplus and; average gross revenue per employee.

Some of the notable achievements and statistics, relating to the operation of the Conference Centre, for the year to 31 December 2019, with comparatives for the previous 4 years, are noted below. A number of these key indicators and statistics are also shown graphically in Appendix 1.

SALES

- Gross revenues for the year amounted to £12,582,918 for the year to 31 December 2019, (2018 - £11,824,652; 2017 - £11,409,704; 2016 - £10,089,647; 2015 - £9,310,360).

- Gross Profits, excluding other income and bank interest, were £7,627,865 for the year to 31 December 2019, (2018 – 7,291,315; 2017 - £7,033,668; 2016 - £6,382,623; 2015 - £5,480,216) and were made up of:-

    - Room rental revenues of £4,589,527 (2018 - £4,277,383; 2017 - £4,173,231; 2016 - £3,888,528; 2015 - £3,337,179).

    - Additional event charges amounting to £1,454,334 (2018 – £1,602,577; 2017 - £1,313,276; 2016 - £1,312,916; 2015 - £1,126,057).

    - Catering commission of £1,584,004 (2018 - £1,411,355; 2017 - £1,547,161; 2016 - £1,181,179; 2015 - £1,016,980).

- Average gross revenue generated per event in the year to 31 December 2019 was £60,205 (2018 - £59,720; 2017 - £64,099; 2016 - £58,322; 2015 - £66,981).

- Average gross profit generated per event during the year was £36,497 (2018 - £36,825; 2017 - £39,515; 2016 - £36,894; 2015 - £39,426).

- The TED Summit 2019 Conference was the largest event held during the year and generated a gross profit of £418,258, (2018 – The British Association of Dermatology Conference - £304,507; 2017 - 13th International Neuromodulation Society World Congress - £274,703; 2016 - SPIE Astronomical Telescopes & Instrumentation Conference - £260,220; 2015 - 15th IWRA World Water Congress - £240,642).

- During the year 33 events generated gross profits in excess of £70,000 per event, (2018 – 35 events; 2017 – 25 events; 2016 – 30 events; 2015 – 26 events). Of these events 23 generated gross profits in excess of £100,000 per event (2018 – 21 events; 2017 – 19 events; 2016 – 21 events; 2015 – 17 events)

- The EICC hosted 209 events in 2019, (2018 – 198; 2017 – 184 events; 2016 – 173 events; 2015 – 139 events).

- In 2019 the EICC held 14 International Association (IA) events and 3 International Corporate (IC) events, generating gross profits of £2,386,163 (2018 – 17 IA and 1 IC, profits of £2,402,310; 2017 – 17 IA and 3 IC, profits of £2,488,771; 2016 – 14 IA and 1 IC, profits of £2,428,522; 2015 – 8 IA and 0 IC, profits of £1,030,601).

- The Company achieved a business mix ratio during the year of 59% association, 28% corporate and 13% other - emanating from stand-alone catering events and festival business, (2018 – 65% association, 25% corporate and 10% other; 2017 – 63% association, 25% corporate and 12% other; 2016 – 71% association, 17% corporate and 12% other; 2015 – 58% association, 29% corporate and 13% other).

- 89,505 delegates attended events at the Conference Centre during the year, (2018 – 96,851; 2017 – 94,480 delegates; 2016 – 91,009 delegates; 2015 – 70,934 delegates).

- Business activity at the Conference Centre in the course of the year equated to 287,714 delegate days, (2018 – 300,452; 2017 – 275,517 delegate days; 2016 – 234,302 delegate days; 2015 – 208,251 delegate days).

FINANCE

- Expenditure in respect of the operational activities of the EICC amounted to £6,274,733 for the year to 31 December 2019 (2018 – expenditure of £5,982,619; 2017 – expenditure of £5,858,395; 2016 expenditure of £5,880,582; 2015 – expenditure of £5,690,705).

- The overall positive variance, in respect of the operating activities of the Conference Centre, during the year was £725,046 (2018 – positive £656,838; 2017 – positive £1,016,727; 2016 – positive £560,362; 2015 – positive £1,224,233).

- Gross revenues generated per full time equivalent team member for the year to 31 December 2019 was £267,721 (2018 - £262,770; 2017 - £259,311; 2016 - £240,230; 2015 - £221,675)

- The economic benefit to the City of Edinburgh, based on formulae calculated by DTZ Pieda, generated in the year to 31 December 2019 was £56.7m, (2018 - £58.1m; 2017 - £56.7m; 2016 - £51.6m; 2015 - £45.8m).

HUMAN RESOURCES

- The overall level of customer delight relating to events held in the Conference Centre during the year was 89%, as at 31 December 2019, (2018 – 89%; 2017 – 90%; 2016 – 89%; 2015 – 89%).

- Absenteeism levels for the year were only 2.1%, which is well below the national average, (2018 - 2.6%; 2017 – 2.9%; 2016 – 2.3%; 2015 – 1.9%).

- During the year to 31 December 2019 staff turnover was 7.41 (2018 – 12.2%; 2017 – 7.8%; 2016 – 10.2%; 2015 – 11.5%).

- The Company employed the equivalent of 47 full time personnel in respect of its conference centre operations during the year, (2018 – 45 personnel; 2017 – 44 personnel; 2016 - 42 personnel; 2015 – 42 personnel).

FUTURE BUSINESS

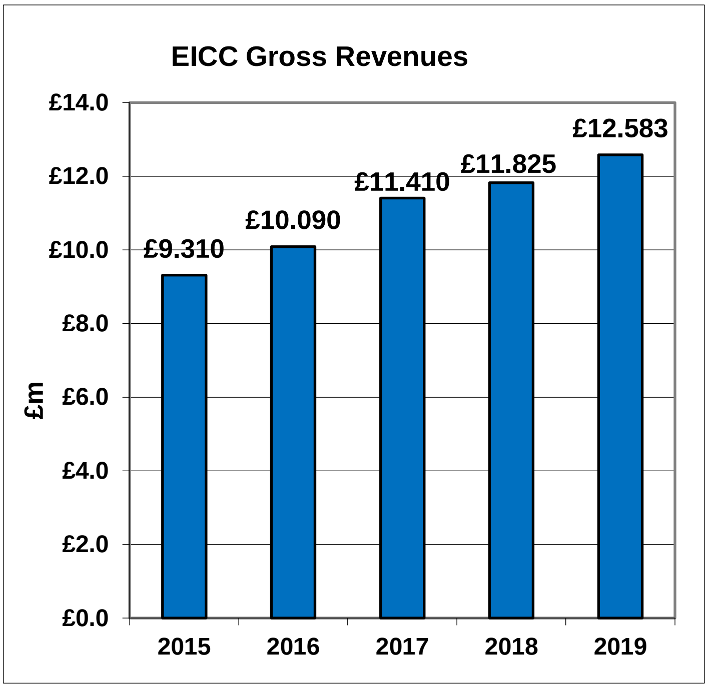
- As at 31 December 2019 the EICC had 179 confirmed future bookings, covering the period January 2020 to December 2028, (2018 – 155 confirmed bookings; 2017 – 160 confirmed bookings; 2016 – 148 confirmed bookings; 2015 – 123 confirmed bookings).

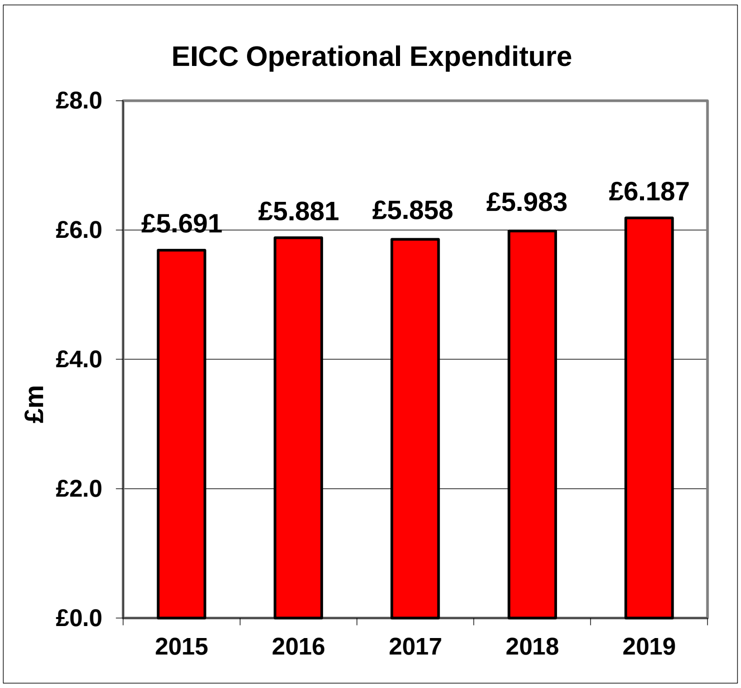
- The estimated economic benefit of all future confirmed events to be held at the EICC was £106.8m at 31 December 2019, (2018 - £103.3m; 2017 - £111.9m; 2016 - £81.1m; 2015 - £95.0m). This data is based on updated formulae provided by DTZ Pieda.

