Finance and Resources Committee

10.00am, Tuesday, 21 November 2023

Edinburgh International Conference Centre – annual update for the year ending 31 December 2022

Executive/routine	**Executive**
Wards	**11 – City Centre**

1. Recommendations

1.1 It is recommended that Finance and Resources Committee:

1.1.1 Notes the annual performance update for 2022 provided by Edinburgh International Conference Centre Limited (EICC), as detailed in Appendix 1;

1.1.2 Notes the EICC Statement of Accounts for 2022 as reported to C.E.C. Holdings Limited (CECH) and the audit findings as detailed in Appendices 2 and 4 respectively;

1.1.3 Notes the Edinburgh International Conference Centre Hotels Limited (EICC Hotels) Statement of Accounts for 2022 as detailed in Appendix 3; and

1.1.4 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 | Tel: 0131 529 6233

EDINBVRGH THE CITY OF EDINBURGH COUNCIL

Report

Edinburgh International Conference Centre – annual update for the year ending 31 December 2022

2. Executive Summary

2.1 This report provides an update on the performance of Edinburgh International Conference Centre Limited (EICC) in the year ending 31 December 2022. The performance reflects the recovery made from the significant difficulties that COVID-19 created for the events and conferencing industry.

2.2 Overall, EICC made a trading surplus (earnings before interest, taxes, depreciation, and amortisation) of £703,354 before adjustments for depreciation, release of capital grants, and charges for effective interest on loan stock. After these adjustments, EICC reported a loss of £588,184 in its statutory accounts. EICC's accounts for the year ending 31 December 2022 have been signed-off by its auditor, Azets.

2.3 EICC's subsidiary EICC Hotels reported a loss of £138,540 in its statutory accounts. EICC Hotels' accounts for the year ending 31 December 2022 have been signed-off by its auditor.

2.4 It is recommended that this report be referred to Governance Risk and Best Value Committee for information.

3. Background

3.1 On 13 December 2012, the Council approved arrangements for the governance of arms-length companies. Responsibility for overseeing the performance of EICC currently lies with the Finance and Resource 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 [Conference] 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 marketplace 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 Conference Centre opened in 1995 as a joint undertaking between Edinburgh District Council and Lothian and Edinburgh Enterprise. It is now owned by the Council. An 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 £62.7m is due to the Council/CEC Holdings Limited (CECH), representing the investment made in the company since its inception (for example the cost of constructing the Conference Centre). There is a schedule including repayments dates within the statutory accounts.

3.5 Since 2014, EICC has been charged by the Council with being financially self-sufficient. Since this period there has been no call on Council finances.

3.6 In October 2021, the Council was presented with a business case proposing that the Council enter into a 25-year lease on a 349-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 (Hyatt), 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. Having initially agreed the business case in March 2020, 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.

3.7 In November 2021, the Council and EICC signed a memorandum of understanding in respect of EICC's temporary operation of the Edinburgh Convention Bureau for an initial 18-month period. This was subsequently extended to 31 December 2023.

Governance of Arms Length External Organisations (ALEOs)

3.8 An update on the reporting on the Council's Arm's Length External Organisations (ALEOs) was approved by Policy and Sustainability Committee on 25 February 2020. This report confirmed that the responsibilities of Executive Committees and Governance, Risk and Best Value Committee were as follows:

3.8.1 Executive Committees – should scrutinise the future direction of the ALEO, performance of service delivery, progress against any agreements such as Service Level Agreements, and any emerging issues; and

3.8.2 Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.

3.9 Therefore, it is recommended that this report be referred to Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting EICC.

4. Main report

Overall position

4.1 Appendix 1 sets out a review of EICC's performance in the year ending 31 December 2022. The contents of the paper reflect a positive outcome to the year in respect of its financial performance, the progress made in relation to the hotel project, and the temporary operation of the Edinburgh Convention Bureau.

4.2 During the year, EICC achieved a financial outturn that was significantly better than both the business plan and EICC's own forecasts, with a return to pre-pandemic revenues. This was despite an uncertain start to the year driven by the COVID-19 Omicron variant.

4.3 During the year, the 71,716 delegates (237,022 delegate days/in the region of 150,000 hotel bedroom nights) who attended events at the Conference Centre generated an economic impact of £51.9m for Edinburgh.

4.4 Appendix 2 sets out the financial position of EICC for the year ending 31 December 2022. The headline figure is a trading surplus of £703,354 before accounting entries for effective interest on loan stock, depreciation and capital grants as highlighted in Appendix 1. After these book entries, EICC reported a statutory loss of £588,184 for the year. This compares to a statutory loss of £35,971 in 2021, with the difference driven largely by a significant increase in effective interest on loan stock charge (which increased from £499,118 in 2021 to £873,447 in 2022).

4.5 EICC is currently forecasting an operating surplus for the year ending 31 December 2023. It has a strong order book in order to deliver growth in 2024. EICC is not recommending the payment of a dividend, nor is it seeking financial assistance from the Council.

4.6 It should be noted that the financial results for 2022 include contributions made by EICC towards the temporary operation of the Edinburgh Convention Bureau.

4.7 Appendix 3 sets out the financial position of the newly incorporated subsidiary company EICC Hotels, also for the year ending 31 December 2022. EICC Hotels reported a loss of £138,540 in its statutory accounts, reflecting the pre-revenue status of the company.

4.8 Appendix 4 sets out the audit findings for the year ending 31 December 2022 for both EICC and EICC Hotels. The auditor, Azets, did not identify any risks as part of its audit and did not identify any material issues affecting the ability of EICC or EICC Hotels to continue as a going concern. Azets deemed EICC's accounting policies to be appropriate and were satisfied that the financial statements were prepared on a going concern basis.

4.9 Azets' only recommendation, which was carried forward from the previous year, was that EICC review its current governance structure and considers whether supporting committees would offer benefits to the EICC Board. Subsequent to this recommendation, EICC has made changes to its corporate and governance structure, including increasing the size of the board, recruiting two new non-executive directors, and establishing an audit and risk committee.

Hotel project

4.10 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 31 March 2022.

