

**DIRECTORS' REPORT**

The Directors have pleasure in submitting their annual report and accounts for the year ended 31 December 1999.

**Activities**

The principal activities of the Company are to operate an international conference centre and to develop the surrounding 10 acre site in Morrison Street and Lothian Road Edinburgh, known as The Exchange, in accordance with a development agreement between the Company and the City of Edinburgh Council.

**Financial Matters**

The loss for the period amounted to £2,374,122. The Directors do not recommend payment of a dividend for the period ended 31 December 1999.

**Business Review**

The Company achieved a satisfactory overall operating performance, in the year to 31 December 1999, in what proved to be a very difficult trading year for the Edinburgh International Conference Centre. A number of factors affected the conference industry in 1999 which resulted in a downturn in sales for the year. The Company however maintained its share of the association and corporate markets and hosted 187 events during the year at the EICC, equivalent to an occupancy level of 62%.

The events held at the Conference Centre attracted a broad range of delegates from many different countries and generated the equivalent of 122,000 delegate days during the year. This significant contribution to business tourism resulted in an estimated economic benefit to the City of Edinburgh of over £15 million for the year.

The Company continues to explore creative and innovative ways of delivering its product to clients to ensure the highest levels of customer delight. Operating processes are continuously reviewed in an effort to deliver a high quality product and the Company was a finalist in the small/medium enterprise category of the European Foundation of Quality Management awards made during the year.

The Conference Centre continues to attract a high level of repeat business and is continuing to develop a solid business platform for future years. The EICC has a variety of confirmed and tentative bookings which it is holding up to 2011.

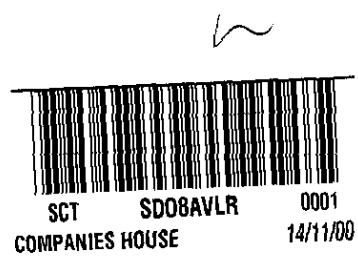
Continued progress has been made with regard to both the development of the Exchange and to the construction of Conference Square by the year end. Third party construction works continued to make good progress as the development of the Exchange area nears completion.

**Future Developments**

The Directors intend to maintain the objectives and aims of the Company, which have resulted in notable achievements to date in both of the principal areas of the Company's operations. The Directors are of the opinion that the Company's success will continue in the year to 31 December 2000.

**Fixed Assets**

Movements in fixed assets are disclosed in note 8 to the accounts.



### **Directors and Directors' Interests**

The Directors who served during the period were as follows:

R.C. Aldridge	- resigned 9 June 1999
D.C. Anderson	- resigned 9 June 1999
M.M. Child	- appointed 9 June 1999
D. Crichton	
J.A. Dawe	- appointed 27 May 1999
A. Fleming	
A.J. MacKay	- resigned 9 June 1999
L.M. Cameron	- appointed 27 May 1999
I. Perry	- appointed 27 May 1999
D.M.W. Sleigh	
P. Stillwell	- resigned 31 March 2000

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

### **Auditors**

In accordance with the Companies Act a resolution concerning the re-appointment of Ernst & Young will be submitted to the Annual General Meeting.

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



MD Secretaries Limited.  
26 October 2000

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

## REPORT OF THE AUDITORS

to the shareholders of EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED.

We have audited the accounts on pages 4 to 15, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

### Respective responsibilities of directors and auditors.

As described on this page the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

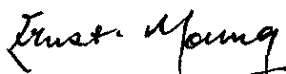
### Basis of opinion.

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
Edinburgh  
26 October 2000

**PROFIT & LOSS ACCOUNT**  
**For the period ended 31 December 1999**



	Note	31 December 1999 £	31 December 1998 £
Turnover	2	3,415,895	3,720,037
Cost of sales before exceptional items		(4,296,728)	(5,866,563)
Exceptional items	3	<u>(957,270)</u>	<u>(26,788,759)</u>
Cost of sales after exceptional items		<u>(5,253,998)</u>	<u>(32,655,322)</u>
<b>Gross loss</b>		(1,838,103)	(28,935,285)
Development expenses		(135,700)	(472,357)
Other administration expenses		<u>(409,810)</u>	<u>(397,637)</u>
		<u>(545,510)</u>	<u>(869,994)</u>
<b>Operating loss</b>	3	(2,383,613)	(29,805,279)
Revenue grant		2,676,143	3,168,217
Interest receivable	4	9,491	25,659
Interest payable and similar charges	5	<u>(2,676,143)</u>	<u>(3,168,217)</u>
<b>Loss on ordinary activities</b>		(2,374,122)	(29,779,620)
Retained loss brought forward		<u>(42,766,708)</u>	<u>(12,987,088)</u>
<b>Retained loss carried forward</b>		<u>(45,140,830)</u>	<u>(42,766,708)</u>

There are no recognised gains or losses, other than the loss on ordinary activities for the period of £2,374,122 (for the period to 31 December 1998 - £29,779,620)