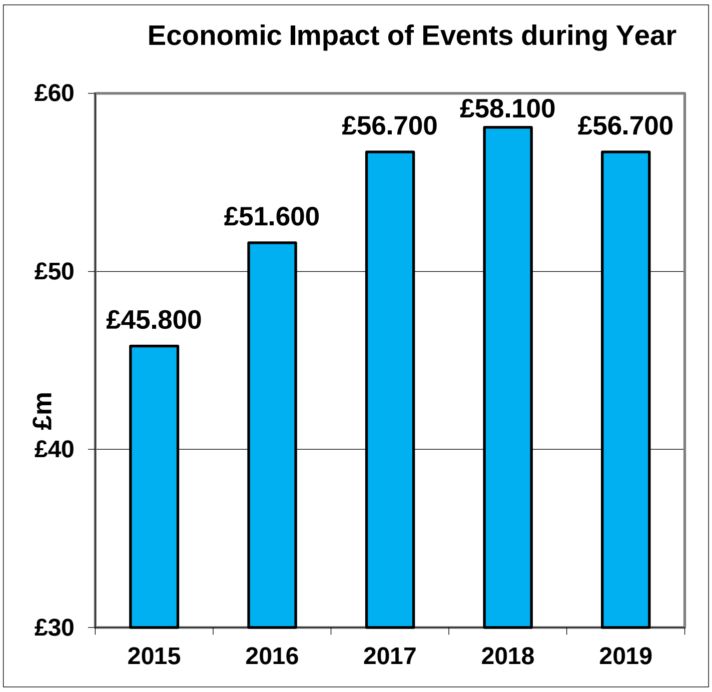
RECOMMENDATION

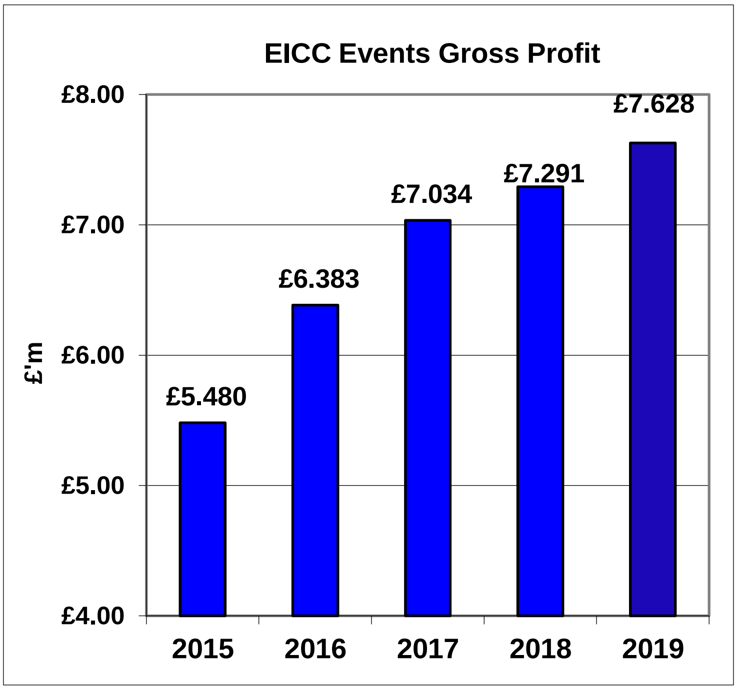
The Board is asked to note the report.

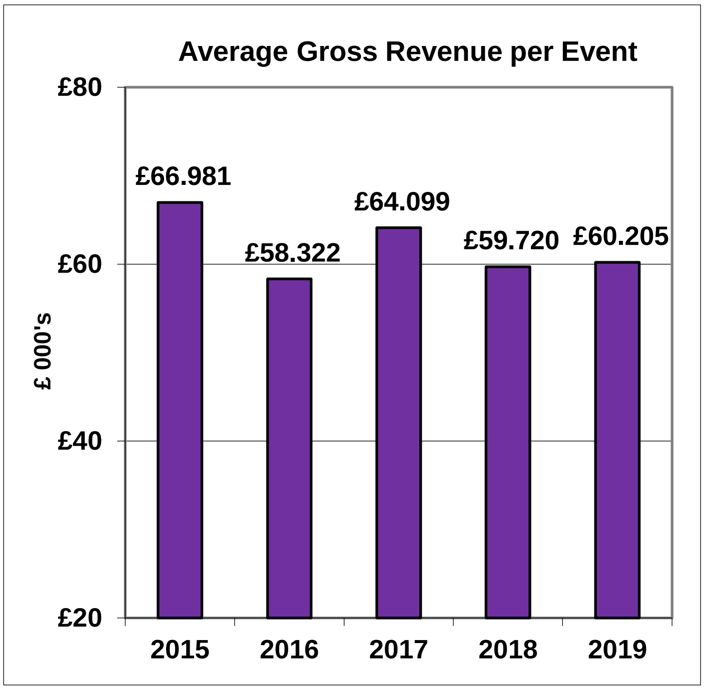
MARSHALL DALLAS
Chief Executive

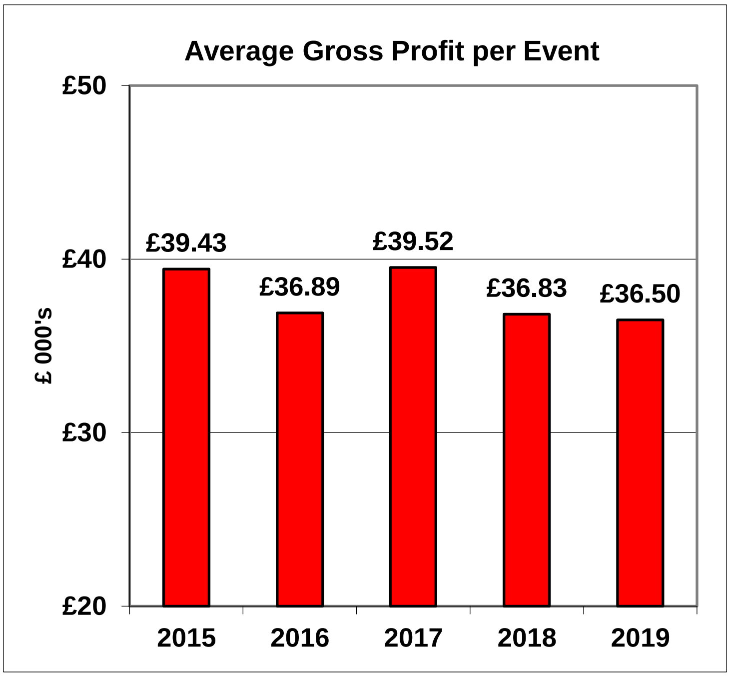

EICC Gross Revenues
£m
£14.0
£12.0
£10.0
£8.0
£6.0
£4.0
£2.0
£0.0
£9.310
£10.090
£11.410
£11.825
£12.583
2015
2016
2017
2018
2019

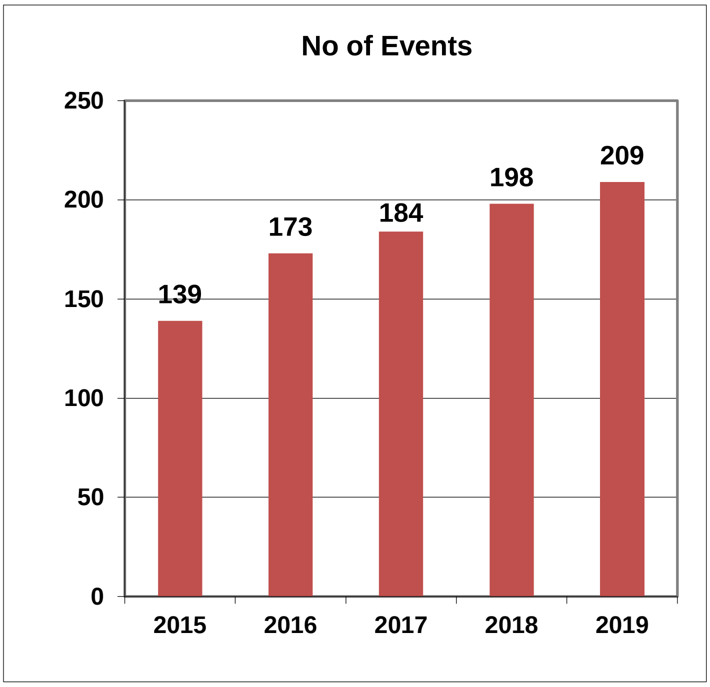

EICC Operational Expenditure
£m
£8.0
£6.0
£4.0
£2.0
£0.0
£5.691
£5.881
£5.858
£5.983
£6.187
2015
2016
2017
2018
2019

