

# Governance, Risk and Best Value Committee

10.00am, Tuesday 24 January 2023

## Edinburgh International Conference Centre – annual update for the year ending 31 December 2021 – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine	
Wards	All
Council Commitments	

### 1. For Decision/Action

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- 1.1 The Housing, Homelessness and Fair Work Committee has referred the Edinburgh International Conference Centre – annual update for the year ending 31 December 2021 to the Governance, Risk and Best Value Committee for information.

**Richard Carr**  
Interim Executive Director of Corporate Services

Contact: Emily Traynor, Assistant Committee Officer  
Legal and Assurance Division, Corporate Services Directorate  
Email: [emily.traynor@edinburgh.gov.uk](mailto:emily.traynor@edinburgh.gov.uk)

# Referral Report

## Edinburgh International Conference Centre – annual update for the year ending 31 December 2021

### 2. Terms of Referral

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- 2.1 On 1 December 2022, the Housing, Homelessness and Fair Work Committee considered a report which provided an update on the performance of EICC in the year ending 31 December 2021. The performance reflected ongoing recovery from the significant difficulties that COVID-19 had created for the events and conferencing industry. Overall, EICC made a loss of £35,791, compared to a loss of £1,721,998 in the previous year. EICC's accounts, for 31 December 2021, have been signed-off by its auditor.
- 2.2 The Housing, Homelessness and Fair Work Committee agreed:
- 2.2.2 To note the annual performance update for 2021 provided by Edinburgh International Conference Centre (EICC), as detailed in Appendix 1.
- 2.2.3 To note the EICC Statement of Accounts for 2021 as reported to CEC Holdings Ltd and the audit findings as detailed in Appendices 2 and 3 respectively.
- 2.2.4 To refer the report to Governance Risk and Best Value Committee for information.
- 2.2.5 To note that EICC would offer a briefing session for Elected Members to discuss their plans, in the new year, and that to request that a schedule of planned repayments be presented at this session.

### 3. Background Reading/ External References

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- 3.1 [Webcast of the Housing, Homelessness and Fair Work Committee of 1 December 2022](#)
- 3.2 Minute of the Housing, Homelessness and Fair Work Committee of 1 December 2022

### 4. Appendices

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- 4.1 Appendix 1 – report by the Executive Director of Place

# Housing, Homeless and Fair Work Committee

10.00am, Thursday, 1 December 2022

## Edinburgh International Conference Centre – annual update for the year ending 31 December 2021

Executive/routine Wards Council Commitments	Executive 11 – City Centre
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### 1. Recommendations

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- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee:
  - 1.1.1 Notes the annual performance update for 2021 provided by Edinburgh International Conference Centre (EICC), as detailed in Appendix 1;
  - 1.1.2 Notes the EICC Statement of Accounts for 2021 as reported to CEC Holdings Ltd and the audit findings as detailed in Appendices 2 and 3 respectively; and
  - 1.1.3 Refers this report to Governance Risk and Best Value Committee for information.

**Paul Lawrence**  
Executive Director of Place

Contact: David Cooper, Head of Development and Regeneration

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

# Report

## Edinburgh International Conference Centre – annual update for the year ending 31 December 2021

### 2. Executive Summary

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- 2.1 This report provides an update on the performance of EICC in the year ending 31 December 2021. The performance reflects the ongoing recovery from the significant difficulties that COVID-19 has created for the events and conferencing industry. Overall, EICC made a loss of £35,791, compared to a loss of £1,721,998 in the previous year. EICC's accounts, for 31 December 2021, have been signed-off by its auditor. It is recommended that this report be referred to Governance Risk and Best Value Committee for information.

### 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 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 in 1995 as a joint undertaking between Edinburgh District Council and Lothian and Edinburgh Enterprise. It is now owned by the Council. A £30m expansion of the Centre was 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 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

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### **EICC Annual Update to 31 December 2021**

- 4.1 Appendix 1 sets out a review of EICC's performance in the year ending 31 December 2021. The contents of the paper reflect the ongoing recovery of EICC from the COVID-19 pandemic, which had an adverse impact on the performance of EICC and its finances.
- 4.2 During the year, EICC achieved a financial outturn that was significantly better than both the prior year and EICC's own forecasts, with actions carried out to maximise revenue and minimise costs.
- 4.3 EICC has operated throughout the period of the pandemic without making any team members redundant. From January to September 2021, the Conference Centre hosted a major NHS Lothian vaccination centre that administered over 265,000 vaccines. In August 2021, the Conference Centre hosted Edinburgh Festival Fringe performances.
- 4.4 Appendix 2 sets out the financial position of the company for 2021. The performance reflects the company's ongoing recovery from the significant challenges to the events and conferencing industry as a result of the Coronavirus (COVID-19) pandemic.
- 4.5 The headline figure is a loss of £35,791, a significant improvement on the prior year, when a loss of £1,721,998 was recorded. EICC is currently forecasting an operating surplus for the year ending 31 December 2022 and a return to pre-

COVID-19 financial results in 2024. EICC is not recommending the payment of a dividend nor is it seeking financial assistance from the Council.

- 4.6 Appendix 3 provides the audit findings for the year ending 31 December 2021. The findings note that the auditor, Azets, did not identify any material issues affecting EICC's ability to continue as a going concern; that the disclosed accounting policies were deemed to be appropriate; and that the auditor was satisfied that the financial statements were prepared on a going concern basis.
- 4.7 The auditor recommends that EICC reviews its current governance structure and considers whether supporting committees (e.g. an audit committee) would offer benefits to the Board. In response, EICC has noted that it anticipates making significant changes to its corporate and governance structure as part of the hotel and hotel school project, to include an enlarged Board.
- 4.8 This annual update should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arm's length companies.

