

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday 31 October 2019

## Edinburgh International Conference Centre Annual Update

Executive/routine	
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 The Housing, Homelessness and Fair Work Committee is asked to:
  - 1.1.1 note the annual performance update provided by Edinburgh International Conference Centre (EICC) as detailed in Appendix 1;
  - 1.1.2 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 respectively;
  - 1.1.3 agree that a draft Service Level Agreement (SLA) be prepared and reported in two committee cycles; and
  - 1.1.4 refer this report to Governance Risk and Best Value Committee for information.

#### Paul Lawrence

Executive Director of Place

Contact: David Cooper, Service Manager

E-mail: [david.cooper@edinburgh.gov.uk](mailto:david.cooper@edinburgh.gov.uk) | Tel: 0131 529 6233

## Edinburgh International Conference Centre Annual Update

### 2. Executive Summary

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- 2.1 This report provides an update from EICC on their performance in financial year 2018.

### 3. Background

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- 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 building itself ("the Conference Centre") is a conference centre that 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.
- 3.4 A £30m expansion of the Conference Centre completed in 2013, enabling it to accommodate conferences of up to 2,000 delegates.
- 3.5 The Conference Centre is operated EICC, a wholly-owned subsidiary of CEC Holdings Limited. EICC occupies the Conference Centre on a peppercorn rent and loan stock of £61.6 million is due to the Council and CEC Holdings. This represents money and assets paid into the company since its inception for example the cost of the centre and the extension. It is, however, worth noting that there is no call being made on this at the current time. Since 2014, EICC has been charged by the

Council with being financially self-sufficient. In 2017, EICC Ltd generated a record operating profit of £1.14m.

- 3.6 On [7 June 2018](#), the Housing and Economy Committee agreed the following motion calling for a report into the capital expenditure requirements of the EICC moving forward.
- 3.7 On 24 January 2019 a report was provided on 'B Agenda' in response to this motion, setting out the capital expenditure requirements and the various work-streams that were being explored in order to avoid the need for grant funding. Three areas of work were identified; Governance and Financial Treatment; Business Development; and Property Development.
- 3.8 On 10 October 2019 the Finance and Resources Committee considered a report on 'B Agenda' which set out an opportunity that has been identified as a result of the ongoing work set out above. The recommendations in the report were agreed and Council officers are now preparing a full business case which will be reported back to Finance and Resources prior to being reported to Full Council for a final decision.

#### **4. Main report**

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- 4.1 Appendix 1 provides a summary of EICC's activities in financial year 2018 (1 January 2018 to 31 December 2018).
- 4.2 The paper summarises:
  - 4.2.1 the company's Key Performance Indicators (KPI's) set against previous years' performance;
  - 4.2.2 the key business developments achieved in the year;
  - 4.2.3 the company'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 2018. The performance is positive and shows improvement on previous years. The headline figures are £1,360,125 of gross profit and £756,135 after tax. 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 2018 year. The conclusions are positive and find that the accounts have been prepared in accordance with the relevant legislation and standards.
- 4.5 The challenges that the EICC faces are known to the Council and were reported to Committee on 21 January 2019. Work is underway to identify and develop potential solutions and a first report identifying a possible solution has been taken to the Finance and Resources Committee. A further report will be provided later this year

once a full business case has been prepared. Thereafter the matter will be reported to Full Council where the final decision on this opportunity will be taken.

- 4.6 This performance update should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arm's length companies.
- 4.7 It should also be noted that in accordance with Council policy on Arms-Length External Organisations (ALEOs) that an SLA needs to be agreed between the Council and the EICC. This work will commence shortly and a draft version will be brought to Committee early next year for consideration.

## **5. Next Steps**

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- 5.1 A report along with a draft SLA will be provided to Committee in early 2020.
- 5.2 The next annual update on EICC's performance will be in August 2020.

## **6. Financial impact**

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- 6.1 There are no financial impacts for the Council arising from this report.

## **7. Stakeholder/Community Impact**

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

## **8. Background reading/external references**

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- 8.1 None.

## **9. Appendices**

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- 9.1 Appendix 1 - EICC Annual Review Paper.
- 9.2 Appendix 2 - EICC Statement of Accounts 2018.
- 9.3 Appendix 3 - Auditor's Report to EICC 2018.