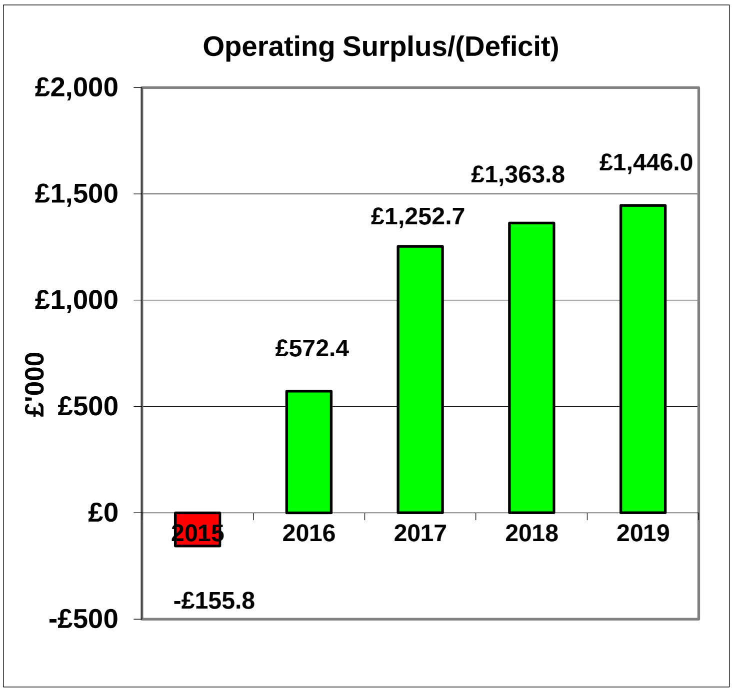

Economic Impact of Events during Year
£m
£60
£50
£40
£30
£45.800
£51.600
£56.700
£58.100
£56.700
2015
2016
2017
2018
2019

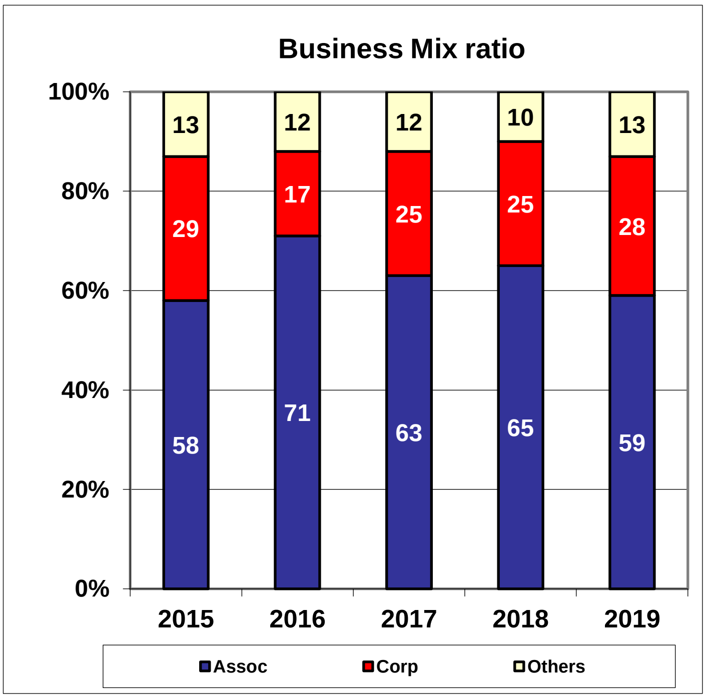

EICC Events Gross Profit
£'m
£8.00
£7.00
£6.00
£5.00
£4.00
£5.480
£6.383
£7.034
£7.291
£7.628
2015
2016
2017
2018
2019

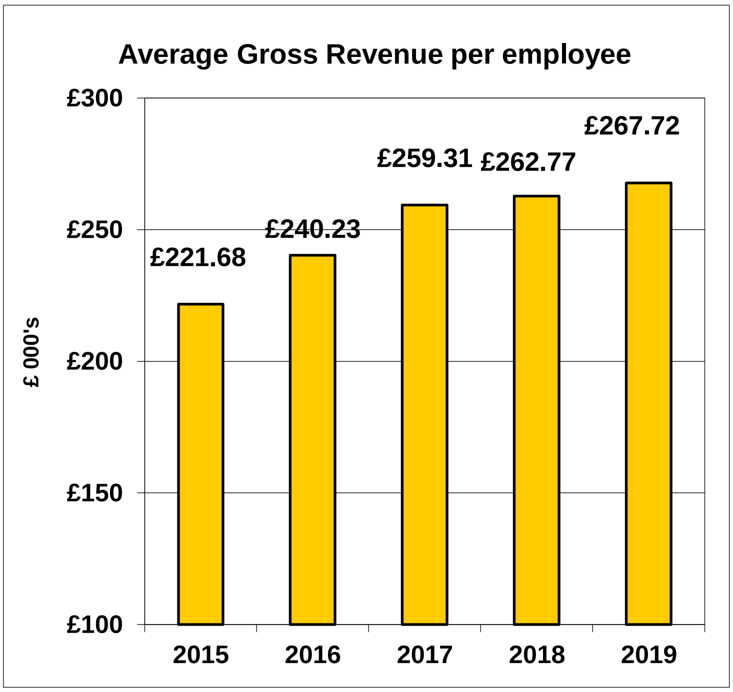

Average Gross Revenue per Event
£ 000's
£80
£60
£40
£20
£66.981
£58.322
£64.099
£59.720
£60.205
2015
2016
2017
2018
2019

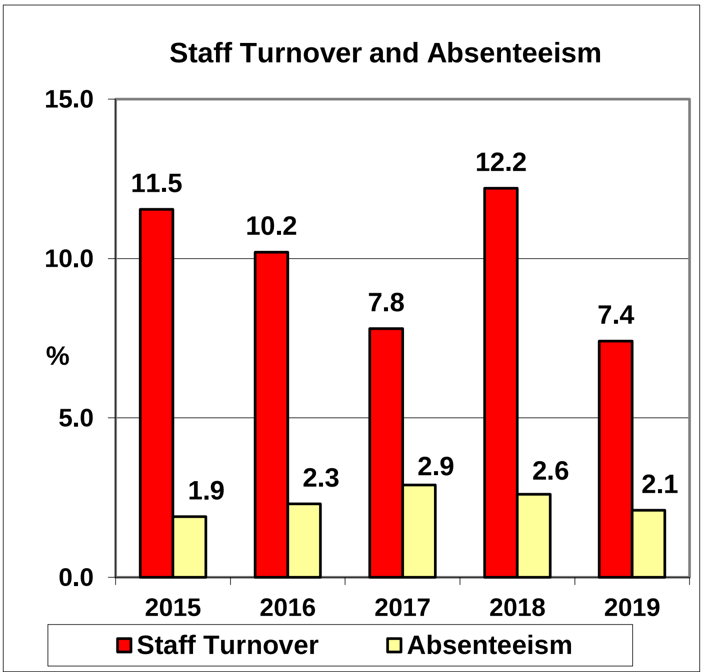

Average Gross Profit per Event
£ 000's
£50
£40
£30
£20
£39.43
£36.89
£39.52
£36.83
£36.50
2015
2016
2017
2018
2019

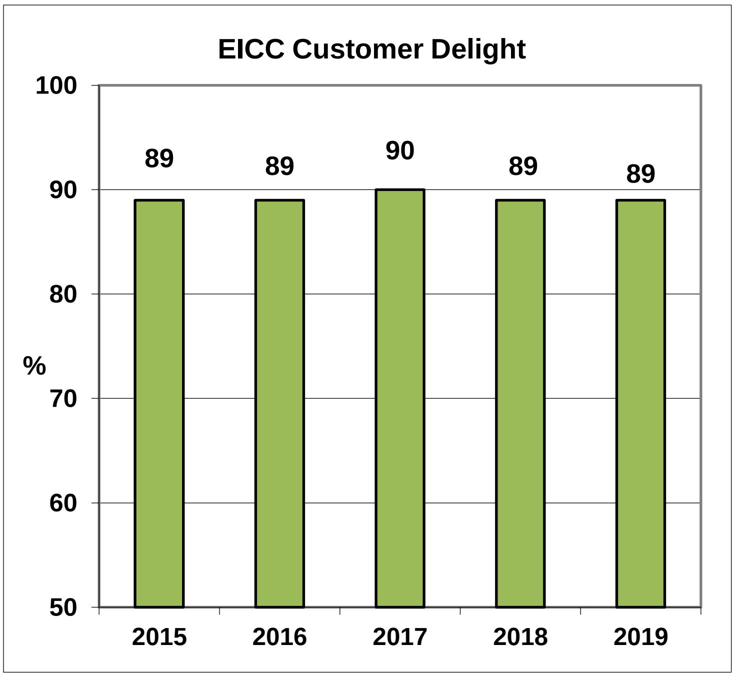

No of Events
250
200
150
100
50
0
139
173
184
198
209
2015
2016
2017
2018
2019


Operating Surplus/(Deficit)
£2,000
£1,500
£1,000
£500
£0
-£500
£'000
-£155.8
£572.4
£1,252.7
£1,363.8
£1,446.0
2015
2016
2017
2018
2019