4.11 Construction of the hotel commenced in summer 2022. EICC has appointed a project manager and clerk of works to oversee the construction of the hotel on behalf of EICC and the Council.

Edinburgh Convention Bureau

4.12 In 2021, a memorandum of understanding was agreed between the EICC and the Council in respect of EICC operating the Edinburgh Convention Bureau on a temporary basis. The temporary period is currently due to run until 31 December 2023, with a further six months' handover period should the agreement not be extended. Since this commenced, EICC has contributed approximately £150,000 towards the operation of the Edinburgh Convention Bureau.

4.13 An advisory group has been formed to help shape the direction of the Edinburgh Convention Bureau. Members include senior management from the University of Edinburgh, the Royal College of Surgeons of Edinburgh, Edinburgh Airport, National Museums Scotland, and the Edinburgh Hotels Association.

5. Next Steps

5.1 An annual update report on EICC for the year ending 31 December 2023 will be presented to Committee in Quarter 4 2024.

6. Financial impact

6.1 As noted above, EICC reported a loss of £588,184 for the year ending 31 December 2022. However, there continues to be no call on Council finances. The EICC Board has not recommended the payment of a dividend for the year ending 31 December 2022.

7. Equality and Poverty Impact

7.1 EICC is an accredited Living Wage employer with Investors in People "Gold" status.

8. Climate and Nature Emergency Implications

8.1 EICC operates a sustainability programme, "Step Change". Since 2013, EICC has reduced its carbon emissions by 55%.

9. Risk, policy, compliance, governance and community impact

9.1 The recommendation is not considered to carry any risk for the Council.

9.2 It is recommended that this annual update be referred to Governance, Risk and Best Value Committee in line with the Council's governance arrangements for ALEOs.

10. Background reading/external references

10.1 Edinburgh International Conference Centre – Annual Update for the Year Ending 31 December 2021 – Housing, Homelessness and Fair Work Committee, 1 December 2022.

11. Appendices

Appendix 1: EICC performance review 2022.

Appendix 2: Edinburgh International Conference Centre Limited – annual report and accounts for the year to 31 December 2022.

Appendix 3: Edinburgh International Conference Centre Hotels Limited – annual report and accounts for the year to 31 December 2022.

Appendix 4: Edinburgh International Conference Centre Limited and Edinburgh International Conference Centre Hotels Limited – audit findings for the year ended 31 December 2022.

APPENDIX 1

CEC FINANCE & RESOURCE COMMITTEE 21 NOVEMBER 2023

EICC PERFORMANCE REVIEW 2022

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 2022 and to highlight some of the successes and achievements realised by the Company in the period under review.

CONFERENCE CENTRE PERFORMANCE

In overall terms the EICC generated an operating trading surplus (EBITDA) of £703,354, for the year to 31 December 2022 compared to an operating trading surplus (EBITDA) of £1,040,306 for the previous year. The trading surplus for 2022 represents a positive variance of £502,866 compared to the budget for the year.

As highlighted by the position shown in EICC's statutory accounts, the committee should note that at the outset of 2022 the Company was facing a challenging and uncertain year from an operating perspective given the continued prevalence of Covid-19 both nationally and internationally. These challenges resulted in the Conference Centre operating as a vaccination centre in the first quarter with the number of business events in this period being heavily curtailed. Notwithstanding the challenges the business faced throughout the year and before accounting for book entries such as depreciation, release of capital grants and effective interest on loan stock the company's financial performance was extremely positive and resulted in a healthy trading surplus of £0.7m. The table below, highlights for committee members, the bridge between the trading surplus and the loss reported in the statutory accounts driven by the aforementioned 'book entries'.

	£'000
Trading Surplus (EBITDA)	£703
Depreciation & Capital Grants	-£394
Effective Interest on Loan Stock	-£874
Development Costs	-£17
Other	-£6
Statutory Accounts	-£588

The Executive had forecast an operating surplus (EBITDA) of £200,000 for the year to 31 December 2022. This was based on, amongst other things: the level of contracted bookings that had been secured for the year: an assessment of the conference market, which had been undertaken in the latter part of 2021; and the revenue shortfall that still had to be achieved to make the sales target for 2022.

The Executive believed that achieving this target would constitute a significant challenge as the Company faced a gross profit shortfall for the year of £1.771m as at 1 January. Due to the booking lead times of the various market segments it was recognised that this shortfall would have to be secured largely from short lead corporate business.

This was the highest value of business that EICC had been required to contract, in the year - for the year, in the Company's history. The task of achieving target was made more difficult given the: relatively low levels of short lead business achieved historically; difficulties faced by clients in securing hotel accommodation; general levels of business uncertainty and the continued uncertainty from the new Omicron Covid-19 variant.

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

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

The combined effect of these initiatives had a significant impact on gross revenues for the year which amounted to £11.989m. This was an increase of £4.549m, compared to the previous year's figure of £7.440m, equivalent to an increase of 61.1%.

These gross revenues generated a gross profit of £6.909m in 2022 compared to £5.142m for the previous year, which represents an increase of 34.4%. The gross profit from operating activities amounted to £6.788m while other income and bank interest received generated a gross profit of £121k.

Operating activities for the year were made up of: room rentals amounting to £3.945m; additional event services, minus agents commission, which generated £3.466m; and £1.381m which was received in respect of catering commission.

The Company endured a difficult first quarter. This was exacerbated by further Covid restrictions which resulted in some events cancelling or postponing their events however the reintroduction of the vaccination centre reduced the financial impact. At the half year stage, the Conference Centre had generated gross profits of £2.762m which was £137k ahead of budget. The gross profit recorded in May was the highest level of gross profit recorded for that calendar months since the Company commenced trading.

The second half of the year saw a significant increase in business activity and operating performance generating gross profits of £4.147m. Whilst all six months performed well, in relative terms, the results for October generated the highest gross profit for that respective calendar month since the EICC opened in 1995.

The Executive continued to broaden the diversification of events held at the EICC in the course of the year. During this period the Conference Centre hosted, amongst other things: an NHS vaccination centre: awards dinners; graduations; a number of dance competitions; ballet performances; comedy shows; comic book exhibitions; food and drink fairs; and university examinations.