## Appendix 1 - EICC PERFORMANCE REVIEW 2018

### Introduction

The purpose of this paper is to update and inform readers on the performance of the Edinburgh International Conference Centre during the year to 31 December 2018 and to highlight some of the successes and achievements realised by the Company in the period under review.

### EICC Remit and Vision Statement

#### *Remit:*

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

#### *Vision:*

To create an environment which inspires ideas that change the world

### Key Performance Indicators

		2016	2017	2018
Delegate Day Numbers		234,302	275,517	300,452
Economic Impact		£51.6m	£56.7m	£58.1m
Number of Events		173	184	198
Occupancy		53.5%	54.9%	60.4%

### Key Business Developments

- Increased levels of Day Delegate Rate business.
- Increase in number of international and national association events.
- Expansion of conference business into new industry sectors.

- Increased occupancy levels within the Conference Centre.
- Increase in scope and diversity of events held.
- Increase in value of bookings held for future years.
- Increase in levels of economic impact that are generated.
- Increase in profile of EICC.
- Increased operating efficiencies and effectiveness.

### Awards

- Hospitality Assured Awards: Winner - Excellence in Leadership.
- National Venue Awards: Winner - Best conference centre over 1,000 delegates.
- National Venue Awards: Silver - Most versatile venue.
- E Awards: Winner - Best Scottish venue & events team.
- E Awards: Winner - Sustainable event excellence award.
- Institute of Director's Scotland Awards: Winner – Director of the year public sector SME category.
- SEAL (Sustainability, Environmental Achievement & Leadership) Awards: Winner - Leadership in and Commitment to Sustainable Practices.
- VIBES (Vision in Business for the Environment of Scotland) Awards: Winner - Environmental management award.

### Accreditations

- Revised ISO 9001:2015 Quality Management System.
- Revised ISO 14001:2015 Environmental Management Standard.
- Hospitality Assured - Premier status.
- Green Tourism Business Scheme - Gold standard.
- Accessible Edinburgh Festival – Best venue status.
- Autism Friendly – recognition as an autism accredited venue.
- Keep Safe Scotland – recognition as a disabled access venue.

### Environmental Focus

- Focus on reducing carbon footprint.
- Programme of emissions reduction.

- Use of Building Management System – to minimise use of heating and lighting.
- Reduction in amount of waste sent to landfill.
- Food waste turned into energy.
- Focus on securing food and other products from local sources.
- Planting of trees with Borders Forest Trust.
- Lease of electric car to reduce use of taxis.
- Working with Zero Waste Scotland.

### Corporate Social Responsibility

- Edinburgh Live, formerly known as Innovation Nation lectures.
- Work experience opportunities.
- Student open day with over 400 students in attendance.
- Foodbank collections which fed 1,000 families in December/January.
- Over 50 Charity volunteer days per year provided by team members.
- Retiral home Christmas day out.
- Litter picking activities.

### Key Partnerships

- EICC sub-contractors - Leith's, Mitie, Croma Vigilant.
- EICC specialist services – Freer Consultancy, Westcom Networks.
- Napier University - MSc in Business Events Management.
- Pleasance Theatre Trust - Pleasance at the EICC.

### Key Challenges Facing EICC

- Difficulty in funding its capital expenditure requirements
- Limited access to subvention funding
- Significant levels of business lost due to clients being unable to secure hotel accommodation for delegates

### EICC Future Focus

- To ensure the financial stability of the EICC
- To continue to generate the highest levels of customer service

- To maintain the EICC as a modern up to date venue with cutting edge technology
- To ensure that the Company has a dynamic structure which enables the development of all team members
- To continue to improve the overall EICC product offering

#### EICC Future Objectives

- To position Edinburgh in the top tier of the UK conference league
- To help raise the profile of Edinburgh as a major international business tourism destination
- To generate increased levels of economic impact for Edinburgh
- To develop new products/gain entry to new markets to increase revenue generation
- To operate the EICC without the need for financial support from CEC
- To create a hub of business excellence within the event, catering and hotel sectors
- To expand the globally recognised EICC brand

**Appendix 2 – Statement of Accounts 2018**

**EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2018**

**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  
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 of the Company 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 9.