Business Mix ratio
100%
80%
60%
40%
20%
0%
13
29
58
12
17
71
12
25
63
10
25
65
13
28
59
2015
2016
2017
2018
2019
Assoc
Corp
Others


Average Gross Revenue per employee
£300
£250
£200
£150
£100
£ 000's
£221.68
£240.23
£259.31
£262.77
£267.72
2015
2016
2017
2018
2019


Staff Turnover and Absenteeism
15.0
10.0
5.0
0.0
%
11.5
1.9
10.2
2.3
7.8
2.9
12.2
2.6
7.4
2.1
2015
2016
2017
2018
2019
Staff Turnover
Absenteeism


EICC Customer Delight
100
90
80
70
60
50
%
89
89
90
89
89
2015
2016
2017
2018
2019

APPENDIX 2 - EICC STATEMENT OF ACCOUNTS 2019

EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2019

COMPANY NUMBER SC131773

GENERAL INFORMATION

Company number

SC131773

Present Company Directors

L.M. Cameron
M.C. Dallas
L.M. Florence
G.A. Gordon
J.Mc.H. McFarlane
S. Smith

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
LS1 5AB

Registered Office

Edinburgh International Conference Centre Limited
150 Morrison Street
Edinburgh
EH3 8EB

Auditor

Scott-Moncrieff Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Bank of Scotland plc
3 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

Pinsent Masons LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

STRATEGIC REPORT

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 results for the year are shown on the statement of profit or loss and other comprehensive income on page 10.

The profit from continuing operations before tax for the year amounted to £630,202 (2018 – £760,180). The Company has, after taxation adjustments, a total comprehensive profit for the year of £623,483 (2018 – £756,135). The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

The year to December 2019 saw the Company produce its best ever operating profits, before adjustments for depreciation and the release of capital grants, and in what was another very successful year it improved its operating and financial performance for the fifth successive year.

This was achieved against a continuing backdrop of: a depressed economic outlook; increased levels of competition within the UK and from across the world; aggressive price competition; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of the year the sales team secured the highest value of business contracted in the year - for the year, since the Company commenced its operations 25 years ago. This was as a result of a number of initiatives that had been introduced by the Company in the preceding three to four years which led to a marked increase in the number of enquiries and consequently the value of short lead bookings contracted during the period, compared to previous years.

The Company grew its turnover and gross profit, before adjusting for depreciation and the release of capital grants, through an increase in both volume and value of the Conference Centre's association, corporate, banqueting and other business. In addition to this there was year on year growth across all elements of the Company's operation, namely room rental charges, charges for additional services and catering commission. Turnover and gross profits were also significantly ahead of budget for the year.

The sales team continued to employ the initiatives that they have put in place in recent years and this enabled them to exceed the sales target for the year as well as lay down a solid platform for future years by reaching the desired revenue position, at the end of 2019, for each of the 4 succeeding years.

The cumulative effect of the sales team's activities had a significant impact on the Company's revenues for the year which amounted to £9.359m. This was an increase of £0.596m, on the previous year's figure of £8.763m, which is equivalent to an increase of 6.8%. These revenues generated a gross profit of £1.336m in 2019 compared to a gross profit of £1.360m for the previous year.

It should be noted that in 2019 the EICC recorded its highest levels of gross profit for the months of March, June, July, August and December since it commenced trading. August has historically been a very difficult month for the Conference Centre, however, a new strategy devised in 2017 has seen the Company record increased levels of operating surplus for that month for the last three years.

The Conference Centre held 209 events in 2019, which was an increase of 11 on the 198 events that were held in the previous year. These events varied enormously in their size, duration, diversity and profitability. Of the association events that were held during the year 6 recorded an event gross profit of over £170,000 each and the top 10 conference and meeting events by value generated £2.162m in cumulative event gross profit during the year.

Day Delegate Rate business continued to perform strongly during the year under review and 85 events of this type were held at the EICC during 2019. The top 10 Day Delegate Rate events by value generated £747,000 in cumulative event gross profit during the year.

The Company continued to broaden the diversification of events held at the EICC and in the course of the year, as well as holding conferences, meetings and exhibitions, the Conference Centre hosted, amongst other things: celebrity dinners; a variety of award ceremonies; dance competitions; ballet performances; comedy shows; comic book and horror movie exhibitions; theatre-circus performances; food and drink fairs; a Christmas food market; and university examinations.

Occupancy levels for the year increased to 61.02% and the Company experienced year on year growth in respect of: the number of booking enquiries received; the level of bookings contracted for future years; and the room rental charges, charges for additional services and catering commission derived from the Company's operations.

Expenditure in respect of cost of sales and administration expenses totalled £8.417m in 2019, which was an increase of £486,000 on the previous year's expenditure which had amounted to £7.931m. This represented an increase of 6.13% compared to the expenditure recorded during the previous year which was well within the budgeted expenditure levels. This was achieved as a result of the continuing stringent focus on cost controls and operating efficiencies.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation and the recognition of capital grant income. 2019 saw the Company generate its highest ever levels of revenue, gross profits, and operating profit.

During the year 89,505 delegates attended events at the Conference Centre which was a decrease of 7,346 on the previous year. The number of delegate days generated by these delegates amounted to 287,714 for the year compared with 300,452 in 2018. This reduction in delegate numbers was anticipated as it was due to a change in the mix of business compared to the previous year.

The delegates who attended events at the EICC during the year generated an economic impact of £56.7m in 2019 compared to £58.1m during the previous year. It had been anticipated that the economic impact generated for the year would be lower than that achieved in 2018 due to a change in the mix of the Company's business. 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 a number of 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. It is believed that this is essential in order to provide the necessary funding for the Conference Centre's long term capital expenditure programme.

In the course of the year the Company: undertook a number of independent consultancy studies in respect of the project; entered into discussions with a developer regarding the lease of a suitable property for the hotel; and selected an appropriate hotel franchise operation, under whose branding the hotel would be operated.

The City of Edinburgh Council, the Company's parent organisation, approved the project on 12 March 2020. Activities aimed at securing an agreement for lease with the developer and a franchise agreement with the hotel brand have been taking place since then and at this point in time these negotiations are still in progress.

Future business on the books was at its highest ever level coming into 2020, both for the current year and for each of the succeeding years until 2024. The coronavirus pandemic has however had a significant impact on event bookings for the period from mid-March until the end of August. Though, at this point in time it is difficult to ascertain how great the effect of the crisis will be on the Company from September until the end of the year.

The principal risk to the business from the pandemic is the cancellation of business, or the rescheduling of events to subsequent years, resulting in a significant loss of revenues with a corresponding reduction in operating profits for 2020. This is compounded by: the uncertainty surrounding the medium term impact of the current restrictions; when they will be eased with specific reference to the Company's operations; and what mitigating reliefs will be available and for how long.

The Company has held the view for many years that its team members are its principal asset, and this remains to be the case. It is therefore keen to protect them and retain the experience and expertise that they have with regard to the operation of the Conference Centre. Whilst a significant number of these team members are currently on furlough leave the Company will use its best efforts to retain them through the current crisis.

The sales team have negotiated the retention and rescheduling of a significant amount of client business since the crisis began and this has been aided by the client relationships that have been developed over many years and by the loyalty of many of the Company's customers. It is believed that many of these customer relationships have been strengthened further as a result of the flexible approach that the Company has adopted during the crisis.

The Company had budgeted an operating surplus of £0.9m for 2020, however, as a result of the current crisis this has been significantly downgraded and the Company is now forecasting producing an operating loss of £0.8m for the year. This will, however, be affected by: how long the crisis lasts; when the easing of restrictions will apply to the Conference Centre's business; and the social distancing measures that will need to be put in place and how these will affect the Conference Centre's operations.

Notwithstanding the above 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.

This is reinforced by the fact that even in the midst of the current crisis the sales team has continued to receive a steady stream of enquiries for 2021 and subsequent years. Indeed since the current lockdown period commenced: 2 large corporate bookings have been contracted for January 2021; a large association event has been contracted for September of the same year; and a further enquiry has recently been received from a large international corporation for an event scheduled for May 2021.

Key performance indicators

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

	2019 £'000	2018 £'000	% Change
Turnover	9,359	8,763	6.80%
Cost of sales and administration expenses	8,417	7,931	(6.13)%
Customer delight	89%	89%	0%
Economic impact	56,713	58,118	(2.42)%

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 undoubtedly have a significant impact on the Company's business results for 2021. Whilst the extent of the risk posed by the crisis remains uncertain, the Directors believe that the business outlook for the medium and long term remains very positive.

The Directors recognise that the Company has lost business, and will lose business in the future, as a result of Brexit and the uncertainty surrounding its implementation. However, they believe that such losses will be compensated for by securing increased levels of business from the UK, America and the Far East.

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.

Director
14 August 2020

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Limited (the Company), for the year ended 31 December 2019.

Directors

The Directors who served during the period were as follows:

L.M. Cameron	
K.R. Campbell (Chair)	resigned 14 February 2019
M.C. Dallas	
L.M. Florence	
G.A. Gordon (Chair)	appointed 27 March 2019
J.Mc.H. McFarlane	
S. Smith	

None of the Directors had any interest in the shares of the company during the period.