#### **Hotel and hotel school project**

- 4.9 On [28 October 2021](#), the Council agreed the final business case for the EICC hotel and hotel school project. Subsequently, the Council proceeded to execute the relative legal agreements, which were concluded by April 2022.
- 4.10 Construction of the hotel commenced in Summer 2022 with completion expected in summer 2025. EICC has appointed a project manager and clerk of works to oversee the construction of the hotel on behalf of EICC and the Council.

#### **Shareholders' agreement and strategic delivery agreement**

- 4.11 In accordance with Council policy on arms-length external organisations, 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) was considered by the Council on [28 October 2021](#). Heads of terms for a proposed final SLA are the subject of a separate report to this Committee.

## **5. Next Steps**

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- 5.1 The next annual update on EICC's performance will be in Quarter 4 2023.

## **6. Financial impact**

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- 6.1 As noted above, while EICC sustained a loss in the year ending 31 December 2021, there has been no call on Council finances. The EICC Board has not recommended the payment of a dividend for 31 December 2021.

## **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 Edinburgh International Conference Centre – Annual Update for the Year Ending 31 December 2020 - report to the Housing, Homelessness and Fair Work Committee, [4 November 2021](#).

## **9. Appendices**

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- 9.1 Appendix 1 – EICC Performance Review 2021.
- 9.2 Appendix 2 – EICC Statement of Accounts 2021.
- 9.3 Appendix 3 – Audit findings for the year ended 31 December 2021.

# **APPENDIX 1 - EICC PERFORMANCE REVIEW 2021**

## **INTRODUCTION**

The purpose of this paper is to update and inform the committee on the performance of the Edinburgh International Conference Centre during the year to 31 December 2021 and to highlight some of the achievements realised by the Company in the period under review.

## **CONTEXT**

As Committee Members are aware businesses, and indeed industries, across the UK, and much further afield, have been decimated as a result of the coronavirus pandemic.

Operators saw their turnover slashed and have struggled to reduce their operating costs. As a result, many businesses have made losses or worse during the period of the pandemic.

The Executive believe that the Company performed remarkably during 2021 despite many legal restrictions being in place throughout the course of the year. Indeed, it believes that throughout 2021 the Conference Centre has:

- maximised its revenue generating opportunities
- developed new concepts and revenue generating opportunities
- successfully delivered and operated one of Edinburgh's principal mass vaccination centres in partnership with NHS Lothian
- navigated the continued uncertainty and ever-changing restrictions
- further enhanced its technical and hybrid capabilities
- minimised the operating costs that it has incurred
- safeguarded and maintained the Conference Centre building, as appropriate
- improved the resilience of the business
- delivered an operating surplus, exceeding the approved budget plan

## **PERFORMANCE REVIEW**

This paper seeks to expand further on what the Board consider to be the significant achievements, referred to above.

### **Financial Outturn**

The Executive had forecast an operating deficit of £1,220,000 for the year to 31 December 2021. This was based on, amongst other things: the level of contracted



bookings that had been secured for the year including the NHS: the continued restrictions in place; the expectation that these restrictions could remain in place for large parts of the year; and the uncertainty with regards expenditure specifically the extension of the furlough scheme and extension of Non-Domestic rates relief.

The Executive believed that achieving this target would constitute a challenge but believed it would be achievable, restrictions permitting, given the business on the books and the success of previous years.

EICC's Executive are pleased to report that the Company produced an operating surplus of £1,040,000 for the year to 31 December 2021. This was achieved by creating and implementing many alternative operational strategies including but not limited to; The alternate use of the Conference Centre; the return to business events in the second half of the year; the enforcement of the contractual obligations of corporate companies booked into EICC for their event, the success of our virtual and hybrid events platform and the implementation of high value cost savings

The Executive believe that this should be viewed as a considerable achievement given the Conference Centre faced continued uncertainty throughout the course of the year in addition to ever changing restrictions being imposed on large events. The Executive believes that the outturn for the year and its record variance from budget compares very favourably when measured against many other business operations.

Committee members should note over the two financial years that span the pandemic the Company returned a combined operation surplus of £200,000.

It should also be noted that notwithstanding the support received from Government, in respect of the Coronavirus Job Retention Scheme, the Company operated throughout the period of the pandemic without making any team members redundant.

### **NHS Vaccination Centre**

Committee members will be aware of the huge success of the contract with NHS Lothian where the EICC was used as a mass covid-19 vaccination centre between January 14<sup>th</sup> and September 30<sup>th</sup>, 2021.

The license was for exclusive use of the Lennox side of the building. The Lennox suite was transformed into a vaccination centre on the 15<sup>th</sup> of January with vaccination booths erected and set up using a trusted EICC's supplier. The set up included 47 vaccination booths and 137 recovery areas with all other set up including queuing, registration, clinical waste, storage, a satellite pharmacy, staff facilities following thereafter. The first doses of the Oxford vaccine arrived on site in late January.

Throughout the entirety of the contract the vaccination centre operated 7 days a week with the EICC providing all front of house staffing including hosting, security, cleaning, engineering with all these additional services paid for by NHSL. We were able to bring back many of the team from furlough including our duty managers who were deployed as security supervisors following successful completion of SIA training courses. Our duty engineers also returned from furlough with some permanent members of staff from event planning and floor services utilised as hosts. Notwithstanding the fact that many of the team performed different roles, they were happy to play their part and return to work and be part of the team and the solution.

The first public vaccination took place on the 1st of February and in total more than 265,000 vaccinations were administered at the EICC. Notwithstanding the vaccination capacity at the EICC, Committee members will appreciate that the supply of the vaccine was the key factor in determining the number of vaccinations which took place in the EICC. The Executive were pleased to report that, almost without exception, the feedback from the public receiving vaccinations was extremely positive and this is testament to both NHS and EICC staff who made the process and experience as straightforward and as pleasant as it could be. The volume of positive comments on various social media platforms underlined this.