The profit from continuing operations before tax for the year amounted to £760,180 (2017 – £579,328). The Company has, after taxation adjustments, a total comprehensive profit for the year of £760,180 (2017 – 577,757). The Directors do not recommend payment of a dividend for the year ended 31 December 2018.

It is pleasing to report that 2018 was another very successful year for the Edinburgh International Conference Centre, which saw its operating and financial performance improve for the fourth successive year. This was achieved against a continuing backdrop of: restricted client budgets; increased competition from a growing number of conference centres; aggressive price competition from venues across the globe; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of 2018 the Sales Team secured the highest value of business contracted in the year - for the year, since the Company commenced its operations in 1995. This was largely achieved as a result of the sales team continuing to build on the initiatives and activities that they had successfully introduced in the preceding three to four years.

These included: increasing the number of sales visits undertaken in the year; increasing the number of booking agents used; increasing the Conference Centre's visibility on a number of social media platforms; increasing the scope, scale and diversity of events held at the EICC; and being more flexible in the terms and conditions offered to clients.

During the year the sales team continued to adopt a much more focussed approach to securing bookings. This saw: the association sales team laying down a solid platform for future years by reaching the desired revenue position, at the end of 2018, for each of the 4 succeeding years; whilst the corporate sales team worked assiduously to ensure that target for the current year was achieved through securing increased volumes of short lead business.

This was achieved through a combination of: the adoption of improved research activities; using a wider range of selling techniques; incentivising booking agents; continuing to promote Day Delegate Rate business; and adopting a more innovative and creative approach in engaging with clients and prospective clients.

The cumulative effect of the sales team's activities had a significant impact on the Company's revenues for the year which amounted to £8.763m. This was an increase of £0.844, on the previous year's figure of £7.919m, which is equivalent to an increase of 10.66%. These revenues generated a gross profit of £1.360m in 2018 compared to a gross profit of £1.137m for the previous year, which represents an increase of 19.61%.

It should be noted that in 2018 the EICC recorded its highest levels of gross profit for the months of January, February, July, August, October and November since it commenced trading. It is also worth noting that 2017 saw the Company record an operating surplus for the month of August for the first time ever and that this was surpassed in the current year.

The Conference Centre held 198 events in 2018, which was an increase of 14 on the 184 events that were held in the previous year. These events varied enormously in their size, duration, diversity and profitability. 5 of the association events that were held in 2018 recorded an event gross profit of over £200,000 each and the top 10 conference and meeting events by value generated £2.044m in cumulative event gross profit during the year.

Day Delegate Rate business continued to perform strongly during the year under review. Whilst Day Delegate Rate business was previously regarded as low value and unprofitable 60 events of this type were held at the EICC during 2018. The top 10 Day Delegate Rate events by value generated £656k in cumulative event gross profit during the year.

Occupancy levels for the year increased to 60.41% 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 £7,931m in 2018, which was an increase of £610,000 on the previous year's expenditure which had amounted to £7,321m. Although this represented an increase of 8.33% compared to the expenditure levels recorded during 2017 it was well within budget for the year 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. 2018 saw the Company generate its highest ever levels of revenue, gross profits, operating profit and economic impact.

During the year 96,851 delegates attended events at the Conference Centre which was a rise of 2,371 on the previous year. The number of delegate days generated by these delegates amounted to 300,452 in 2018 compared to 275,517 in 2017. This increase in delegate numbers was due to an increase in the number of events held and 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 £58.1m in 2018 compared to £56.7m in 2017. 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 EICC's business operations have continued to develop in the first half of 2019. The existing level of bookings for 2019, the high volume of enquiries that are being received and the increase in the number of short lead bookings that are being secured is encouraging and the EICC's business outlook for the current year and the longer term remains very positive.

### **Key performance indicators**

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

	2018 £'000	2017 £'000	% Change
Turnover	8,763	7,919	10.66%
Cost of sales and administration expenses	7,931	7,321	(8.33)%
Customer delight	89%	90%	(1.11)%
Economic impact	58,118	56,723	2.46%

### **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.

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  
31 July 2019  
**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 2018.

## **Directors**

The Directors who served during the period were as follows:

G. Barrie (Chair)	resigned 28 March 2018
L.M. Cameron	
K.R. Campbell (Chair)	appointed 30 May 2018
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 as the Company's auditor will be put to the forthcoming Annual General Meeting.