Going concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to interest rate, credit and liquidity risk are described in note 22 to the financial statements.

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, as described in note 2 to the financial statements.

Directors' responsibilities for the Financial Statements

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 company financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's, as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company auditor is unaware and each Director has taken all the 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

A resolution to re-appoint Scott-Moncrieff Audit Services as the Company's auditor will be put to the forthcoming Annual General Meeting.

By Order of the Board

Pinsent Masons Secretarial Limited
14 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDINBURGH INTERNATIONAL CONFERENCE CENTRE LTD

Opinion

We have audited the financial statements of Edinburgh International Conference Centre Limited (the 'company') for the year ended 31 December 2019 which comprises the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cashflow Statement 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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.

Material uncertainty related to going concern

We draw attention to the Directors Report and note 2 in the financial statements, which indicate that Edinburgh International Conference Centre Ltd is reliant on the continued support of the City of Edinburgh Council to continue as a going concern. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 pages 6 and 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.

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 Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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
Scott-Moncrieff Audit Services, Statutory Auditor
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:

STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes		2019	2018
		£	£	£
Revenue	3		9,359,444	8,763,365
Cost of sales			(8,023,259)	(7,403,240)
Gross profit			1,336,185	1,360,125
Other income	4	-		21,819
Development expenses		(115,022)		(21,819)
Administration expenses		(393,690)		(528,096)
			(508,712)	(528,096)
Operating profit from continuing operations	6		827,473	832,029
Finance revenue	8		35,362	21,289
Finance costs	9		(232,633)	(93,138)
Profit from continuing operations before tax			630,202	760,180
Tax charge	10		(6,719)	(4,045)
Total comprehensive profit for the year			623,483	756,135

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2017	63	60,970,805	(54,230,046)	6,740,822
Total comprehensive profit for period	-	-	756,135	756,135
Increase in loan stock	-	595,438	-	595,438
At 31 December 2018	63	61,566,243	(53,473,911)	8,092,395
Total comprehensive profit for period	-	-	623,483	623,483
Increase in loan stock	-	716,826	-	716,826
At 31 December 2019	63	62,283,069	(52,850,428)	9,432,704

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION
At 31 December 2019

	Notes		2019	2018
		£	£	£
Non-current assets				
Property, plant and equipment	11		6,592,904	6,597,860
Right of use assets	12		1,035,583	-
			7,628,487	6,597,860
Current assets				
Trade and other receivables	13	3,500,353		3,407,272
Cash and cash equivalents	14	5,655,883		4,751,620
			9,156,236	8,158,892
Total assets			16,784,723	14,756,752
Current liabilities				
Trade and other payables	15	1,798,589		2,274,364
Financial liabilities	16	93,508		-
Capital grants	17	216,024		281,811
Deferred revenue	17	2,193,232		1,943,969
			4,301,353	4,500,144
Non-current liabilities				
Financial liabilities	16	1,350,124		217,380
Capital grants	17	1,304,852		1,520,876
Deferred revenue	17	395,690		425,957
			3,050,666	2,164,213
Capital & reserves				
Issued share capital	18	63		63
Other reserves	19	62,283,069		61,566,243
Accumulated losses		(52,850,428)		(53,473,911)
			9,432,704	8,092,395
Total equity & liabilities			16,784,723	14,756,752

The financial statements were authorised for issue by the Board of Directors on 14 August 2020 and were signed on its behalf, on that date, by:

Councillor George Gordon
Director:

Councillor Stephanie Smith
Director:

CASHFLOW STATEMENT
For the year ended 31 December 2019

		2019	2018
	£	£	£
Operating activities			
Profit before tax	630,202		760,180
Finance revenue	(35,362)		(21,289)
Finance costs	232,633		93,138
Operating profit for the year	827,473		832,029
Net finance revenues	35,362		21,289
Depreciation on property, plant and equipment	716,454		817,425
Depreciation on right-of-use assets	125,236		-
Capital grants released	(281,811)		(459,807)
(Increase) in trade and other receivables	(93,081)		(977,025)
(Decrease)/increase in trade and other payables	(475,775)		493,229
Increase in deferred income	218,996		47,703
Cash generated from operations	1,072,854		774,843
Tax on continuing operations	(6,719)		(4,045)
Cash flow from operating activities		1,066,135	770,798
Investing activities			
Proceeds from sale of property, plant and equipment	-		-
Payments to acquire property, plant and equipment	(711,498)		(595,438)
Cash flow from investing activities		(711,498)	(595,438)
Financing activities			
Receipt of loan stock	716,826		595,438
Repayment of lease liability	(167,200)		-
Cash flow from financing activities		549,626	595,438
Net increase in cash and cash equivalents		904,263	770,798
Cash and cash equivalents at 1 January 2019		4,751,620	3,980,822
Cash and cash equivalents at 31 December 2019		5,655,883	4,751,620

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of Edinburgh International Conference Centre Limited for the year ended 31 December 2019 were approved by the Board of Directors on 28 July 2020 and signed on its behalf by the Directors noted on the Statement of Financial Position. Edinburgh International Conference Centre Limited is a company incorporated and domiciled in Scotland. The principal activities of the Company are described in Note 3 and information regarding its ultimate parent company is presented in Note 21.

2. Accounting policies

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

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2019 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply, in preparing the financial statements for the year ended 31 December 2019. The Company has used the "cost of sales" method of presenting income and expenditure and the Company's financial statements are presented in Sterling.

New accounting standards adopted during the year

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019 and have been adopted by the company:

- Leases (IFRS 16)
- Income taxes: treatment of tax consequences of dividends and other distributions (Amendments to IAS 12)
- Uncertainty over income tax treatments (IFRIC 23)

The introduction of IFRS 16 has not had any significant impact on the operating profits generated by the Company during the year. Its principal effect has, however, been to introduce approximately £1m of right-of-use assets onto the Statement of Financial Position. These assets have been offset by a corresponding increase in financial liabilities.

The above amendments are not considered to have materially impacted the financial statements of the company.

New standards and interpretations issued not applied

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

International Accounting Standards and Interpretations		*Effective for annual periods beginning on or after*
IFRS 3 *	Definition of a business	1 January 2020
Amendments to IAS 1/IAS 8 *	Definition of material	1 January 2020
IFRS 17 *	Insurance contracts	1 January 2021

* not yet adopted for use in the European Union

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

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the Company's ultimate parent undertaking, The City of Edinburgh Council. It should be noted that COVID 19 has had a significant negative affect on the Company's operations during 2020, and the impact of this is outlined in Note 23. Notwithstanding this, however, having taken into account the Company's cash balances at the year end it is the directors' opinion that the financial statements should be prepared on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period and the amounts reported for revenues and expenses during the year. Uncertainty about these assumptions and estimates could, however, result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The 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 and the recoverability of items contained within trade and other receivables.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows: Infrastructural works - 20 years; Leasehold Land and Buildings - 10 to 50 years; Office Equipment and Furniture - 3 to 10 years.

Management use judgement in arriving at the Company's depreciation policy by taking account of the residual value of the assets concerned and their useful economic life. The Company expects that items of property, plant and equipment will be used for their entire life and as a result it is expected that these items will have no residual value. An assets useful economic life is based on past experience and general expectations.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

The capitalisation of infrastructural works and assets under construction is based on management's judgement of when a projects future economic benefit can be determined. Initial project development costs in respect of feasibility studies, design team fees and pre construction 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.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Capital grants

Grants in respect of capital expenditure are credited to deferred income and are released to income in equal amounts over the expected useful lives of the relevant assets by equal annual instalments.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, 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 2019 and any new contracts entered into on or after 1 January 2019, the Company 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 Company 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 Company 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.

Trade and other receivables

Trade receivables which generally have 30 day terms are recognised and carried at their original invoiced value, less an allowance for impairment of doubtful debt. An allowance for doubtful debt is estimated by management, taking into account future cashflows, based on past experience and an assessment of the current economic climate in which the company operates.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

Trade and other payables

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

Loans

Loans are initially recognised at fair value and then held at amortised cost using the effective interest rate method of calculation. The effective interest rate charge for the year is included in finance costs in the statement of comprehensive income.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws enacted or substantially enacted at the reporting date.

The Company does not recognise amounts which may be recoverable under group relief until the tax computations for the companies in the tax group have been agreed.

Revenue recognition

EICC contracts with a range of customers to provide meeting and conference facilities for the events that they wish to hold. Under the terms of these contracts the Company usually receives a number of stage payments from clients prior to and post their event taking place. The Company however does not finish performing its obligations until the end point of the contract and that is when revenue is recognised.

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding VAT.

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.

3. Revenue

Revenue recognised in the statement of comprehensive income is analysed as follows:

	2019 £	2018 £
Revenue recognised from contracts with customers	9,300,766	8,720,830
Rendering of other services	58,678	42,535
	9,359,444	8,763,365

4. Other Income

Other income recognised in the statement of comprehensive income is analysed as follows:

	2019 £	2018 £
Reimbursement of development expenditure	-	21,819

5. Segment information

For management purposes the Company operates as a single business unit.