Throughout the contract, the EICC operational team including health and safety worked closely with The City of Edinburgh Councils Event Planning & Operation Group in addition to Police Scotland, Scottish Fire & Rescue Service, and the British Army to ensure all processes were in place and identifiable risks mitigated with appropriate measures put in place. The Executive were commended by all parties including our insurers, Aviva, for the mitigations, policies, and processes in place. The Executive were pleased that no major issues occurred throughout the period of the contract further demonstrating our ability to manage large volumes of people through the centre safely.

The Executives belief was that the contract was a huge success on many fronts specifically playing our part in the vaccine rollout and ensuring the building and business remained operational during a period in which many legal restrictions were in place for a business of our nature. The strong relationships built up throughout the contract ultimately led to the NHS contracting for a second time in December to use the Cromdale Hall for the booster vaccination program.

### **Maximising Revenues**

The Executive continued to be faced with an array of difficult conversations and negotiations with clients as they requested that their bookings be postponed or cancelled given restrictions were in place for the first half of the year. This situation was further complicated, in many cases, as space had been resold to NHS and consequently clients would have been within their right to cancel at no cost.

The Executive pursued a different strategy to that of 2020 given the change in circumstances and desire to retain as much business as possible in the current year through postponement of events. The Executive tried to maximise potential revenues in the current year, with the need to maintain customer loyalty and preserve customer relationships whilst persuading clients not to formally cancel their event.

This strategy proved successful in the year end outcome as the Sales Team were able to postpone many events from the first half of 2021 to the second half of 2021 despite client's ability to cancel due to the NHS contract.

The Executive believe this to be a tremendous achievement which was delivered through a combination of: an experienced sales team with good negotiating skills; the assertion to clients that EICC wants to act in their best interests and deliver their events safely and successfully; and the strong customer relationship bonds that the team has with many of its clients.

## **Festival**

Committee members will recall that there was uncertainty, until as late as July, as to whether or not the festival would go ahead last year, and to what extent, as the continued restrictions made it extremely difficult for organisers, venues and performers to commit from a practical and commercial perspective. The Executive was of the firm belief that it was important for the city to have a festival and for the EICC to be a part of that. We saw this as a great opportunity to getting back to doing what we do best, hosting large events and conferences. Notwithstanding the company's enthusiasm and willingness to play it's part, the goals and objectives were somewhat different however;

- To operate a covid safe venue which puts the safety of our team, the performers and the public as our top priority
- To deliver the most diverse program at the EICC since becoming venue 150
- To further establish the EICC as one of the Edinburgh Festival Fringe's main venues
- Promote and demonstrate to the city and beyond that EICC is back and open for business in a traditional events capacity
- To integrate and induct the remaining furloughed members of the team back into the business
- To produce a gross profit for the festival to help mitigate losses for the company in August
- To sell in excess of 20,000 tickets on a social distanced and therefore reduced capacity basis
- Further enhance our partnership with The Pleasance Theatre Trust
- Implement a new cashless, covid safe bar service via introduction of QR code app with aim of increasing spend per head by 10%

The Executive believe that overall, the performances and shows held at Venue 150 in 2021, were a huge success with all objectives, set out in advance of the festival and detailed above, achieved.

## **Minimising Operating Costs**

It should be noted the Executive continued to take all reasonable steps to control and monitor operational costs during the financial year given the continued uncertainty regarding business events and consequently revenue.

Thus, Committee Members should be aware that:

- EICC continued to utilise the furlough and flexi furlough scheme in addition to relocating many employees to different roles within the operation of the vaccination centre

- Sales & Marketing expenditure was significantly reduced with vastly reduced activities and travel
- the company was granted an extension of Non-Domestic rates relief for 2021/22 which generated significant in year savings
- EICC's cleaning staff were fully utilised by the NHS within the vaccination contract
- EICC's security staff were fully utilised by the NHS within vaccination contract
- the building's air conditioning and boiler systems were only used on a limited basis giving rise to significant cost savings in gas and electricity
- contract holidays were extended with maintenance contract providers where appropriate

The Executive, more so than ever, placed great focus on containing all 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; negotiating with key partners and suppliers; and deferring expenditure where appropriate, outgoings for the year were well below budget.

The Executive believe that these savings, which amounted to £1.7m in comparison to budget, were crucial to it producing an operating surplus and improving the company's cash position. It believes that without the decisive action that was taken in this regard the savings realised for the year would have been significantly lower than what was achieved.

### **Improved Business Resilience**

The information contained within this paper details that COVID-19 continued to have an impact on the Company and its business throughout 2021.

However, the Executive believe that it has managed the situation and the Company has performed extremely well in 2021 resulting in the business returning an operating surplus in excess of £1m.

The Sales Team performed admirably under very difficult circumstances and have developed, improved and strengthened relationships with many clients, which in turn offers EICC increased levels of security due to the heightened loyalty of clients for future years.

The Company maintained its marketing activities throughout the shutdown and enquiry levels for future years have picked up markedly with enquiry levels now returning to pre pandemic levels which is extremely encouraging.

The Technical Team demonstrated its prowess and delivered the companies first hybrid events in 2021. British Society for Lifestyle Medicine was a first and saw 400 delegates attend the conference centre with 200 delegates attended online. The online delegates were able to attend all sessions and had the ability to participate in live polling, Q&A network with other delegates.

The Executive sought to make expenditure reductions across a wide area of the business's operations. It believes that these savings, which amounted to £1.7m in comparison to budget, were crucial to the yearend surplus reported.

The Executive acted to safeguard the Conference Centre building, its contents and all of the people who enter it, which entailed the introduction of new measures and protocols.

The Executive believe that all of the above have contributed, in their own way, to ensuring the significant achievements that have been attained during the last year. All of the different parts of the business have contributed to this success and the Executive believes that the EICC Team has grown stronger as a result of this.

Indeed, the Executive believes that much of what has been achieved would not have been possible without the hard work, commitment and enthusiasm of the team members who have worked through this period.