#### **By Order of the Board**

Pinsent Masons Secretarial Limited  
31 July 2019

## **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 2018 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 2018 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 page 5, 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](http://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, 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 2018**

	Notes	2018	2017
		£	£
Revenue	3	8,763,365	7,918,852
Cost of sales		<u>(7,403,240)</u>	<u>(6,781,993)</u>
<b>Gross profit</b>		1,360,125	1,136,859
Other income	4	21,819	77,467
Development expenses		(21,819)	(50,970)
Administration expenses		<u>(528,096)</u>	<u>(538,970)</u>
		<u>(528,096)</u>	<u>(512,473)</u>
<b>Operating profit from continuing operations</b>	6	832,029	624,386
Finance revenue	8	21,289	8,164
Gain on sale of fixed asset		-	-
Finance costs	9	<u>(93,138)</u>	<u>(53,222)</u>
<b>Profit from continuing operations before tax</b>		760,180	579,328
Tax (charge)/credit	10	<u>(4,045)</u>	<u>(1,571)</u>
<b>Total comprehensive profit for the year</b>		<u>756,135</u>	<u>577,757</u>

The accompanying notes form part of the financial statements

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2016	63	60,670,347	(54,807,803)	5,862,607
Total comprehensive profit for period	-	-	577,757	577,757
Increase in loan stock	-	<u>300,458</u>	-	<u>300,458</u>
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	-	<u>595,438</u>	-	<u>595,438</u>
At 31 December 2018	<u>63</u>	<u>61,566,243</u>	<u>(53,473,911)</u>	<u>8,092,395</u>

The accompanying notes form part of the financial statements

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2018**

	Notes	£	2018 £	2017 £
<b>Non-current assets</b>				
Property, plant and equipment	11		6,597,860	6,819,847
<b>Current assets</b>				
Trade and other receivables	12	3,407,272		2,430,247
Cash and cash equivalents	13	<u>4,751,620</u>		<u>3,980,822</u>
			<u>8,158,892</u>	<u>6,411,069</u>
<b>Total assets</b>			<u>14,756,752</u>	<u>13,230,916</u>
<b>Current liabilities</b>				
Trade and other payables	14	2,274,364		1,781,135
Capital grants	17	281,811		459,807
Deferred revenue	17	<u>1,943,969</u>		<u>1,911,512</u>
			4,500,144	4,152,454
<b>Non-current liabilities</b>				
Financial liabilities	15	217,380		124,242
Capital grants	17	1,520,876		1,802,687
Deferred revenue	17	<u>425,957</u>		<u>410,711</u>
			2,164,213	2,337,640
<b>Capital &amp; reserves</b>				
Issued share capital	18	63		63
Other reserves	19	61,566,243		60,970,805
Accumulated losses		<u>(53,473,911)</u>		<u>(54,230,046)</u>
			<u>8,092,395</u>	<u>6,740,822</u>
<b>Total equity &amp; liabilities</b>			<u>14,756,752</u>	<u>13,230,916</u>

The financial statements were authorised for issue by the Board of Directors on 31 July 2019 and were signed on its behalf, on that date, by:

Councillor George Gordon  
 Director:

Councillor Stephanie Smith  
 Director:

The accompanying notes form part of the financial statements

Company Number SC131773

**CASHFLOW STATEMENT**  
**For the year ended 31 December 2018**

	£	2018 £	2017 £
<b>Operating activities</b>			
Profit before tax	760,180		579,328
Finance revenue	(21,289)		(8,164)
Finance costs	<u>93,138</u>		<u>53,222</u>
<b>Operating profit for the year</b>	832,029		624,386
Net finance revenues	21,289		8,164
Depreciation on property, plant and equipment	817,425		784,078
Capital grants released	(459,807)		(466,732)
(Increase)/decrease in trade and other receivables	(977,025)		(533,253)
(Decrease)/increase in trade and other payables	493,229		(182,584)
Increase/(decrease) in deferred income	<u>47,703</u>		<u>241,366</u>
<b>Cash generated from operations</b>	774,843		475,425
Tax on continuing operations	<u>(4,045)</u>		<u>(1,571)</u>
<b>Cash flow from operating activities</b>		770,798	473,854
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	-		-
Payments to acquire property, plant and equipment	<u>(595,438)</u>		<u>(482,438)</u>
<b>Cash flow from investing activities</b>		(595,438)	(482,438)
<b>Financing activities</b>			
Receipt of loan stock	<u>595,438</u>		<u>300,458</u>
<b>Cash flow from financing activities</b>		<u>595,438</u>	<u>300,458</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		770,798	291,874
Cash and cash equivalents at 1 January 2018		<u>3,980,822</u>	<u>3,688,948</u>
<b>Cash and cash equivalents at 31 December 2018</b>		<u>4,751,620</u>	<u>3,980,822</u>