Events held at the EICC were attended by 71,716 delegates during the year, excluding festival performances and NHS patients, which equated to 237,022 delegate days.

These delegates generated an economic impact of £51.9m for the city which was a significant improvement on 2020 and 2021.

The Executive continued to place great focus on containing the levels of expenditure incurred during the year and as a result of; a stringent focus on cost controls; the achievement of a number of operating efficiencies; and deferring expenditure where appropriate, outgoings for the year were below budget. Notwithstanding this efficient result the business had to absorb the impact of double-digit inflation growth within many cost line items.

HOTEL DEVELOPMENT

The Company made good progress in relation to the development of the hotel at Haymarket following Council approval in October 2021.

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

As committee members will be aware the Council is not taking any construction risk in this project but, along with the EICC, does need to ensure that the hotel is delivered in accordance with our respective agreements with both M&G and Hyatt. As such, full project management arrangements are in place, and this includes a clerk of works role.

EICC and Council representatives have been reviewing the construction stage design drawings, that have been provided by Qmile, to check that the standards specified in our agreement for lease are being met. Hyatt as the franchise partner is fully involved in this process to ensure they are also comfortable with what will be delivered and that Hyatt brand standards are met.

The EICC Executive are progressing the hotel's pre-opening plan to ensure that matters relating to the operation of the hotel are put into place in a timely manner on a logical and systematic basis. These activities include:

- Monitoring of construction activities
- Internal design and specification and quality standards
- Bedroom design including FF&E and OS&E
- Developing the Rooms, pricing and technology strategy
- Developing the Food & Beverage strategy
- Review and design of ground floor layout – food hall restaurant, bar, kitchens, reception, lounge and meeting & event space
- Review and redesign of first floor layout – admin offices, staff dining, comms room, cleaning stores, storage & equipment maintenance rooms
- Review of mechanical and engineering strategy
- Review of hotel waste strategy
- Review of lighting and acoustic strategies
- Review of fire engineering strategy
- Adoption of franchisor's systems and methodology

EDINBURGH CONVENTION BUREAU

As Committee Members are aware, the Company was asked some time ago by the City of Edinburgh Council if it would consider operating the Convention Bureau on a temporary basis.

An MoU was agreed been the parties in respect of EICC operating the Convention Bureau on a temporary basis, The temporary guardianship period will remain in place until December 2023, with a further six months handover period should the agreement end.

An engaged and representative advisory group has been formed and meets regularly to help shape the direction of Convention Edinburgh, representatives include senior management from organisations such as the University of Edinburgh, the Royal College of Surgeons of Edinburgh, Edinburgh Airport, National Museums of Scotland, and Edinburgh Hotels Association.

Numerous city site visits have been conducted by the team, attendance, as well as speaking slots at UK & European trade shows, thousands of interactions and briefing with city partners.

Round tables have been held with Ambassador representatives to understand how this programme can effectively be relaunched to our academic and business community within the city in both the short to medium term, leveraging Edinburgh's institutions to drive forward the capital's economy.

Considering the current position of Convention Edinburgh, and the guardianship period ending in the coming months (followed by a six-month handover period) discussions are ongoing regarding the options available in respect of the future operation of the Edinburgh Convention Bureau that ensures Edinburgh retains and grows this valuable sector.

RECOMMENDATION

The committee is asked to note the report.

MARSHALL DALLAS
Chief Executive

APPENDIX 2

EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2022

COMPANY NUMBER SC131773

GENERAL INFORMATION

Company number

SC131773

Present Company Directors

L.M. Cameron
M.C. Dallas
I. Whyte
S.R. Bone
A. Mumford
R. Aldridge
C. Fullerton

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
LS1 5AB

Registered Office

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

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 £588,184 (2021 – loss of £35,791). The Company has, after taxation adjustments, a total comprehensive loss for the year of £588,184 (2021 – loss of £35,791). The Directors do not recommend the payment of a dividend for the year ended 31 December 2022.

The year to December 2022 saw the Company report an operating profit, before adjustments for depreciation and the release of capital grants, despite continued uncertainty at the beginning of the year due to coronavirus and the significant cost inflation incurred across the cost base.

At the outset of 2022 the company anticipated a challenging and uncertain financial year given the continued prevalence of coronavirus both nationally and internationally. The Company had budgeted an operating surplus of £0.2m for 2022 based on, amongst other things: the level of contracted bookings that had been secured for the year including the NHS in the first quarter; the expected bookings that could be secured in the year for the year; the uncertainty with regards expenditure specifically the level of forecasted inflation and impact on utilities cost and the extension of Non-Domestic rates relief until March 2022.

The year to December 2022 saw the Company produce operating profits significantly ahead of budget, before adjustments for depreciation and the release of capital grants. This was achieved against a continuing backdrop of: a depressed economic outlook; increased levels of competition within the UK and from across the world; aggressive price competition; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of the year the sales team secured the required business in the year - for the year, in order to outperform against our budget. This was as a result of a number of initiatives that had been introduced by the Company in the preceding five years which led to a marked increase in the number of enquiries and consequently the value of short lead bookings contracted during the period, compared to previous years.

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

The cumulative effect of the company's activities had a significant impact on the Company's revenues for the year which amounted to £8.688m. This was a significant increase on the previous year's figure of £6.616m which is equivalent to an increase of 31.3%. These revenues generated a gross profit of £0.835m in 2022 compared to a gross profit of £1.043m for the previous year.

The Conference Centre held 175 events in 2022, which was significantly up on the previous year. These events varied enormously in their size, duration, diversity and profitability. Of the association and corporate events that were held during the year 11 recorded an event gross profit of over £150,000 each and the top 10 conference and meeting events by value generated £2.216m in cumulative event gross profit during the year.

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

Expenditure in respect of cost of sales and administration expenses totalled £8.344m in 2022, which was an increase of £2.366m on the previous year's expenditure which had amounted to £5.978m. This represented an increase of 40% compared to the expenditure recorded during the previous year. This increase was in comparison to an increase in gross revenues of 31% and was primarily due to non-recurring cost savings achieved in 2021 from the furlough scheme and Non-Domestic rates relief.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation, finance costs and the recognition of capital grant income.