All revenues are derived from external customers who are based in the United Kingdom. No single customer accounted for 10 per cent or more of the Company's revenues.

6. Operating profit

This is stated after charging/(crediting):

	2019 £	2018 £
Depreciation of fixed assets	841,690	817,425
Auditor's remuneration - audit services	10,800	10,250
Auditor's remuneration – taxation services	1,680	1,600
Other income	-	(21,819)
Capital grants released	(281,811)	(459,807)

7. Staff costs and directors' emoluments

(a) Staff costs

	2019 £	2018 £
Salaries	2,403,368	2,289,985
Social security costs	210,753	196,590
Pension costs	133,630	124,759
	2,747,751	2,611,334

The monthly average number of staff employed during the year was:

	2019	2018
Sales and Marketing	15	11
Operations	43	41
Administration	7	7

(b) Directors' emoluments

	2019 £	2018 £
Directors' remuneration	313,907	296,855
Directors' pension	20,788	28,402
	334,695	325,257

7. Staff costs and directors' emoluments (cont.)

The remuneration of the highest paid director included:

	2019 £	2018 £
Directors' remuneration	184,644	171,980
Directors' pension	8,415	16,461
	193,059	188,441

8. Finance revenue

	2019 £	2018 £
Interest receivable on bank deposits	35,362	21,289

9. Finance costs

	2019 £	2018 £
Effective interest on loan stock	(162,984)	(93,138)
Effective interest on right-of-use-assets	(69,649)	-
	(232,633)	(93,138)

10. Tax charge

	2019 £	2018 £
UK Corporation Tax	6,719	4,045

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 19.00% (2018: 19.25%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2019 £	2018 £
Profit from continuing operations before tax	630,202	760,180
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.25%)	119,738	144,434
Expenses not deductible for tax purposes	6,153	6,432
Fixed asset differences	60,686	87,417
Adjust deferred tax to average rate	(17,635)	(24,656)
Deferred tax not recognised	(162,223)	(209,582)
Tax charge for the period	6,719	4,045

As at 31 December 2019 there was an unrecognised deferred tax asset amounting to £(1,399,094) (2018: £1,561,373) of which £290,780 (2018: £331,984) was in respect of accelerated capital allowances and other timing differences and £1,108,314 (2018: £1,229,389) was in respect of trading losses. The directors have elected not to recognise a deferred tax asset due to uncertainty surrounding future profitability from which any reversal of timing differences could be deducted.

No other factors that may affect future tax charges have been identified.

11. Property, plant and equipment

	Infrastructure Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
Cost or valuation				
At 1 January 2019	6,669,993	35,264,791	6,141,833	48,076,617
Additions	-	337,943	373,555	711,498
Disposals	-	-	-	-
At 31 December 2019	6,669,993	35,602,734	6,515,388	48,788,115
Depreciation				
At 1 January 2019	6,482,867	30,194,285	4,801,605	41,478,757
Charge for the period	112,338	185,931	418,185	716,454
Released on disposal	-	-	-	-
At 31 December 2019	6,595,205	30,380,216	5,219,790	42,195,211
Net book value				
At 31 December 2018	187,126	5,070,506	1,340,228	6,597,860
At 31 December 2019	74,788	5,222,518	1,295,598	6,592,904
Cost or valuation				
At 1 January 2018	6,669,993	35,264,791	5,546,395	47,481,179
Additions	-	-	595,438	595,438
Disposals	-	-	-	-
At 31 December 2018	6,669,993	35,264,791	6,141,833	48,076,617
Depreciation				
At 1 January 2018	6,202,838	29,999,292	4,459,202	40,661,332
Charge for the period	280,029	194,993	342,403	817,425
Released on disposal	-	-	-	-
At 31 December 2018	6,482,867	30,194,285	4,801,605	41,478,757
Net book value				
At 31 December 2017	467,155	5,265,499	1,087,193	6,819,847
At 31 December 2018	187,126	5,070,506	1,340,228	6,597,860

Long leasehold buildings consist of freehold buildings constructed on land that is leased to the company until 2117.

12. Right-of-use-assets

	Long Leasehold Buildings £	Office Equipment & Furniture £	Motor Vehicles £	Total £
Cost or valuation				
At 1 January 2019	-	-	-	-
Recognition of right-of-use assets on initial application of IFRS 16	1,143,059	9,336	8,424	1,160,819
Disposals	-	-	-	-
At 31 December 2019	1,143,059	9,336	8,424	1,160,819
Depreciation				
At 1 January 2019	-	-	-	-
Charge for the period	112,639	9,336	3,261	125,236
Released on disposal	-	-	-	-
At 31 December 2019	112,639	9,336	3,261	125,236
Net book value				
At 31 December 2018	-	-	-	-
At 31 December 2019	1,030,420	-	5,163	1,035,583

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

13. Trade and other receivables

	2019 £	2018 £
Trade receivables	1,459,520	1,815,500
Amount owed by CEC Holdings Limited and the City of Edinburgh Council	1,794,704	1,421,149
Other receivables	1	1
Prepayments	246,128	170,622
	3,500,353	3,407,272

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2019 no trade receivables were determined to be impaired (31 December 2018: nil).

13. Trade and other receivables (cont.)

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total	Neither past due nor impaired	Past due but not impaired < 30 days	Past due but not impaired 30-60 days	Past due but not impaired > 90 days
	£	£	£	£	£
At 31 December 2018	1,815,500	1,533,716	183,110	45,571	53,103
At 31 December 2019	1,459,520	1,329,016	108,389	22,272	(157)

The credit rating of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings, where available, historical information in respect of repeat business and payment history with regard to current business.

14. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	5,655,883	4,751,620

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £5,655,883 (31 December 2018: £4,751,620).

15. Trade and other payables

	2019	2018
	£	£
Trade payables	813,111	1,152,125
Value Added Tax	59,751	142,304
Other taxes and social security costs	55,985	56,139
Other payables	455,478	428,780
Accruals	414,264	495,016
	1,798,589	2,274,364

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms. Other payables are non-interest bearing.

16. Financial liabilities

Loans and borrowings

	2019	2018
	£	£
Fair value - Right-of-use-assets	1,063,268	-
Fair value - Loan stock	380,364	217,380

	1,443,632	217,380

16. Financial liabilities (cont.)

	2019 £	2018 £
This is made up as:		
Current obligations	93,508	-
Non-current obligations	1,350,124	217,380
	1,443,632	217,380

Non-current obligations are made up as:

	2019 £	2018 £
Due within one year	97,608	-
Due within two to five years	823,369	214,700
Due after five years	429,147	2,680
	1,350,124	217,380

Financial liabilities are made up of:

Right-of use-assets

	2019 £	2018 £
Current obligations	93,508	-
Non-current obligations	969,760	-
	1,063,268	-

Non-current obligations are made up as:

	2019 £	2018 £
Due within one year	97,608	-
Due within two to five years	443,362	-
Due after five years	428,790	-
	969,760	-

The Company has entered into a number of leases in relation to office accommodation, office equipment and motor vehicles. These leases have a duration of between 2 and 14 years. The 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.

16. Financial liabilities (cont.)

Loan stock

	2019 £	2018 £
Current obligations	-	-
Non-current obligations	380,364	217,380
	380,364	217,380

Non-current obligations are made up as:

	2019 £	2018 £
Due within one year	-	-
Due within two to five years	380,007	214,700
Due after five years	357	2,680
	380,364	217,380

The company has issued convertible and non-convertible loan stock to the City of Edinburgh Council and CEC Holdings Limited, as shown below. These loan stocks, which amount to a face value of £62,283,069 (31 December 2018: £61,566,243) either bear no interest or the interest on them has been waived by the stockholder.

The loans have 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 issue. These loans have been received from the parent company and the Company relies on these loans as an ongoing source of funding.

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2019 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	51	50
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	45	44
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	249,911	249,913
Non-Convertible Unsecured Loan Stock 2023	75	868,000	92,548	92,548
Non-Convertible Unsecured Loan Stock 2024	70	546,000	33,266	33,266
Non-Convertible Unsecured Loan Stock 2025	75	123,000	4,282	4,282
Non-Convertible Unsecured Loan Stock 2034	75	154,299	36	36
Non-Convertible Unsecured Loan Stock 2035	75	799,000	103	103
Non-Convertible Unsecured Loan Stock 2036	75	709,141	52	50

Non-Convertible Unsecured Loan Stock 2037	75	461,069	19	20
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	31	29
Non-Convertible Unsecured Loan Stock 2039	75	841,099	12	12

16. Financial liabilities (cont.)

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2019 £	Aggregate Interest £
Non-Convertible Unsecured Loan Stock 2040	75	718,922	6	4
Non-Convertible Unsecured Loan Stock 2041	75	123,525	1	0
Non-Convertible Unsecured Loan Stock 2042	75	482,438	1	1
Non-Convertible Unsecured Loan Stock 2043	75	595,438	0	0
Non-Convertible Unsecured Loan Stock 2044	75	716,826	0	0
		62,283,069	380,364	380,358

The face value of loan stock issued by the company is as follows:

	2019 £	2018 £
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	16,985,460	16,268,634
	62,283,069	61,566,243
Non-convertible unsecured loan stock		
Issued to The City of Edinburgh Council and CEC Holding Ltd	4,675,316	4,675,316
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	12,310,144	11,593,318
	16,985,460	16,268,634

The convertible unsecured loan stock, which is all held by CEC Holdings Ltd, bears no interest and is repayable on 31 March 2117 at par. CEC Holdings Ltd have the right to convert loan stock into fully paid preferred ordinary shares at the rate of one preferred ordinary share per £1 nominal of loan stock.