## 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 2018 were approved by the Board of Directors on 31 July 2019 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 2018 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 2018. 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 2018 and have been adopted by the company:

- Financial instruments (IFRS 9)
- Presentation of financial statements (Amendments to IAS 1)
- Financial instruments: recognition and measurement (Amendments to IAS 39)
- Revenue from contracts with customers (IFRS 15)

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:

<i>International Accounting Standards and Interpretations</i>		<i>Effective for annual periods beginning on or after</i>
IFRS 16	Leases	1 January 2019
Amendments to IAS 12	Income taxes: treatment of tax consequences of dividends and other distributions	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

Amendments to IFRS 3 *	Definition of a business	1 January 2020
Amendments to IAS 1/IAS 8 *	Definition of material	1 January 2020

\* 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.

The exception to this is IFRS 16, 'Leases' which will make it mandatory for entities with operating leases to record a liability for the payment under the lease and record a right of use of the asset. This does not apply to leases of one year or less which do not contain a purchase option and leases of low value assets. This will affect EICC's financial statements as the Company will be required to recognise its liabilities and assets in respects of all applicable operating leases.

### **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 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.

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

### **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:

	2018 £	2017 £
Revenue recognised from contracts with customers	8,720,830	7,894,787
Rendering of other services	<u>42,535</u>	<u>24,065</u>
	<u>8,763,365</u>	<u>7,918,852</u>

## **4. Other Income**

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

	2018 £	2017 £
Reimbursement of development expenditure	<u>21,819</u>	<u>77,467</u>

## 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 loss

This is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of fixed assets	817,425	784,078
Auditor's remuneration - audit services	10,250	8,000
Auditor's remuneration – taxation services	1,600	1,600
Operating lease rentals – land and buildings	153,678	153,678
Operating lease rentals - plant and equipment	11,709	9,896
Other income	(21,819)	(77,467)
Capital grants released	<u>(459,807)</u>	<u>(466,732)</u>

## 7. Staff costs and directors' emoluments

### (a) Staff costs

	2018 £	2017 £
Salaries	2,289,985	2,172,248
Social security costs	196,590	194,486
Pension costs	<u>124,759</u>	<u>113,550</u>
	<u>2,611,334</u>	<u>2,480,284</u>

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

	2018	2017
Sales and Marketing	11	12
Operations	41	38
Administration	7	7

### (b) Directors' emoluments

	2018 £	2017 £
Directors' remuneration	296,855	289,100
Directors' pension	<u>28,402</u>	<u>27,677</u>

	<u>325,257</u>	<u>316,777</u>
<b>7. Staff costs and directors' emoluments (cont.)</b>		

The remuneration of the highest paid director included:

	2018 £	2017 £
Directors' remuneration	171,980	167,136
Directors' pension	<u>16,461</u>	<u>16,001</u>
	<u>188,441</u>	<u>183,137</u>

**8. Finance revenue**

	2018 £	2017 £
Interest receivable on bank deposits	<u>21,289</u>	<u>8,164</u>

**9. Finance costs**

	2018 £	2017 £
Effective interest on loan stock	<u>(93,138)</u>	<u>(53,222)</u>

**10. Tax charge**

	2018 £	2017 £
UK Corporation Tax	<u>4,045</u>	<u>1,571</u>

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 19.25% (2017: 19.25%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2018 £	2017 £
Profit from continuing operations before tax	<u>760,180</u>	<u>579,328</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	144,434	111,501
Expenses not deductible for tax purposes	6,432	7,621
Fixed asset differences	87,417	91,761
Adjust deferred tax to average rate	(24,656)	(24,432)
Deferred tax not recognised	<u>(209,582)</u>	<u>(184,880)</u>
Tax charge for the period	<u>4,045</u>	<u>1,571</u>