During the year 71,716 delegates attended events at the Conference Centre which generated a total number of delegate days of 237,022 for the year. The delegates who attended events at the EICC during the year generated an economic impact of £51.9m for the year compared to £14.9m in 2021. 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. 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. Construction commenced in August with the hotel due to open in late 2025. 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 2023, both for the current year and for each of the succeeding years until 2026. Post covid the booking patterns have changed quite significantly with the volume of shorter lead time business increasing substantially. This has provided challenges to both our sales and operational teams.

The Company outlook remains extremely positive despite continued pressure faced by inflationary pressures across large parts of the Company's cost base. 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 2022 compares very favourably with previous years. As we now are firmly in a post pandemic era, 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:-

	2022 £'000	2021 £'000	% Change
Turnover	8,688	6,616	31.3%
Cost of sales and administration expenses	8,344	5,978	39.6%
Customer delight	93%	94%	
Economic impact	51,995	14,937	

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.

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.

Lesley Maria Correa

Director
30 May 2023

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 2022.

Directors

The Directors who served during the period were as follows:

L.M. Cameron (Chair)	
M.C. Dallas	
G.A. Gordon	resigned 30 June 2022
J.Mc.H. McFarlane	resigned 16 February 2022
S.R. Bone	
I. Whyte	
R.C. Aldridge	appointed 30 June 2022
A. Mumford	appointed 30 June 2022
F.W. Ross	appointed 30 June 2022
F.W. Ross	resigned 11 January 2023
C. Fullerton	appointed 9 February 2023

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 26 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

DIRECTOR, FOR AND ON BEHALF OF
Pinsent Masons Secretarial Limited
30 May 2023

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 2022 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 our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 opinion.

Conclusions relating to going concern

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

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

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

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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nick Bennett

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

Date: 12 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes		2022	2021
		£	£	£
Revenue	3		8,687,980	6,616,384
Cost of sales			(7,852,861)	(5,572,753)
Gross profit			835,119	1,043,631
Development expenses		(16,738)		(114,500)
Administration expenses	4	(491,000)		(405,522)
			(507,738)	(520,022)
Operating profit/(loss) from continuing operations	6		327,381	523,609
Finance revenue	8		11,981	-
Finance costs	9		(927,546)	(559,400)
Profit/(loss) from continuing operations before tax			(588,184)	(35,791)
Tax charge	10		-	-
Total comprehensive profit/(loss) for the year			(588,184)	(35,791)

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2020	63	62,313,737	(54,572,426)	7,741,374
Total comprehensive profit for period	-	-	(35,791)	(35,791)
Increase in loan stock	-	106,352	-	106,352
At 31 December 2021	63	62,420,089	(54,608,217)	7,811,935
Total comprehensive profit for period	-	-	(588,184)	(588,184)
Increase in loan stock	-	263,971	-	263,971
At 31 December 2022	63	62,684,060	(55,196,401)	7,487,722

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes	£	2022 £	2021 £
Non-current assets				
Property, plant and equipment	11		5,204,433	5,416,619
Right of use assets	12		710,399	830,140
Investments	13		10	-
			5,914,842	6,246,759
Current assets				
Trade and other receivables	14	2,001,105		1,674,459
Cash on deposit	15	3,000,000		-
Cash and cash equivalents	16	5,520,945		7,651,142
			10,522,050	9,325,601
Total assets			16,436,892	15,572,360
Current liabilities				
Trade and other payables	17	2,967,000		2,292,628
Provisions	18	55,000		-
Financial liabilities	19	115,120		873,970
Capital grants	20	67,390		85,322
Deferred revenue	20	1,749,112		1,655,910
			4,953,622	4,907,830
Non-current liabilities				
Financial liabilities	19	2,713,502		1,189,595
Capital grants	20	1,060,671		1,128,061
Deferred revenue	20	221,375		534,939
			3,995,548	2,852,595
Capital & reserves				
Issued share capital	21	63		63
Other reserves	22	62,684,060		62,420,089
Accumulated losses		(55,196,401)		(54,608,217)
			7,487,722	7,811,935
Total equity & liabilities			16,436,892	15,572,360

The financial statements were authorised for issue by the Board of Directors on 30 May 2023 and were signed on its behalf, on that date, by:

Councillor Lezley Marion Cameron
Director: Lezley Marion Cameron

Councillor Iain Whyte
Director:

The accompanying notes form part of the financial statements

Company Number SC131773

CASHFLOW STATEMENT
For the year ended 31 December 2022

		2022	2021
	£	£	£
Operating activities			
Profit/(loss) before tax	(588,184)		(35,791)
Finance revenue	(11,981)		-
Finance costs	927,546		559,400
Operating profit/(loss) for the year	327,381		523,609
Net finance revenues	11,981		-
Depreciation on property, plant and equipment	476,157		554,532
Depreciation on right-of-use assets	122,520		122,965
Capital grants released	(85,322)		(91,470)
Decrease/(increase) in trade and other receivables	(326,646)		(580,567)
(Decrease)/increase in trade and other payables	674,372		564,463
(Decrease)/increase in provisions	55,000		-
Increase/(decrease) in deferred income	(220,362)		(14,952)
Cash generated from operations	1,035,081		1,078,580
Tax on continuing operations	-		-
Cash flow from operating activities		1,035,081	1,078,580
Investing activities			
Payment to acquire subsidiary	(10)		
Fixed term cash deposit	(3,000,000)		-
Payments to acquire property, plant and equipment	(263,971)		(106,352)
Cash flow from investing activities		(3,263,981)	(106,352)
Financing activities			
Receipt of loan stock	263,971		106,352
Repayment of lease liability	(165,268)		(165,931)
Cash flow from financing activities		98,703	(59,579)
Net increase in cash and cash equivalents		(2,130,196)	912,649
Cash and cash equivalents at 1 January 2022		7,651,142	6,738,493
Cash and cash equivalents at 31 December 2022		5,520,945	7,651,142

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 2022 were approved by the Board of Directors on 30 May 2023 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 the Strategic Report and information regarding its ultimate parent company is presented in Note 25.