A further £8,598,961 of non-convertible unsecured loan stock 2117 (31 December 2018: £7,882,135) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £8,386,499 (31 December 2018: £8,386,499) of the remaining issued or due to be issued non-convertible unsecured loan stock. This non-convertible unsecured loan stock bears no interest and is repayable within 25 years of issue.

17. Deferred revenue and capital grants

	2019 £	2018 £

Deferred revenue	2,588,922	2,369,926
Capital grants	1,520,876	1,802,687
	4,109,798	4,172,613

17. Deferred revenue and capital grants (cont.)

Deferred revenue relates to the advance deposits received in respect of events which are due to take place after the year end.

	2019 £	2018 £
At 1 January	2,369,926	2,322,223
Deferred during the year	2,162,965	1,959,215
Released to the income statement	(1,943,969)	(1,911,512)
At 31 December	2,588,922	2,369,926

Deferred revenue is analysed as follows:

	2019 £	2018 £
Current obligations	2,193,232	1,943,969
Non-current obligations	395,690	425,957
	2,588,922	2,369,926

Capital grants have been received in respect of building construction and roadworks as follows:

	2019 £	2018 £
At 1 January	1,802,687	2,262,494
Receivable during the year	-	-
Released to the income statement	(281,811)	(459,807)
At 31 December	1,520,876	1,802,687

Capital grants are analysed as follows:

	2019 £	2018 £
Current obligations	216,024	281,811
Non-current obligations	1,304,852	1,520,876
	1,520,876	1,802,687

18. Share capital

	2019 No.	2018 No.	2019 £	2018 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
Special share	1	1	1	1
			63	63

The 10 preference shares, 2 ordinary shares and 40 preferred ordinary shares were all issued to The City of Edinburgh Council and subsequently gifted to CEC Holdings Ltd (wholly owned subsidiary of the Council) in 1996. The special share was issued to Scottish Enterprise Edinburgh and Lothian Ltd on 18 December 1996. The City of Edinburgh Council is the ultimate holding organisation of the Company.

The special share has a nominal value of £1. The share can only be transferred to a body nominated by Scottish Enterprise Edinburgh and Lothian Ltd and approved by the City of Edinburgh Council. The special shareholder is entitled to receive notice of general meetings, and to attend and speak at such meetings but has no other rights. Specifically, the special shareholder has no right to vote at such a meeting. The special shareholder is however entitled to receive a copy of each resolution passed at a general meeting, to receive any resolution proposed as a written resolution and each circular sent by the Company to holders of any class of shares in the Company.

The special shareholder ranks after all other members of the Company in respect of distribution of capital on the winding up of the Company. The special share confers no right to participate in the profits of the Company.

The Articles of Association entitle the holder of the special share to appoint one person as a Director of the Company. This right is effected by a notice in writing either being lodged at the Company's registered office or delivered to a meeting of the directors.

The preference shares carry no voting rights, but have the right to a fixed cumulative preferential dividend at the rate of 6% (net of associated tax credit) per annum, on the amount paid up, to be paid annually on 31 December each year.

The RBL ordinary shares, which were issued on 29 November 1995, carry no voting rights and are entitled to a dividend of £0.01 for every full amount of £100 worth of assets paid. This is payable after payment of the fixed dividend to holders of the preference shares.

The ordinary and preferred ordinary shares carry one vote per share and participate in profits available for dividend pro rata.

In the event of a capital distribution the shares rank in the following order: £1 for each Preference Share; £1 for each Preferred Ordinary Share; £1 for each Ordinary Share; £1 for each RBL Ordinary Share; £1 for each Special Share. Thereafter pro rata.

19. Other reserves

Other reserves arise from the fair valuing of loan stock where the difference between the fair value and face value of the loan has been recognised as a capital contribution where the loan has been issued at below market rate from a parent company.

	£
At 1 January 2019	61,566,243
Net movement on recognition of loans	716,826
At 31 December 2019	62,283,069

20. Pension commitments

The Company 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 £133,630 (31 December 2018: £124,759).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £26,828 (31 December 2018: £3,238).

21. Related party transactions

The transactions that have been entered into with related parties, which have a significant influence over the Company, for the financial year, are as follows:

	Net funding received £
The City of Edinburgh Council	
2019	-
2018	-
CEC Holdings Limited	
2019	-
2018	-

Loans received from or made to related parties, which have a significant influence over the Company, are as follows:

	Owed by related parties £	Owed to related parties £
The City of Edinburgh Council		
2019	1,794,704	8,598,961
2018	1,421,149	7,882,135
CEC Holdings Limited		
2019	-	53,684,108
2018	-	53,684,108

The Company's immediate parent undertaking is CEC Holdings Limited. It has included the Company in its group financial statements. The ultimate parent undertaking is The City of Edinburgh Council. Copies of the accounts of both companies are available from the Head of Finance, The City of Edinburgh Council, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

22. Financial instruments and risk management

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

	2019 £	2018 £
Financial assets		
Loans and receivables:		
Trade and other receivables	3,500,353	3,407,272
Cash and cash equivalents	5,655,883	4,751,620
	9,156,236	8,158,892

	2019 £	2018 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	1,798,589	2,274,364
Loan stock	1,443,632	217,380
	3,242,221	2,491,744

Capital management and risk management objectives

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity. The company's debt is primarily non-interest bearing.

Credit risk

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

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

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

22. Financial instruments and risk management (cont.)

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

Over 85% of the company's gross profits are derived from room hire fees which are paid in advance and from catering commission which is paid by the catering concessionaire.

Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Managing cash generated by its operations and retaining surplus cash in readily accessible bank deposit accounts.

Fair values

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

23. Post Balance Sheet Event

A new transmittable disease, coronavirus, which was first recognised in China at the end of 2019, began affecting countries in Europe and the rest of the world in the early part of 2020. As a result of this and due to increasing concerns about the impact of the virus on people's health and wellbeing many businesses began to alter their modus operandi during February and March of this year.

The UK Government introduced a raft of lockdown restrictions on 23 March which meant that all non-essential business operations had to close. A number of events that had been scheduled to be held at EICC prior to this date had previously been cancelled and the government restrictions resulted in a huge number of clients contacting the Company to advise that they wished to cancel or postpone their forthcoming events.

As a result of this no events have been held at the ECC since the middle of March. Many of the clients with events that had been due to take place between then and the end of August have subsequently either cancelled their event and agreed a cancellation charge or have rescheduled their event to later in the year or into subsequent years.

This has had a significant impact on the Company's revenues which are currently approximately £8.6m down on budget for the year with cost of sales showing a reduction of nearly £4.0m against budget. These figures have been offset by a reduction in operating expenses of approximately £2.9m resulting in an estimated overall reduction in operating profit for 2020 of £1.7m.

The Company is now forecasting an operating loss of £0.8m for the year to 31 December 2020 but it has sufficient cash reserves to be able to cover this projected loss.

At this point in time the Scottish Government has not given any indication of when conference and exhibition venues will be able to reopen. However, the Company has a full order book from early September to the end of the year and given the current progress with regard to the easing of lockdown restrictions it remains confident that it will be able to service these events.

It should also be noted that the Company already had a very healthy events diary for 2021 and that this has been significantly enhanced with the business that has been rescheduled from 2020. It is therefore anticipated, at this point in time, that the Company will return to its pre 2020 levels of operating profit next year.

The figures, shown in the accounts, for the year to 31 December 2019 have not had to be adjusted in any way as the impact of the coronavirus pandemic had no impact on the Company’s business for the year under review.

Edinburgh International Conference Centre Limited

Audit management report for the year ended 31 December 2019

Scott-Moncrieff
business advisers and accountants

Edinburgh International Conference Centre Limited

Audit management report for the year ended 31 December 2019

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1 Purpose of this report

International Standards on Auditing (UK) 260, "Communication with those charged with governance" and 265 "Communicating deficiencies in internal control to those charged with governance and management" require Scott-Moncrieff to report the significant findings from our audit to you.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the Board of Edinburgh International Conference Centre Limited;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

The report has been discussed and agreed with the Les Florence and Raymond Blaikie.

We would like to thank the Les Florence and Raymond Blaikie and their colleagues for their kind co-operation and assistance during our audit.

2 Audit Conclusion

In our opinion the financial statements give a true and fair view and have been prepared in accordance with applicable law including the International Financial Reporting Standards as adopted by the European Union (IFRSs).