## **HOTEL DEVELOPMENT**

Considerable achievements and progress was also made with regard to the Hotel and Hotel School project in the course of 2021. The business case for the project was approved by Full Council in October 2021 for the second time.

After many years of discussion and negotiation, the following agreements were concluded and signed by EICC Limited, CEC, Hyatt International, QMile Developments and the Prudential Assurance Company Limited on 27 April 2022.

- Franchise Agreement, Technical Services Agreement, System Services Agreement, Franchise Disclosure Document and Deed of Guarantee – signed by Hyatt and EICC
- Head Lessors Agreement – signed by Hyatt, CEC and EICC
- Head Lease and Agreement for Head Lease – signed by PACL and CEC
- Sub Lease and Agreement for Sub Lease – signed by CEC and EICC

The hotel development commenced construction in August 2022 and following a 3-year build period it will formally open in July 2025.

## **RECOMMENDATION**

The Committee is asked to note the report.

**MARSHALL DALLAS**  
Chief Executive

**APPENDIX 2 - EICC STATEMENT OF ACCOUNTS 2021**

**EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2021**

**COMPANY NUMBER SC131773**

## **GENERAL INFORMATION**

### **Company number**

SC131773

### **Present Company Directors**

L.M. Cameron  
M.C. Dallas  
G.A. Gordon  
I. Whyte  
S.R. Bone

### **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**

Azets 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 11.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

## Key performance indicators

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

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

## Risks and uncertainties

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

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

## Future developments

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

Director  
31 May 2022

## **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 2021.

### **Directors**

The Directors who served during the period were as follows:

L.M. Cameron	
M.C. Dallas	
L.M. Florence	resigned 29 March 2021
G.A. Gordon (Chair)	
J.Mc.H. McFarlane	resigned 16 February 2022
S. Smith	resigned 6 April 2021
S.R. Bone	
I. Whyte	appointed 24 May 2021

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 UK adopted international accounting standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 UK 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 Azets 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  
31 May 2022

## **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 2021 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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

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

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

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

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

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

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

Date:

**STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2021

	Notes	£	2021 £	2020 £
Revenue	3		6,616,384	3,187,628
Cost of sales			<u>(5,572,753)</u>	<u>(4,204,792)</u>
<b>Gross profit</b>			1,043,631	(1,017,164)
Other income	4	-		
Development expenses		(114,500)		(17,710)
Administration expenses		<u>(405,522)</u>		<u>(351,936)</u>
			<u>(520,022)</u>	<u>(369,646)</u>
<b>Operating profit/(loss) from continuing operations</b>	6		523,609	(1,386,810)
Finance revenue	8		0	15,943
Finance costs	9		<u>(559,400)</u>	<u>(351,131)</u>
<b>Profit/(loss) from continuing operations before tax</b>			(35,791)	(1,721,998)
Tax charge	10		<u>(0)</u>	<u>(0)</u>
<b>Total comprehensive profit/(loss) for the year</b>			<u>(35,791)</u>	<u>(1,721,998)</u>

The accompanying notes form part of the financial statements



**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2021**

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2019	63	62,283,069	(52,850,428)	9,432,704
Total comprehensive profit for period	-	-	(1,721,998)	(1,721,998)
Increase in loan stock	-	<u>30,668</u>	-	<u>30,668</u>
At 31 December 2020	63	<u>62,313,737</u>	<u>(54,572,426)</u>	<u>7,741,374</u>
Total comprehensive profit for period	-	-	(35,791)	(35,791)
Increase in loan stock	-	<u>106,352</u>	-	<u>106,352</u>
At 31 December 2021	<u>63</u>	<u>62,420,089</u>	<u>(54,608,217)</u>	<u>7,811,935</u>

The accompanying notes form part of the financial statements

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2021**

	Notes	£	2021 £	2020 £
<b>Non-current assets</b>				
Property, plant and equipment	11		5,416,619	5,864,799
Right of use assets	12		<u>830,140</u>	<u>951,474</u>
			6,246,759	6,816,273
<b>Current assets</b>				
Trade and other receivables	13	1,674,459		1,093,892
Cash and cash equivalents	14	<u>7,651,142</u>		<u>6,738,493</u>
			<u>9,325,601</u>	<u>7,832,385</u>
<b>Total assets</b>			<u>15,572,360</u>	<u>14,648,658</u>
<b>Current liabilities</b>				
Trade and other payables	15	2,292,628		1,728,165
Financial liabilities	16	873,970		104,248
Capital grants	17	85,322		91,470
Deferred revenue	17	<u>1,655,910</u>		<u>1,606,225</u>
			4,907,830	3,530,108
<b>Non-current liabilities</b>				
Financial liabilities	16	1,189,595		1,564,217
Capital grants	17	1,128,061		1,213,383
Deferred revenue	17	<u>534,939</u>		<u>599,576</u>
			2,852,595	3,377,176
<b>Capital &amp; reserves</b>				
Issued share capital	18	63		63
Other reserves	19	62,420,089		62,313,737
Accumulated losses		<u>(54,608,217)</u>		<u>(54,572,426)</u>
			<u>7,811,935</u>	<u>7,741,374</u>
<b>Total equity &amp; liabilities</b>			<u>15,572,360</u>	<u>14,648,658</u>

The financial statements were authorised for issue by the Board of Directors on 31 May 2022 and were signed on its behalf, on that date, by:

Councillor Iain Whyte  
 Director:

Councillor Lezley Marion Cameron  
 Director:

The accompanying notes form part of the financial statements

Company Number SC131773

**CASHFLOW STATEMENT**  
**For the year ended 31 December 2021**

	£	2021 £	2020 £
<b>Operating activities</b>			
Profit/(loss) before tax	(35,791)		(1,721,998)
Finance revenue	0		(15,943)
Finance costs	<u>559,400</u>		<u>351,131</u>
<b>Operating profit/(loss) for the year</b>	523,609		(1,386,810)
Net finance revenues	0		15,943
Depreciation on property, plant and equipment	554,532		758,773
Depreciation on right-of-use assets	122,965		119,432
Capital grants released	(91,470)		(216,023)
Decrease/(increase) in trade and other receivables	(580,567)		2,406,461
(Decrease)/increase in trade and other payables	564,463		(70,424)
Increase/(decrease) in deferred income	<u>(14,952)</u>		<u>(383,121)</u>
<b>Cash generated from operations</b>	1,078,580		1,244,231
Tax on continuing operations	<u>(0)</u>		<u>(0)</u>
<b>Cash flow from operating activities</b>		1,078,580	1,244,231
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	-		-
Payments to acquire property, plant and equipment	<u>(106,352)</u>		<u>(30,668)</u>
<b>Cash flow from investing activities</b>		(106,352)	(30,668)
<b>Financing activities</b>			
Receipt of loan stock	106,352		30,668
Repayment of lease liability	<u>(165,931)</u>		<u>(161,621)</u>
<b>Cash flow from financing activities</b>		<u>(59,579)</u>	<u>(130,953)</u>
<b>Net increase in cash and cash equivalents</b>		912,649	1,082,610
Cash and cash equivalents at 1 January 2021		<u>6,738,493</u>	<u>5,655,883</u>
<b>Cash and cash equivalents at 31 December 2021</b>		<u>7,651,142</u>	<u>6,738,493</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 2021 were approved by the Board of Directors on 31 May 2022 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 UK adopted international accounting standards as they apply to the financial statements of the Company for the year ended 31 December 2021 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 2021. The Company has used the "cost of sales" method of presenting income and expenditure and the Company's financial statements are presented in Sterling.

#### Adoption of new and revised standards

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

- IBOR Reform and its Effects on Financial Reporting – Phase 2
- IFRS 16; Leases, Amendment – Covid-19 Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)

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

#### Guidance in issue but not in force

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

#### Effective for periods beginning on or after

Annual Improvements to IFRS: 2018 – 2020 Cycle  
IFRS 3; Business Combinations (Amendment – Conceptual Framework)  
IAS 37; Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)  
IAS 16; Property, Plant and Equipment (Amendment – Proceeds before Intended Use)  
IFRS 17; Insurance Contracts (including amendments issued on 25 June 2020)  
IAS 1; Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current, including deferral or effective date)  
IAS 1; Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies) (issued on 12 February 2021)  
IAS 8; Accounting Policies (Amendment – Changes in Accounting Estimates and Errors; Definition of Accounting Estimates) (issued on 12 February 2021)  
IAS 12; Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a single transaction) (issued on 7 May 2021)

#### Effective for periods beginning on or after

1 January 2022  
1 January 2022  
1 January 2022  
1 January 2022  
1 January 2023  
1 January 2023  
1 January 2023  
1 January 2023  
1 January 2023

The Directors have reviewed the requirements of the new standards and interpretations listed above and they are either not applicable or not expected to have a material impact on the 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. Notwithstanding the impacts COVID-19 has had on the business, 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, the recoverability of items contained within trade and other receivables and the discount interest rates to fair value loan stock and right-of-use assets.

### **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 2021 and any new contracts entered into on or after 1 January 2021, 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 term for each category of assets are: Office accommodation - 10 years; Office Equipment and Furniture – 5 years; Motor Vehicles – 3 years.

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.

## **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.

## **Government grants**

Grants from government bodies and similar organisations are recognised where there is reasonable assurance that the grant will be received, and the company will comply with all attached conditions. Government support in the form of the Job Retention Scheme (JRS) was received and in line with accounting standards have chosen the accounting policy to offset the income against the wages costs to which they relate.

### 3. Revenue

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

	2021 £	2020 £
Revenue recognised from contracts with customers	6,413,014	3,159,956
Rendering of other services	<u>203,370</u>	<u>27,672</u>
	<u>6,616,384</u>	<u>3,187,628</u>

### 4. Other Income

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

	2021 £	2020 £
Reimbursement of development expenditure	=	=

### 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. In the opinion of the directors it would be prejudicial to the interest of the company to provide an analysis of turnover by customer.

### 6. Operating profit

This is stated after charging/(crediting):

	2021 £	2020 £
Depreciation of fixed assets	677,497	878,205
Auditor's remuneration - audit services	10,075	9,785
Auditor's remuneration – taxation services	1,835	1,780
Other income	-	-
Capital grants released	<u>(91,469)</u>	<u>(216,023)</u>

### 7. Staff costs and directors' emoluments

#### (a) Staff costs

	2021 £	2020 £
Salaries	1,804,106	1,874,219
Social security costs	178,588	186,455
Pension costs	145,211	135,486
Job Retention Scheme	<u>(273,473)</u>	<u>(516,838)</u>
	<u>1,854,432</u>	<u>1,679,322</u>



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

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

	2021	2020
Sales and Marketing	12	15
Operations	29	31
Administration	7	8

### (b) Directors' emoluments

	2021 £	2020 £
Directors' remuneration	272,410	300,291
Directors' pension	<u>29,964</u>	<u>21,957</u>
	<u>302,374</u>	<u>322,248</u>

The remuneration of the highest paid director included:

	2021 £	2020 £
Directors' remuneration	157,326	161,380
Directors' pension	<u>17,464</u>	<u>5,693</u>
	<u>174,790</u>	<u>167,073</u>

## 8. Finance revenue

	2021 £	2020 £
Interest receivable on bank deposits	<u>0</u>	<u>15,943</u>

## 9. Finance costs

	2021 £	2020 £
Effective interest on loan stock	(499,118)	(285,216)
Effective interest on right-of-use-assets	<u>(60,282)</u>	<u>(65,915)</u>
	<u>(559,400)</u>	<u>(351,131)</u>