As at 31 December 2018 there was an unrecognised deferred tax asset amounting to £(1,561,373) (2017: £1,764,697) of which £331,984 (2017: £410,561) was in respect of accelerated capital allowances and other timing differences and £1,229,389 (2017: £1,354,136) 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 £
<b>Cost or valuation</b>				
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	<u>6,669,993</u>	<u>35,264,791</u>	<u>6,141,833</u>	<u>48,076,617</u>
<b>Depreciation and impairment</b>				
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	<u>6,482,867</u>	<u>30,194,285</u>	<u>4,801,605</u>	<u>41,478,757</u>
<b>Net book value</b>				
At 31 December 2017	<u>467,155</u>	<u>5,265,499</u>	<u>1,087,193</u>	<u>6,819,847</u>
At 31 December 2018	<u>187,126</u>	<u>5,070,506</u>	<u>1,340,228</u>	<u>6,597,860</u>
<b>Cost or valuation</b>				
At 1 January 2017	6,669,993	35,264,791	5,063,957	46,998,741
Additions	-	-	482,438	482,438
Disposals	-	-	-	-
At 31 December 2017	<u>6,669,993</u>	<u>35,264,791</u>	<u>5,546,395</u>	<u>47,481,179</u>
<b>Depreciation and impairment</b>				
At 1 January 2017	5,913,706	29,800,931	4,162,617	39,877,254
Charge for the period	289,132	198,361	296,585	784,078
Released on disposal	-	-	-	-
At 31 December 2017	<u>6,202,838</u>	<u>29,999,292</u>	<u>4,459,202</u>	<u>40,661,332</u>
<b>Net book value</b>				
At 31 December 2016	<u>756,287</u>	<u>5,463,860</u>	<u>901,340</u>	<u>7,121,487</u>
At 31 December 2017	<u>467,155</u>	<u>5,265,499</u>	<u>1,087,193</u>	<u>6,819,847</u>

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

## 12. Trade and other receivables

	2018 £	2017 £
Trade receivables	1,815,500	1,365,307
Amount owed by CEC Holdings Limited and the City of Edinburgh Council	1,421,149	803,892
Other receivables	1	1
Prepayments	<u>170,622</u>	<u>261,047</u>
	<u>3,407,272</u>	<u>2,430,247</u>

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2018 no trade receivables were determined to be impaired (31 December 2017: nil).

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 £	30-60 days £	> 90 days £
At 31 December 2017	1,365,307	1,184,471	101,452	30,021	49,363
At 31 December 2018	1,815,500	1,533,716	183,110	45,571	53,103

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.

## 13. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<u>4,751,620</u>	<u>3,980,822</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £4,751,620 (31 December 2017: £3,980,822).

## 14. Trade and other payables

	2018 £	2017 £
Trade payables	1,152,125	723,654
Value Added Tax	142,304	92,188
Other taxes and social security costs	56,139	47,704
Other payables	428,780	538,049
Accruals	<u>495,016</u>	<u>379,540</u>
	<u>2,274,364</u>	<u>1,781,135</u>

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

## 15. Financial liabilities

### Loans and borrowings

	2018 £	2017 £
Loan stock - Non-current	<u>217,380</u>	<u>124,242</u>

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 £61,566,243 (31 December 2017: £60,970,805) 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.

The fair value of loan stock has been estimated using effective interest rates which have been applied to the various loan stocks as follows:

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2018 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	44	43
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	40	39
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	142,806	142,805
Non-Convertible Unsecured Loan Stock 2023	75	868,000	52,885	52,884
Non-Convertible Unsecured Loan Stock 2024	70	546,000	19,009	19,009
Non-Convertible Unsecured Loan Stock 2025	75	123,000	2,447	2,447
Non-Convertible Unsecured Loan Stock 2034	75	154,299	20	20
Non-Convertible Unsecured Loan Stock 2035	75	799,000	59	58
Non-Convertible Unsecured Loan Stock 2036	75	709,141	30	29
Non-Convertible Unsecured Loan Stock 2037	75	461,069	11	11
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	18	17
Non-Convertible Unsecured Loan Stock 2039	75	841,099	7	6
Non-Convertible Unsecured Loan Stock 2040	75	718,922	3	6
Non-Convertible Unsecured Loan Stock 2041	75	123,525	0	0
Non-Convertible Unsecured Loan Stock 2042	75	482,438	1	1
Non-Convertible Unsecured Loan Stock 2043	75	<u>595,438</u>	<u>0</u>	<u>0</u>