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 2022 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 2022. 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 2022:

- 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)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2022 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 2022, and with potential effect.

Effective for periods beginning on or after	**Effective for periods beginning on or after**
IFRS 17; Insurance Contracts (including amendments issued on 25 June 2020)	1 January 2023
IAS 1; Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current, including deferral or effective date)	1 January 2023
IAS 1; Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies) (issued on 12 February 2021)	1 January 2023
IAS 8; Accounting Policies (Amendment – Changes in Accounting Estimates and Errors; Definition of Accounting Estimates) (issued on 12 February 2021)	1 January 2023
IAS 12; Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a single transaction) (issued on 7 May 2021)	1 January 2023
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants	1 January 2024
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	1 January 2024

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. The ultimate parent undertaking has confirmed its intention to continue that support for a period of at least 12 months. Having taken into account the Company's cash balances at the year end and the contracted business on the books for future years 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 cost 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 2022 and any new contracts entered into on or after 1 January 2022, 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 – 4 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 non-current assets 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 on deposit

Cash on deposit in the statement of financial position comprise cash on deposit at a fixed interest rate.

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.

Provisions

Provisions are present when the company has a present legal on constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions at the year-end relate to repair costs for plant and equipment.

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.

Consolidation

The Company has taken advantage of the exemption provided by section 400 of the Companies Act 2006 not to prepare group accounts on the bases that it is wholly owned by CEC Holdings Limited, and that company prepares consolidated financial statements which are publicly available and comply with International Financial Reporting Standards. Details of the company's ownership and access to the financial statements are given in note 25.

3. Revenue

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

	2022 £	2021 £
Revenue recognised from contracts with customers	8,567,048	6,413,014
Rendering of other services	120,932	203,370
	8,687,980	6,616,384

4. Administration expenses

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

	2022 £	2021 £
Office costs	115,824	122,909
Professional fees	131,019	80,508
Company administration costs	239,212	192,040
Corporate resources	4,945	10,065
	491,000	405,522

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):

	2022 £	2021 £
Depreciation of fixed assets	598,677	677,497
Auditor's remuneration - audit services	19,500	10,075
Auditor's remuneration – taxation services	3,500	1,835
Other income	-	-
Capital grants released	(85,322)	(91,469)

7. Staff costs and directors' emoluments

(a) Staff costs

	2022 £	2021 £
Salaries	2,242,965	1,804,106
Social security costs	195,757	178,588
Pension costs	145,199	145,211
Job Retention Scheme	-	(273,473)
	2,583,921	1,854,432

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

	2022	2021
Sales and Marketing	14	12
Operations	26	29
Administration	5	7

(b) Directors' emoluments

	2022 £	2021 £
Directors' remuneration	356,368	272,410
Directors' pension	29,312	29,964
	385,680	302,374

The remuneration of the highest paid director included:

	2022 £	2021 £
Directors' remuneration	230,991	157,326
Directors' pension	18,252	17,464
	249,243	174,790

8. Finance revenue

	2022 £	2021 £
Interest receivable on bank deposits	11,981	-

9. Finance costs

	2022 £	2021 £
Effective interest on loan stock	(873,447)	(499,118)
Effective interest on right-of-use-assets	(54,099)	(60,282)
	(927,546)	(559,400)

10. Tax charge

	2022	2021
	£	£
UK Corporation Tax	-	-

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% (2021: 19.00%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2022	2021
	£	£
Profit from continuing operations before tax	(588,184)	(35,791)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(111,755)	(6,800)
Expenses not deductible for tax purposes	5,821	1,934
Fixed asset differences	30,380	56,949
Adjust deferred tax to average rate	-	5,596
Remeasurement of deferred tax for changes in tax rates	-	(558,743)
Deferred tax not recognised	75,554	501,064
Tax charge for the period	-	-

As at 31 December 2022 there was an unrecognised deferred tax asset amounting to £2,442,480 (2021: £2,328,096) of which £345,162 (2021: £357,498) was in respect of accelerated capital allowances and other timing differences and £2,097,318 (2021: £1,970,598) was in respect of trading losses. The directors have elected not to recognise a deferred tax asset due to uncertainty surrounding future profitability from which any reversal of timing differences could be deducted.

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

11. Property, plant and equipment

	Infrastructure Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
Cost or valuation				
At 1 January 2022	6,669,993	35,602,734	6,652,408	48,925,135
Additions	-	-	263,971	263,971
Disposals	-	-	-	-
At 31 December 2022	6,669,993	35,602,734	6,916,379	49,189,106
Depreciation				
At 1 January 2022	6,669,993	30,804,476	6,034,047	43,508,516
Charge for the period	-	187,295	288,862	476,157
Released on disposal	-	-	-	-
At 31 December 2022	6,669,993	30,991,771	6,322,909	43,984,673
Net book value				
At 31 December 2021	-	4,798,258	618,361	5,416,619
At 31 December 2022	-	4,610,963	593,470	5,204,433
Cost or valuation				
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	6,669,993	35,602,734	6,652,408	48,925,135
Depreciation				
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	6,669,993	30,804,476	6,034,047	43,508,516
Net book value				
At 31 December 2020	-	4,986,273	878,526	5,864,799
At 31 December 2021	-	4,798,258	618,361	5,416,619

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

12. Right-of-use-assets

	Long Leasehold Buildings £	Office Equipment & Furniture £	Motor Vehicles £	Total £
Cost or valuation				
At 1 January 2022	1,143,059	35,323	10,055	1,188,437
Additions	-	-	2,779	2,779
Disposals	-	-	-	-
At 31 December 2022	1,143,059	35,323	12,834	1,191,216
Depreciation				
At 1 January 2022	337,917	10,597	9,783	358,297
Charge for the period	112,639	7,065	2,816	122,520
Released on disposal	-	-	-	-
At 31 December 2022	450,556	17,662	12,599	480,817
Net book value				
At 31 December 2021	805,142	24,726	272	830,140
At 31 December 2022	692,503	17,661	235	710,399

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

13. Investments

The Company owns 100% of the share capital of Edinburgh International Conference Centre Hotels Limited, a company registered in Scotland which has the principal activity to operate a hotel in Haymarket.