**10. Tax charge**

	2021	2020
	£	£
UK Corporation Tax	<u>0</u>	<u>0</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 19.00% (2020: 19.00%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2021	2020
	£	£
Profit from continuing operations before tax	<u>(35,791)</u>	<u>(1,721,998)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(6,800)	(327,180)
Expenses not deductible for tax purposes	1,934	2,374
Fixed asset differences	56,949	63,217
Adjust deferred tax to average rate	5,596	(1,751)
Remeasurement of deferred tax for changes in tax rates	(558,743)	(164,598)
Deferred tax not recognised	<u>501,064</u>	<u>427,938</u>
Tax charge for the period	<u>0</u>	<u>0</u>

As at 31 December 2021 there was an unrecognised deferred tax asset amounting to £2,328,096 (2020: £1,827,032) of which £357,498 (2020: £364,069) was in respect of accelerated capital allowances and other timing differences and £1,970,598 (2020: £1,462,963) 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 2021	6,669,993	35,602,734	6,546,056	48,818,783
Additions	-	-	106,352	106,352
Disposals	-	-	-	-
At 31 December 2021	<u>6,669,993</u>	<u>35,602,734</u>	<u>6,652,408</u>	<u>48,925,135</u>
<b>Depreciation</b>				
At 1 January 2021	6,669,993	30,616,461	5,667,530	42,953,984
Charge for the period	-	188,015	366,517	554,532
Released on disposal	-	-	-	-
At 31 December 2021	<u>6,669,993</u>	<u>30,804,476</u>	<u>6,034,047</u>	<u>43,508,516</u>
<b>Net book value</b>				
At 31 December 2020	-	<u>4,986,273</u>	<u>878,526</u>	<u>5,864,799</u>
At 31 December 2021	-	<u>4,798,258</u>	<u>618,361</u>	<u>5,416,619</u>
<b>Cost or valuation</b>				
At 1 January 2020	6,669,993	35,602,734	6,515,388	48,788,115
Additions	-	-	30,668	30,668
Disposals	-	-	-	-
At 31 December 2020	<u>6,669,993</u>	<u>35,602,734</u>	<u>6,546,056</u>	<u>48,818,783</u>
<b>Depreciation</b>				
At 1 January 2020	6,595,205	30,380,216	5,219,790	42,195,211
Charge for the period	74,788	236,245	447,740	758,773
Released on disposal	-	-	-	-
At 31 December 2020	<u>6,669,993</u>	<u>30,616,461</u>	<u>5,667,530</u>	<u>42,953,984</u>
<b>Net book value</b>				
At 31 December 2019	<u>74,788</u>	<u>5,222,518</u>	<u>1,295,598</u>	<u>6,592,904</u>
At 31 December 2020	-	<u>4,986,273</u>	<u>878,526</u>	<u>5,864,799</u>

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 £
<b>Cost or valuation</b>				
At 1 January 2021	1,143,059	35,323	8,424	1,186,806
Additions	-	-	1,631	1,631
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2021	<u>1,143,059</u>	<u>35,323</u>	<u>10,055</u>	<u>1,188,437</u>
<b>Depreciation</b>				
At 1 January 2021	225,278	3,532	6,522	235,332
Charge for the period	112,639	7,065	3,261	122,965
Released on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2021	<u>337,917</u>	<u>10,597</u>	<u>9,783</u>	<u>358,297</u>
<b>Net book value</b>				
At 31 December 2020	<u>917,781</u>	<u>31,791</u>	<u>1,902</u>	<u>951,474</u>
At 31 December 2021	<u>805,142</u>	<u>24,726</u>	<u>272</u>	<u>830,140</u>

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

	2021	2020
	£	£
Trade receivables	1,247,980	773,631
Amount owed by the City of Edinburgh Council	106,354	30,670
Other receivables	169,378	6,001
Prepayments	<u>150,747</u>	<u>283,590</u>
	<u>1,674,459</u>	<u>1,093,892</u>

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2021 no trade receivables were determined to be impaired (31 December 2020: 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 £	30-60 days £	> 90 days £
At 31 December 2020	773,631	712,111	33,660	21,725	6,135
At 31 December 2021	1,247,980	1,187,463	19,933	27,994	12,591

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

	2021 £	2020 £
Cash at bank and in hand	<u>7,651,142</u>	<u>6,738,493</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £7,651,142 (31 December 2020: £6,738,493).

### 15. Trade and other payables

	2021 £	2020 £
Trade payables	995,424	466,628
Value Added Tax	248,599	252,381
Other taxes and social security costs	65,549	56,828
Other payables	513,335	487,734
Accruals	<u>469,721</u>	<u>464,594</u>
	<u>2,292,628</u>	<u>1,728,165</u>

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

	2021 £	2020 £
Fair value - Right-of-use-assets	898,867	1,002,885
Fair value - Loan stock	<u>1,164,698</u>	<u>665,580</u>
	<u>2,063,565</u>	<u>1,668,465</u>

## 16. Financial liabilities (cont.)

	2021 £	2020 £
This is made up as:		
Current obligations	873,970	104,248
Non-current obligations	<u>1,189,595</u>	<u>1,564,217</u>
	<u>2,063,565</u>	<u>1,668,465</u>
Non-current obligations are made up as:		
	2021 £	2020 £
Due within one year	114,893	108,390
Due within two to five years	908,564	1,154,421
Due after five years	<u>166,138</u>	<u>301,406</u>
	<u>1,189,595</u>	<u>1,564,217</u>
Financial liabilities are made up of:		
Right-of use-assets		
	2021 £	2020 £
Current obligations	108,619	104,248
Non-current obligations	<u>790,248</u>	<u>898,637</u>
	<u>898,867</u>	<u>1,002,885</u>
Non-current obligations are made up as:		
	2021 £	2020 £
Due within one year	114,893	108,390
Due within two to five years	510,143	489,408
Due after five years	<u>165,212</u>	<u>300,839</u>
	<u>790,248</u>	<u>898,637</u>