	<u>61,566,243</u>	<u>217,380</u>	<u>217,375</u>
<b>15. Financial liabilities (cont.)</b>			
The face value of loan stock issued by the company is as follows:			
		2018	2017
		£	£
Convertible unsecured loan stock		45,297,609	45,297,609
Non-convertible unsecured loan stock		<u>16,268,634</u>	<u>15,673,196</u>
		<u>61,566,243</u>	<u>60,970,805</u>
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		<u>11,593,318</u>	<u>10,997,880</u>
		<u>16,268,634</u>	<u>15,673,196</u>

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 £7,882,135 of non-convertible unsecured loan stock 2117 (31 December 2017: £7,286,697) 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 2017: £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.

## 16. Obligations under leases and hire purchase contracts

### Operating lease agreements

The Company has entered into commercial leases on land and buildings and certain items of office equipment. These leases have a duration of between 5 and 14 years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018	2017
	£	£
Land and buildings		
Expiring:		
Not later than one year	153,678	153,678
Later than one year and not later than five years	614,712	614,712
Later than five years	<u>768,390</u>	<u>922,068</u>
	<u>1,536,780</u>	<u>1,690,458</u>
Other		
Expiring:		
Not later than one year	13,522	9,896
Later than one year and not later than five years	<u>5,740</u>	<u>9,896</u>

	<u>19,262</u>	<u>19,792</u>
<b>17. Deferred revenue and capital grants</b>		
	2018	2017
	£	£
Deferred revenue	2,369,926	2,322,223
Capital grants	<u>1,802,687</u>	<u>2,262,494</u>
	<u>4,172,613</u>	<u>4,584,717</u>

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

	2018	2017
	£	£
At 1 January	2,322,223	2,080,857
Deferred during the year	1,959,215	2,025,232
Released to the income statement	<u>(1,911,512)</u>	<u>(1,783,866)</u>
At 31 December	<u>2,369,926</u>	<u>2,322,223</u>

Deferred revenue is analysed as follows:

	2018	2017
	£	£
Current obligations	1,943,969	1,911,512
Non-current obligations	<u>425,957</u>	<u>410,711</u>
	<u>2,369,926</u>	<u>2,322,223</u>

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

	2018	2017
	£	£
At 1 January	2,262,494	2,729,226
Receivable during the year	-	-
Released to the income statement	<u>(459,807)</u>	<u>(466,732)</u>
At 31 December	<u>1,802,687</u>	<u>2,262,494</u>

Capital grants are analysed as follows:

	2018	2017
	£	£
Current obligations	281,811	459,807
Non-current obligations	<u>1,520,876</u>	<u>1,802,687</u>
	<u>1,802,687</u>	<u>2,262,494</u>

## 18. Share capital

	2018 No.	2017 No.	2018 £	2017 £
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	<u>1</u>	<u>1</u>
			<u>63</u>	<u>63</u>

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 2018	60,970,805
Net movement on recognition of loans	<u>595,438</u>
At 31 December 2018	<u>61,566,243</u>

## 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 £124,759 (31 December 2017: £113,550).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £3,238 (31 December 2017: £3,521).

## 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	
2018	-
2017	-
CEC Holdings Limited	
2018	-
2017	-

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		
2018	343,271	7,882,135
2017	321,452	7,286,697
CEC Holdings Limited		
2018	1,077,878	53,684,108

2017

482,440

53,684,108

**21. Related party transactions (cont.)**

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:

	2018 £	2017 £
Financial assets		
Loans and receivables:		
Trade and other receivables	3,236,650	2,169,200
Cash and cash equivalents	<u>4,751,620</u>	<u>3,980,822</u>
	<u>7,988,270</u>	<u>6,150,022</u>
	2018 £	2017 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	2,075,921	1,639,672
Loan stock	<u>217,380</u>	<u>124,242</u>
	<u>2,293,301</u>	<u>1,763,914</u>

**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.

## **22. Financial instruments and risk management (cont.)**

### **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:

- 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.