Edinburgh International Conference Centre Hotels Limited which was incorporated on 25 February 2022 made a loss of £138,540 for the period ended 31 December 2022 and its aggregate capital and reserves at 31 December 2022 amounted to £138,530.

14. Trade and other receivables

	2022 £	2021 £
Trade receivables	1,322,423	1,247,980
Amount owed by the City of Edinburgh Council	263,976	106,354
Amounts owed by group undertaking	138,530	-
Other receivables	22,894	169,378
Prepayments	253,282	150,747
	2,001,105	1,674,459

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2022 £16,977 of trade receivables were determined to be impaired (31 December 2021: nil).

14. 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 2021	1,247,980	1,187,463	19,933	27,994	12,591
At 31 December 2022	1,322,423	1,065,570	147,140	86,357	23,361

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.

15. Cash on deposit

	2022	2021
	£	£
Cash on deposit	3,000,000	-

Cash on deposit earns interest at a fixed rate. The fair value of the fixed deposit investments is £3,000,000. (31 December 2021: nil).

16. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	5,520,945	7,651,142

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £5,520,945 (31 December 2021: £7,651,142).

17. Trade and other payables

	2022	2021
	£	£
Trade payables	1,312,876	995,424
Value Added Tax	437,228	248,599
Other taxes and social security costs	61,466	65,549
Other payables	684,995	513,335
Accruals	470,435	469,721
	2,967,000	2,292,628

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

18. Provisions

	2022 £	2021 £
Balance brought forward	-	-
Provisions recognised in year	55,000	-
Balance Carried Forward	55,000	-

Provisions recognised in the year relate to repair costs for plant and equipment.

19. Financial liabilities

Loans and borrowings

	2022 £	2021 £
Fair value - Right-of-use-assets	790,476	898,867
Fair value - Loan stock	2,038,146	1,164,698
	2,828,622	2,063,565

	2022 £	2021 £
This is made up as:		
Current obligations	115,120	873,970
Non-current obligations	2,713,502	1,189,595
	2,828,622	2,063,565

Non-current obligations are made up as:

	2022 £	2021 £
Due within one year	121,786	114,893
Due within two to five years	2,568,724	908,564
Due after five years	22,991	166,138
	2,713,501	1,189,595

Financial liabilities are made up of:

Right-of use-assets

	2022 £	2021 £
Current obligations	115,120	108,619
Non-current obligations	675,356	790,248
	790,476	898,867

19. Financial liabilities (cont.)

Non-current obligations are made up as:

	2022 £	2021 £
Due within one year	121,786	114,893
Due within two to five years	532,123	510,143
Due after five years	21,447	165,212
	675,356	790,248

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.

Loan stock	2022 £	2021 £
Current obligations	-	765,351
Non-current obligations	2,038,145	399,347
	2,038,145	1,164,698

Non-current obligations are made up as:

	2022 £	2021 £
Due within one year	-	-
Due within two to five years	2,036,601	398,421
Due after five years	1,544	926
	2,038,145	399,347

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 £62,684,060 (31 December 2021: £62,420,088) 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.

19. Financial liabilities (cont.)

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2022 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	78	76
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	66	64
Non-Convertible Unsecured Loan Stock 2026	75	1,339,365	1,339,365	1,339,364
Non-Convertible Unsecured Loan Stock 2026	75	868,000	496,000	495,999
Non-Convertible Unsecured Loan Stock 2026	70	546,000	178,286	178,285
Non-Convertible Unsecured Loan Stock 2026	75	123,000	22,950	22,950
Non-Convertible Unsecured Loan Stock 2034	75	154,299	187	187
Non-Convertible Unsecured Loan Stock 2035	75	799,000	553	553
Non-Convertible Unsecured Loan Stock 2036	75	709,141	281	280
Non-Convertible Unsecured Loan Stock 2037	75	461,069	104	104
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	165	164
Non-Convertible Unsecured Loan Stock 2039	75	841,099	62	61

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2022 £	Aggregate Interest £
Non-Convertible Unsecured Loan Stock 2040	75	718,922	30	30
Non-Convertible Unsecured Loan Stock 2041	75	123,525	3	3
Non-Convertible Unsecured Loan Stock 2042	75	482,438	7	6
Non-Convertible Unsecured Loan Stock 2043	75	595,438	5	4
Non-Convertible Unsecured Loan Stock 2044	75	716,826	3	1
Non-Convertible Unsecured Loan Stock 2045	75	30,668	-	-
Non-Convertible Unsecured Loan Stock 2046	75	106,352	-	-
Non-Convertible Unsecured Loan Stock 2047	75	263,971	-	-
		62,684,060	2,038,145	2,038,132

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

	2022 £	2021 £
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	17,386,451	17,122,480
	62,684,060	62,420,089

19. Financial liabilities (cont.)

Non-convertible unsecured loan stock		
Issued to The City of Edinburgh Council and CEC Holding Ltd	4,675,316	4,675,316
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	12,711,135	12,447,164
	17,386,451	17,122,480

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 £8,999,952 of non-convertible unsecured loan stock 2117 (31 December 2020: £8,735,981) 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 2021: £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.

20. Deferred revenue and capital grants

	2022 £	2021 £
Deferred revenue	1,970,487	2,190,849
Capital grants	1,128,061	1,213,383
	3,098,548	3,404,232

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

	2022 £	2021 £
At 1 January	2,190,849	2,205,801
Deferred during the year	1,483,182	1,591,273
Released to the income statement	(1,703,544)	(1,606,225)
At 31 December	1,970,487	2,190,849

Deferred revenue is analysed as follows:	2022 £	2021 £
Current obligations	1,749,112	1,655,910
Non-current obligations	221,375	534,939
	1,970,487	2,190,849

20. Deferred revenue and capital grants (cont.)

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

	2022 £	2021 £
At 1 January	1,213,383	1,304,853
Receivable during the year	-	-
Released to the income statement	(85,322)	(91,469)
At 31 December	1,128,061	1,213,383

Capital grants are analysed as follows:

	2022 £	2021 £
Current obligations	67,390	85,322
Non-current obligations	1,060,671	1,128,061
	1,128,061	1,213,383

21. Share capital

	2022 No.	2021 No.	2022 £	2021 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
Special share	1	1	1	1
			63	63

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

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

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

21. Share capital (cont.)

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.