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	2021 £	2020 £
Current obligations	765,351	-
Non-current obligations	<u>399,347</u>	<u>665,580</u>
	<u>1,164,698</u>	<u>665,580</u>
Non-current obligations are made up as:		
	2021 £	2020 £
Due within one year	-	-
Due within two to five years	398,421	665,013
Due after five years	<u>926</u>	<u>567</u>
	<u>399,347</u>	<u>665,580</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 £62,420,088 (31 December 2020: £62,313,737) 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 2021 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	67	66
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	58	56
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	765,351	765,350
Non-Convertible Unsecured Loan Stock 2023	75	868,000	283,429	283,428
Non-Convertible Unsecured Loan Stock 2024	70	546,000	101,878	101,877
Non-Convertible Unsecured Loan Stock 2025	75	123,000	13,115	13,114
Non-Convertible Unsecured Loan Stock 2034	75	154,299	107	107
Non-Convertible Unsecured Loan Stock 2035	75	799,000	316	316
Non-Convertible Unsecured Loan Stock 2036	75	709,141	160	160
Non-Convertible Unsecured Loan Stock 2037	75	461,069	60	59
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	94	93
Non-Convertible Unsecured Loan Stock 2039	75	841,099	35	35

## 16. Financial liabilities (cont.)

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2021 £	Aggregate Interest £
Non-Convertible Unsecured Loan Stock 2040	75	718,922	17	17
Non-Convertible Unsecured Loan Stock 2041	75	123,525	2	2
Non-Convertible Unsecured Loan Stock 2042	75	482,438	4	3
Non-Convertible Unsecured Loan Stock 2043	75	595,438	3	2
Non-Convertible Unsecured Loan Stock 2044	75	716,826	2	0
Non-Convertible Unsecured Loan Stock 2045	75	30,668	0	0
Non-Convertible Unsecured Loan Stock 2046	75	<u>106,352</u>	<u>0</u>	<u>0</u>
		<u>62,420,089</u>	<u>1,164,698</u>	<u>1,164,685</u>

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

	2021 £	2020 £
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	<u>17,122,480</u>	<u>17,016,128</u>
	<u>62,420,088</u>	<u>62,313,737</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>12,447,164</u>	<u>12,340,812</u>
	<u>17,122,480</u>	<u>17,016,128</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 £8,735,981 of non-convertible unsecured loan stock 2117 (31 December 2020: £8,629,629) 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 2020: £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

	2021 £	2020 £
Deferred revenue	2,190,849	2,205,801
Capital grants	<u>1,213,383</u>	<u>1,304,853</u>
	<u>3,404,232</u>	<u>3,510,654</u>



## 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.

	2021 £	2020 £
At 1 January	2,205,801	2,588,922
Deferred during the year	1,591,273	1,810,110
Released to the income statement	<u>(1,606,225)</u>	<u>(2,193,231)</u>
At 31 December	<u>2,190,849</u>	<u>2,205,801</u>
Deferred revenue is analysed as follows:		
	2021 £	2020 £
Current obligations	1,655,910	1,606,225
Non-current obligations	<u>534,939</u>	<u>599,576</u>
	<u>2,190,849</u>	<u>2,205,801</u>

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

	2021 £	2020 £
At 1 January	1,304,853	1,520,876
Receivable during the year	-	-
Released to the income statement	<u>(91,469)</u>	<u>(216,023)</u>
At 31 December	<u>1,213,383</u>	<u>1,304,853</u>
Capital grants are analysed as follows:		
	2021 £	2020 £
Current obligations	85,322	91,470
Non-current obligations	<u>1,128,061</u>	<u>1,213,383</u>
	<u>1,213,383</u>	<u>1,304,853</u>

## 18. Share capital

	2021 No.	2020 No.	2021 £	2020 £
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 2021	£ 62,313,737
Net movement on recognition of loans	<u>106,352</u>
At 31 December 2021	<u>62,420,088</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 £146,711 (31 December 2020: £135,486).

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

## 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	
2021	30,668
2020	1,794,704
CEC Holdings Limited	
2021	-
2020	-

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		
2021	106,352	8,735,981
2020	30,668	8,629,629
CEC Holdings Limited		
2021	-	53,684,108
2020	-	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:

	2021 £	2020 £
Financial assets measured at amortised cost:		
Loans and receivables:		
Trade and other receivables	1,523,712	810,302
Cash and cash equivalents	<u>7,651,142</u>	<u>6,738,494</u>
	<u>9,174,854</u>	<u>7,548,796</u>
	2021 £	2020 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	1,978,480	1,418,956
Loan stock	1,164,698	665,580
Right of use assets	<u>898,867</u>	<u>1,002,885</u>
	<u>4,042,045</u>	<u>3,087,421</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.

#### 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**

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

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



Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

T: +44 (0) 131 473 3500  
F: +44 (0)131 473 3535  
azets.co.uk

## Private & Confidential

The Board of Directors  
Edinburgh International Conference Centre Limited  
The Exchange  
Edinburgh  
EH3 8EE

24 May 2022

Our ref: NB/SWI/EICCLT01

Dear Sirs

## Edinburgh International Conference Centre Limited Audit findings for the year ended 31 December 2021

This Audit Findings letter highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

This letter has been provided on the basis that it is for the information of the Board and management of Edinburgh International Conference Centre Limited only and that it will not be distributed to others, quoted or referred to, in whole or in part, without our prior written consent.

### 1 Audit status and audit opinion

We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.

Our audit work is substantially complete, subject to the outstanding matters detailed below:

- Receipt of signed management letter of representation
- Receipt of signed financial statements

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We do not propose any modifications to our audit opinion which is unqualified. Other than as described in the emphasis of matter paragraph of 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 provided 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 June 2023. We are therefore satisfied with the disclosures in the financial statements.