Other than as described in our audit report, we confirm that our audit testing did not identify any material issues affecting the company's ability to continue as a going concern. The letter of comfort received from City of Edinburgh Council (the Council) confirms that the Council will continue to provide financial support to EICC Limited, directly or via CEC Holdings, until at least December 2021. We are therefore satisfied with the disclosure in the financial statements.

We did not identify any subsequent events which require amendments or disclosures to be made to the financial statements.

Auditor Independence

International Standard on Auditing (UK) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence. In addition to the audit of the financial statements, Baldwins Holdings Limited, a company in the same group as Scott-Moncrieff Audit Services, provides corporation tax services to the company. All tax services are provided by an independent tax partner and staff who have no involvement in the audit of the financial statements.

We can confirm that we have complied with the Financial Reporting Council's Ethical Standard for Auditors. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

3 Audit risk areas identified at the planning stage

Identified audit risk areas

As noted in our audit planning letter submitted to the board of directors we identified the audit risk areas, noted in the table below, as significant matters. We considered these matters in detail during our audit fieldwork.

Audit risk areas	Audit findings
Risk 1 – Management override of controls	
In any organisation, there is a risk that management and directors have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK) 240: "The auditor's responsibilities relating to fraud in an audit of financial statements." Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.	We have not identified any indications of management override in the year. We have reviewed EICC Limited's accounting records and obtained evidence that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years. **Conclusion:** We have gained satisfactory assurance in respect of the mitigation of this risk.
Risk 2 – Revenue recognition	
Under International Standard on Auditing (UK) 240, "The auditor's responsibilities relating to fraud in an audit of financial statements" there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position. Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.	We evaluated each material revenue stream, considered the company's revenue recognition policy and carried out testing to ensure this is appropriate and has been applied. **Conclusion:** We have gained satisfactory assurance in respect of the completeness and occurrence of revenue transactions in the year.

Risk 3 – Going Concern	
We will consider the company's ability to continue to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are expected to be approved. In doing so we will consider whether the company can continue to rely on the Council's support. Given that COVID-19 has had a significant impact on the business we will also consider the going concern impacts this has had on the business.	We have obtained evidence which provides adequate assurance regarding the Council's intention to continue to support the company its ability to do so. We have also reviewed the going concern disclosures within financial statements to ensure these are adequate. **Conclusion:** We have gained satisfactory assurance in respect of the mitigation of this risk, however we have deemed it appropriate to highlight the ongoing material uncertainty related to going concern in our audit report.
Risk 4 – Debtors recoverability	
Due to the impact of COViD-19 outbreak many companies will struggle to continue to trade. This creates additional risk regarding the recoverability of debtor balances at the year end.	We reviewed the recoverability of debtors through post year end cash testing. **Conclusion:** We have gained satisfactory assurance in respect of the mitigation of this risk.

4 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

We did not identify any further significant issues during the course of our audit work.

Audit adjustments

We did not identify any audit adjustments during our audit other than the incorporation of the year end corporation tax charge and amendments to the disclosure notes.

Unadjusted items

We did not identify any unadjusted items.

Qualitative aspects of accounting practices and financial reporting

During the course of an audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our observations are as follows:-

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the company.
The timing of the transactions and the year in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the year in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.
The potential effect on the financial statements of any uncertainties including significant risks and disclosures such as pending litigation that is required to be disclosed in the financial statements.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the year and the extent that these transactions are separately disclosed in the financial statements.	We did not identify any unusual transactions in the year from our testing.
Apparent misstatements in the Strategic Report, the Directors' Report or material inconsistencies with the financial statements.	There has been no misstatement or material inconsistency with the financial statements included in the Strategic Report or the Directors' Report.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit with regards to any accounting treatment or disclosure.

Qualitative aspect considered	Audit conclusion
Difficulties encountered in the audit.	Our audit field work commenced in June 2020. The biggest challenge of the audit was the impact of Covid 19 and not being on-site for the duration of the audit. However, this was overcome by the finance team providing all documentation in an efficient manner.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the directors of the company. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

5 Accounting systems and controls

During the course of our audit of the financial statements, we examined the principal internal controls which the directors have established to enable them to ensure, as far as possible, the accuracy and reliability of the company's accounting records and to safeguard the company's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

The significant weaknesses noted from our work are detailed in the action plan below.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

		No of audit observations	
Grade	**Definition**	**Current year**	**Prior year**
5	Very high risk exposure - Major concerns requiring immediate attention	-	-
4	High risk exposure - Absence / failure of significant key controls	-	-
3	Moderate risk exposure - Not all key control procedures are working effectively	1	4
2	Limited risk exposure - Minor control procedures are not in place / not working effectively	-	1
1	Efficiency / housekeeping point	-	-

Follow up on prior year Action plan

1	Related parties - EICC Registers of Interest
Observation	Conflicts of interests are typically disclosed by Board members at Board meetings, with a standing agenda item dedicated to "Declaration of Interests". However our review identified that there are no formal registers of interests held for the EICC's executive directors or key management. Whilst Registers of interests of Councillors who are members of the EICC board are recorded directly by the City of Edinburgh Council (CEC) and disclosed on the Council's website, it is the responsibility of the Council to ensure that these Registers of Interests (ROI) are kept accurate and up to date. An independent ROI relevant to EICC for Councillors is not maintained.

Risk and recommendation	There is a risk that, as related parties are not formally documented for key members of the Board or management at EICC, transactions with those related parties are not identified. This may result in inaccurate disclosure of both related parties and related party transactions within the financial statements. Formal Registers of Interests should be prepared for all key members of the EICC management team, ensuring that conflicts of interests are fully identified and disclosed at the year end. **Grade 3**
Audit observation	We noted that EICC have compiled a formal register that is to be updated twice yearly in January and July. Point cleared.

2	Related parties - identifying related party transactions
Observation	Our review identified that reliance is placed on board members disclosing material transactions with related parties at the beginning of board meetings, prior to the company entering into the transaction or arrangement. However, there is no further review of transactions with related parties identified in their declarations at the year end.
Risk and recommendation	There is a risk that related party transactions which have not been disclosed by members at board meetings are not identified by the EICC, potentially resulting in inaccurate disclosure of related party transactions within the annual accounts. A formal review of transactions should be performed by the Finance team at the year end to identify any related party transactions which have not been disclosed by members. **Grade 3**
Audit observation	We noted that a review process is now in place. Point cleared.

3	Governance arrangements
Observation	EICC is governed by a Board of Directors and the Board is responsible for the overall strategic direction and fulfilment of the legislative duties of the organisation. We have noted that the scale of operations of EICC has been expanding in recent years but the governance structure has remained the same with the Board supported by the senior leadership team.
Risk and recommendation	There is a risk that the Board is not adequately supported by appropriate governance structure and there is insufficient capacity within the current governance structure for appropriate scrutiny and challenge. We recommend EICC reviews the current governance structure and considers whether supporting committees (e.g. audit committee) would offer benefits to the Board. **Grade 3**

Audit observation	We noted that EICC will look to make potential changes once the Company's corporate structure has been revised. This point is still applicable in the current year.
Management response	The Company is currently involved with a major development project regarding the operation of a hotel and hotel school. A business case for the project was approved by the Council in March 2020 and it is anticipated that the advancement of the project will lead to significant changes in the Company's corporate and governance structure. Whilst the EICC Board has considered these matters it does not believe that it is appropriate to look at them on a piecemeal basis as the project progresses and they will therefore be examined further and the necessary changes made in due course when the project is completed, or when the Board believes that the time is right to do so.

4	Authorisation of Journals
Observation	Manual journals are prepared by the Finance Manager and reviewed and authorised by the Finance Director. However our review identified that this authorisation is informal and is not formally documented. As such, we have been unable to evidence that journals have been appropriately reviewed and authorised prior to posting.
Risk and recommendation	There is a risk that inaccurate and/or fraudulent journals are posted to the ledger as secondary review and authorisation of manual journals cannot be evidenced and may not be performed. EICC should ensure that authorisation of manual journals is formally documented to provide a clear audit trail of staff members preparing and authorising journals. **Grade 3**
Audit observation	We noted that EICC have built on the journal review process. Point cleared.

5	Control Account Reconciliations
Observation	Reconciliations for the control accounts are performed monthly by the Finance Team. However our review identified that this is an informal check and as such, not formally recorded.
Risk and recommendation	There is a risk that control account reconciliations are not performed and/or reviewed in a timely manner, resulting in failure to identify potential errors and resultant misstatement of the financial statements. EICC should ensure that control accounts reconciliations are reviewed by a secondary member of staff and that both the preparation and review of reconciliations are formally documented, providing a clear audit trail. **Grade 2**
Audit observation	We noted that during the course of the audit the control accounts were reconciled. Point cleared.

6 Future developments

As part of our service to you and to help you keep up to date with the latest accounting, audit and tax developments relative to your organisation, we publish regular e-bulletins. We would encourage you to sign up to receive information on topics and events which are of interest to you via our website: http://www.scott-moncrieff.com/news/e-bulletin-signup.

Appendix 1 – Your audit team

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