22. 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 2022	62,420,089
Net movement on recognition of loans	263,971
At 31 December 2022	62,684,060

23. Capital commitments

As at 31 December 2022 the Company had contracted to purchase plant and equipment amounting to £125,481 (31 December 2021: £nil).

24. 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 £145,199 (31 December 2021: £145,211). The unpaid contributions outstanding at the year end, included in other creditors, amount to £nil (31 December 2021: £nil).

25. 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	
2022	106,352
2021	30,668

25. Related party transactions (cont.)

CEC Holdings Limited

2022	-
2021	-

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		
2022	263,971	8,999,952
2021	106,352	8,735,981
CEC Holdings Limited		
2022	-	53,684,108
2021	-	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.

At the balance sheet date, the company was owed £138,530 (2021: £nil) from its subsidiary undertaking, Edinburgh International Conference Centre Hotels Limited, with respect to initial setup costs.

26. Financial instruments and risk management

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

	2022 £	2021 £
Financial assets measured at amortised cost:		
Trade and other receivables	1,747,823	1,523,712
Cash on deposit	3,000,000	-
Cash and cash equivalents	5,520,945	7,651,142
	10,268,768	9,174,854

	2022 £	2021 £
Financial liabilities measured at amortised cost:		
Trade and other payables	2,468,306	1,978,480
Provisions	55,000	-
Loan stock	2,038,146	1,164,698
Right of use assets	790,476	898,867
	5,351,928	4,042,045

26. Financial instruments and risk management (cont.)

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:

- 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.

APPENDIX 3

EDINBURGH INTERNATIONAL CONFERENCE CENTRE HOTELS LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2022

COMPANY NUMBER SC724449

GENERAL INFORMATION

Company number

SC724449

Present Company Directors

L.M. Cameron
M.C. Dallas
I. Whyte
S.R. Bone
A. Mumford
R. Aldridge
C. Fullerton

Company Secretary

Pinsent Masons Secretarial Limited
1 Park Row
Leeds
LS1 5AB

Registered Office

Edinburgh International Conference Centre Hotels Limited
150 Morrison Street
Edinburgh
EH3 8EE

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, business review and future developments

The principal activities that the Company undertook during the year were in respect of the development and future operation of a hotel in Haymarket.

Edinburgh International Conference Centre Hotels Limited is a company limited by shares which is incorporated in Scotland. It is a wholly owned a subsidiary of Edinburgh International Conference Centre Limited whose ultimate parent is The City of Edinburgh Council.

The Company, which was incorporated on 25 February 2022, made significant progress towards its aim of operating a hotel, in close proximity to the Conference Centre, during the year. An agreement for lease with the developer and a franchise agreement with the hotel brand were completed and signed off in April 2022. Construction of the hotel commenced in August 2022 with the hotel scheduled to open in late 2025.

Results and dividends

The total operating loss for the period amounted to £138,540. There directors have therefore not recommended a dividend.

Lezley Marion Cameron

Director
30 May 2023

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Hotels Limited (the Company), for the year ended 31 December 2022.

Directors

The Directors who served during the period were as follows:

L.M. Cameron (Chair)	appointed 25 February 2022
M.C. Dallas	appointed 25 February 2022
G.A. Gordon	appointed 25 February 2022, resigned 30 June 2022
S.R. Bone	appointed 25 February 2022
I. Whyte	appointed 25 February 2022
R.C. Aldridge	appointed 30 June 2022
A. Mumford	appointed 30 June 2022
F.W. Ross	appointed 30 June 2022, resigned 11 January 2023
C. Fullerton	appointed 28 March 2023

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 have been considered as part of this exercise. The Company's parent, Edinburgh International Conference Centre Limited, and 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

DIRECTOR, FOR AND ON BEHALF OF
Pinsent Masons Secretarial Limited
30 May 2023

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

Opinion

We have audited the financial statements of Edinburgh International Conference Centre Hotels Limited (the 'company') for the year ended 31 December 2022 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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.

Conclusions relating to going concern

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

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

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

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 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Nick Bennett

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

Date: 12 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes		2022
		£	£
Revenue			-
Cost of sales			-
Gross profit			-
Other income		-	
Development expenses		(138,540)	
Administration expenses		-	
			(138,540)
Operating profit/(loss) from continuing operations			(138,540)
Finance costs			-
Profit/(loss) from continuing operations before tax			(138,540)
Tax charge			-
Total comprehensive profit/(loss) for the year			(138,540)

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share Capital £	Retained Earnings £	Shareholder's Funds £
Share issue on incorporation at 25 February 2022	10	-	10
Total comprehensive loss for period	-	(138,540)	(138,540)
At 31 December 2022	10	(138,540)	(138,530)

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes		2022
		£	£
Non-current assets			
Property, plant and equipment			-
			-
Current assets			
Trade and other receivables		-	
Cash and cash equivalents		-	
			-
Total assets			-
Current liabilities			
Trade and other payables		138,530	
			138,530
Capital & reserves			
Issued share capital		10	
Accumulated losses		(138,540)	
			(138,530)
Total equity & liabilities			-

The financial statements were authorised for issue by the Board of Directors on 30 May 2023 and were signed on its behalf, on that date, by:

Councillor Lezley Marion Cameron
Director:
Lezley Marion Cameron

Councillor Iain Whyte
Director:

CASHFLOW STATEMENT
For the year ended 31 December 2022

		2022
	£	£
Operating activities		
Profit/(loss) before tax	(138,540)	
Finance costs	-	
Operating profit/(loss) for the year	(138,540)	
Depreciation on property, plant and equipment	-	
Decrease/(increase) in trade and other receivables	-	
(Decrease)/increase in trade and other payables	138,530	
Cash generated from operations		(10)
Financing activities		
Share capital receipt	10	
Cash flow from financing activities		10
Net increase in cash and cash equivalents		-
Cash and cash equivalents at 25 February 2022		-
Cash and cash equivalents at 31 December 2022		-

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 Hotels Limited for the year ended 31 December 2022 were approved by the Board of Directors on 30 May 2023 and signed on its behalf by the Directors noted on the Statement of Financial Position. Edinburgh International Conference Centre Hotels Limited is a company incorporated and domiciled in Scotland. The principal activities of the Company are described in the Strategic Report and information regarding its parent company is presented in Note 3.