## 2 Significant findings

### Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Results and conclusions
<p><b>Fraud in revenue recognition</b> Under ISA (UK) 240 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.</p>	<ul style="list-style-type: none"> <li>• We have reviewed the systems and controls underpinning debtors and sales, performed sample tests over sales completeness, and carried out analytical review procedures.</li> <li>• Sales-cut off testing was also completed by sample testing invoices directly before and after the year end to ensure they were accounted for in the correct period.</li> <li>• We are satisfied over the completeness of revenue and no issues arose as a result of our work that we consider should be brought to your attention.</li> </ul>
<p><b>Management override of controls</b> Under ISA (UK) 240 there is a presumed risk that management and directors have the ability to process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> <li>• We have tested journal entries both throughout the year, and around the year end to ensure journals are in line with our expectations and standard accounting adjustments. We have also reviewed nominal analysis and performed analytical review to ensure there are no unusual abnormalities throughout the financial statements.</li> <li>• Our testing performed did not identify instances of management override in the financial records in the period. No issues arose to be drawn to the attention of management.</li> </ul>
<p><b>Going concern including consideration of the impact of the Covid-19 pandemic</b> The directors must undertake a formal assessment of the Company's ability to continue as a going concern for at least the 12 months following the signing of the financial statements at both the planning stage of the audit and at the date the financial statements are signed.</p>	<ul style="list-style-type: none"> <li>• In respect of going concern, we reviewed your assessment, budgets covering the 12-month period from the date of signing the financial statements, post year end management accounts, and the cash position at sign-off.</li> <li>• In respect of post balance sheet events, we reviewed post year end board minutes and management accounts.</li> <li>• We also held detailed discussions with the finance team in respect of going concern and PBSE.</li> </ul>

<p>This assessment should fully consider the potential impact of the COVID-19 pandemic on the going concern status of the Company as well as identify any post balance sheet events that may require adjustment to or disclosure in the financial statements.</p>	<ul style="list-style-type: none"> <li>• We concur with management’s assessment that it is appropriate to continue to adopt the going concern basis and appropriate disclosure relating to the material uncertainties are included in note 2 to the financial statements and the Report of the Directors and Strategic report. Our audit report refers to the material uncertainty although our opinion is not modified in respect of this matter.</li> </ul>
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There were no changes to our audit plan previously communicated to you.

### **3 Going concern**

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

We have reviewed the current and future financial position of the company and liquidity position from the information provided by management, specifically in respect of the Covid-19 pandemic and the potential disruption to the business due to any future period of lockdown. In conjunction with the letter of support provided by City of Edinburgh Council, we are satisfied that the financial statements are prepared on a going concern basis.

### **4 Accounting policies, presentation and disclosures**

The accounting policies used in preparing the financial statements are unchanged from the prior year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the entity.

Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

### **5 Other communication requirements**

#### **Fraud or suspected fraud**

We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.

Our work as auditor is not intended to identify any instances of fraud of a non- material nature and should not be relied upon for this purpose. In the event that the members wish to obtain enhanced assurance with regard to the effectiveness of internal control in preventing and detecting fraud we should be happy to provide additional services.

#### **Non-compliance with laws and regulations**

As part of our standard audit testing, we have reviewed the laws and regulations impacting the business. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations stopping the business from continuing as a going concern or that would necessitate a provision or contingent liability.



There are also many other laws and regulations relating to health and safety as well as human resources generally and industry specific requirements. We are not aware of any significant incidences of non-compliance.

### **Related parties**

We are not aware of any related party transactions which have not been disclosed.

### **6 Misstatements**

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit. We have not identified any misstatements during the course of the audit.

### **7 Internal controls**

The purpose of an audit is to express an opinion on the financial statements. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

The scope of our work is not designed to be an extensive review of all internal controls. Areas identified are reported in Appendix II below. The item in Appendix II has been carried over from the previous year.

### **8 Independence**

In accordance with our profession's ethical guidance and further to our planning letter to you dated 25 February 2022, confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standards. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

A summary of our services provided and related fees is attached at Appendix I.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during the audit.

If we can be of any further assistance, please contact Nick Bennett.

Yours faithfully

A handwritten signature in black ink that reads "Nick Bennett". The signature is written in a cursive style with a small dot at the end of the name.

Nick Bennett  
Senior Statutory Auditor  
**Nick.Bennett@azets.co.uk**

**Appendix I**  
**Provision of audit and non-audit services**

Details of services provided	Current year £	Prior year £
Audit of company	10,075	9,785
<b>Total audit services</b>	<b>10,075</b>	<b>9,785</b>
Corporation tax compliance services	1,835	1,780
<b>Total non-audit services</b>	<b>1,835</b>	<b>1,780</b>
<b>Total fees for services provided</b>	<b>11,910</b>	<b>11,565</b>

## Appendix II

### Internal controls

Control points arising from our current year work and our recommendations are summarised below. The recommendations are categorised into three risk ratings as shown in the key.

Key: **Significant deficiency** in internal control, **Other deficiency** in internal control, **Other observations** from the audit

Area	Observation	Implication	Recommendation	Management response
<b>Governance arrangements</b>	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.	<p>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.</p> <p>We noted that EICC will look to make potential changes once the Company's corporate structure has been revised.</p>	We recommend EICC reviews the current governance structure and considers whether supporting committees (e.g. audit committee) would offer benefits to the Board.	The Company has recently incorporated a new fully owned subsidiary, EICC Hotels Ltd, which will operate a new hotel and hotel school in Haymarket. As a result this will lead to significant changes in the Company's corporate and governance structure. The board will increase in size, as agreed with the City of Edinburgh Council, with the necessary supporting committees put in place. The Company and Shareholder believes the changes proposed are appropriate for the size of business and will provide strong governance with the necessary scrutiny and challenge.