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 2022 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 2022. 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 25 February 2022:

- 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)

Other new standards, amendments to standards and interpretations that are mandatory for the first time in 2022 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 2022, and with potential effect.

Effective for periods beginning on or after	**Effective for periods beginning on or after**
IFRS 17; Insurance Contracts (including amendments issued on 25 June 2020)	1 January 2023
IAS 1; Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current, including deferral or effective date)	1 January 2023
IAS 1; Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies) (issued on 12 February 2021)	1 January 2023
IAS 8; Accounting Policies (Amendment – Changes in Accounting Estimates and Errors; Definition of Accounting Estimates) (issued on 12 February 2021)	1 January 2023
IAS 12; Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a single transaction) (issued on 7 May 2021)	1 January 2023
IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current	1 January 2024
IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants	1 January 2024
Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)	1 January 2024

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 parent, Edinburgh International Conference Centre Limited, and Company's ultimate parent undertaking, The City of Edinburgh Council. The ultimate parent undertaking has confirmed its intention to continue that support for a period of at least 12 months. Having taken into account the committed support of these entities 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.

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.

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.

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.

1. Tax charge

	2022
	£
UK Corporation Tax	-

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

	2022
	£
Profit from continuing operations before tax	(138,540)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00%	(26,323)
Movement in deferred tax not recognised	(26,323)
Tax charge for the period	-

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

2. Trade and other payables

	2022
	£
Amounts owed to group undertakings	138,530
	138,530

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

3. Share capital

	2022	2022
	No.	£
Allotted, called up and fully paid:		
Ordinary shares	10	10
	10	10

The 10 ordinary shares were all issued to the Edinburgh International Conference Centre Limited in 2022.

4. Financial instruments and risk management

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

	2022
	£
Financial liabilities measured at amortised cost:	
Amounts owed to group undertaking	138,530
	138,530

4. Financial instruments and risk management (cont.)

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 future income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity.

Credit risk

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

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

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

- Only banks and institutions with an acceptable credit rating are utilised.

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 via agreed funding from it's parent Company, Edinburgh International Conference Centre Limited.

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.

5. Related party transactions

At the balance sheet date the company owed £138,530 (2021: £nil) to its immediate parent, Edinburgh International Conference Centre Limited, with respect to initial setup costs.

6. Commitments

The Company has entered into a contractual commitment to sub lease the hotel on a long term basis in addition entering in to a franchise agreement with Hyatt International LLC on an similar long term contract. These commitments will commence on the opening of the hotel which is scheduled for Autumn 2025.

APPENDIX 4

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

03 May 2023
Our ref: NIBE/ALRU/EICCLT01

Dear Sirs

Edinburgh International Conference Centre Limited
Edinburgh International Conference Centre Hotels Limited

Audit findings for the year ended 31 December 2022

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 and Edinburgh International Conference Centre Hotels Limited (together 'the Group') 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 complete.

We do not propose any modifications to our audit opinion which is unqualified.

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
Fraud in revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Group could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.	• We have reviewed the systems and controls underpinning debtors and sales, performed sample tests over sales completeness, and carried out analytical review procedures. • 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. • 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.
Management override of controls 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.	• 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. • 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.
Going concern The directors must undertake a formal assessment of the Group'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.	• 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. • In respect of post balance sheet events, we reviewed post year end board minutes and management accounts. • We also held detailed discussions with the finance team in respect of going concern and PBSE. • We concur with management's assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

Edinburgh International Conference Centre Hotels Limited EICC Hotels Limited was incorporated on the 25 February 2022 as a subsidiary undertaking of EICC Limited. There is a risk that the incorporation of the subsidiary was not accounted for correctly.	• 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. • Our testing performed did not identify any errors. No issues arose to be drawn to the attention of management.

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).

In respect of going concern, we reviewed:

- your assessment of going concern at planning and the date of signing the financial statements; and
- budgets covering the 12-month period from the date of signing the financial statements.

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 2024.

In respect of post balance sheet events, we reviewed:

- post period management accounts; and
- post period board minutes.

We also held detailed discussions with the finance team in respect of going concern and post balance sheet events. Finally, we asked the Board, via the letter of representation, to confirm that the Board have concluded that the company is a going concern and to confirm that the financial statements reflect all post balance sheet events.

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 did not identify any audit adjustments or uncorrected 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.

8 Independence

In accordance with our profession's ethical guidance and further to our planning letter to you dated 30 January 2023, 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 our audit.

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

Yours faithfully

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 Group	19,500	10,075
Total audit services	19,500	10,075
Corporation tax compliance services	3,500	1,835
Total non-audit services	3,500	1,835
Total fees for services provided	**23,000**	**11,910**

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
Governance arrangements (carried over from prior years)	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.	There is a risk that the Board is not adequately supported by appropriate governance structure and there is insufficient capacity within the current governance structure for appropriate scrutiny and challenge. We noted that EICC will look to make potential changes once the Company's corporate structure has been revised.	We recommend EICC reviews the current governance structure and considers whether supporting committees (e.g. audit committee) would offer benefits to the Board.	Following the incorporation of EICC Hotels Ltd significant changes in the Company's corporate and governance structure have been agreed and approved by the City of Edinburgh Council via a new Strategic Delivery Agreement. The board has increased in size with, 2 additional Councillor Directors appointed to the board, with the recruitment of up to 3 independent Non-Executive Directors almost complete. The necessary supporting committees have also now been established and will be embedded into the governance structure during the course of the year. The Company and Shareholder believes the changes that have now been agreed and approved are appropriate for the increased size of business and will provide strong governance with the necessary scrutiny and challenge.