**BALANCE SHEET**  
**At 31 December 1999**

	Notes	31 December 1999 £	31 December 1998 £
<b>Fixed assets</b>			
Tangible assets	8	18,285,426	16,432,421
<b>Current assets</b>			
Debtors	9	8,336,281	1,970,876
Investments	10	165,417	42,861,429
Cash		<u>21,318</u>	<u>401,391</u>
		8,523,016	45,233,696
<b>Creditors: Amounts falling due within one year</b>	11	<u>(7,346,862)</u>	<u>(42,468,283)</u>
Net current assets		<u>1,176,154</u>	<u>2,765,413</u>
Total assets less current liabilities		<u>19,461,580</u>	<u>19,197,834</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Loan	12	2,046,162	2,046,162
Loan stock	12	52,027,361	49,833,937
Obligations under finance leases	13	<u>-</u>	<u>-</u>
		54,073,523	51,880,099
<b>Accruals &amp; deferred income</b>	14	<u>10,528,824</u>	<u>10,084,380</u>
		64,602,347	61,964,479
<b>Capital &amp; reserves</b>			
Called up share capital	15	63	63
Profit & loss account		<u>(45,140,830)</u>	<u>(42,766,708)</u>
Shareholders' funds	16	<u>(45,140,767)</u>	<u>(42,766,645)</u>
		<u>19,461,580</u>	<u>19,197,834</u>

Councillor Lezley Cameron  
Director:

Councillor Ian Perry  
Director:

26 October 2000

**CASH FLOW STATEMENT**  
**For the period ended 31 December 1999**

	Notes	31 December 1999 £	31 December 1998 £
<b>Net cash inflow/(outflow) from operating activities</b>	3b	37,100,191	5,065,192
<b>Returns on investments and servicing of finance</b>			
Interest received		9,491	25,659
Interest paid on finance rental payments		<u>(2,676,143)</u>	<u>(2,979,835)</u>
Net cash inflow/(outflow) from returns on investment and servicing of finance		(2,666,652)	(2,954,176)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(2,769,418)	(2,934,396)
Capital grants received		<u>1,050,389</u>	<u>1,810,261</u>
Net cash outflow from capital expenditure		(1,719,029)	(1,124,135)
<b>Financing</b>			
Net movement on loan stock		2,017,613	1,907,470
Capital element of finance lease rental payments		<u>(40,931,866)</u>	<u>(3,564,490)</u>
Net cash inflow/(outflow) from financing		<u>(38,914,253)</u>	<u>(1,657,020)</u>
<b>Decrease in cash</b>		<u>(6,199,743)</u>	<u>(670,139)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Decrease in cash in the period</b>		(6,199,743)	(670,139)
Cash outflow from increase in debt and lease financing		(2,017,613)	(1,907,470)
Cash inflow from lease rental payments (capital)		<u>40,931,866</u>	<u>3,564,490</u>
<b>Change in net debt arising from cash flows</b>		32,714,510	(986,881)
Movement in loan stock debtor		(175,811)	(7,604)
Unpaid finance charge on finance lease accrued in period		-	<u>(188,382)</u>
Movement in net debt during the period		32,538,699	790,895
<b>Net debt at 1 January 1999</b>		<u>(92,954,172)</u>	<u>(93,745,067)</u>
<b>Net debt at 31 December 1999</b>	3c	<u>(60,415,473)</u>	<u>(92,954,172)</u>

## **NOTES**

### **1. Accounting Policies**

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

#### **Basis of Preparation**

The accounts have been prepared under the historical cost convention.

#### **Fixed Assets**

Fixed assets have been recorded at cost, less accumulated depreciation.

#### **Depreciation**

Fixed tangible assets are stated at historical cost less accumulated depreciation. The cost of tangible assets is written off by equal annual instalments over the expected useful lives of the assets as follows:-

Leasehold Land and Buildings: 50 years. Plant & Machinery: 3 to 15 years. Furniture & Fittings: 3 to 10 years. Infrastructural works: 2 to 20 years.

#### **Capital Grants**

Grants in respect of capital expenditure are credited to deferred income and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments. In accordance with the provisions of the overall sale and leaseback transaction, any increment in the funds held in trust (see note 10) in the course of the year, over and above that required to offset the lease interest payments and the finance costs, are credited to deferred income. The City of Edinburgh Council has title to interest receivable on the funds held in trust, however an agreement is in place for the trust to obtain an equal amount in the form of a grant from the City of Edinburgh Council. This is intended to provide a capital contribution towards the designated construction works and will be released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

#### **Leasing and Hire Purchase Commitments**

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 (see note 13). A finance lease is a lease under which substantially all the risks and rewards of ownership of the asset pass to the lessee company, and the assets are capitalised in the lessee's balance sheet and depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding. The assets which were subject to the sale and leaseback transaction 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.

#### **Revenue Grants**

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

#### **Operating Lease Payments**

Operating lease payments are charged in the profit and loss account on a straight line basis.

## **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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

## **Pensions**

The Company operates a defined contributions pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

## **2. Turnover**

Turnover represents income arising from the letting of rooms and the charges levied in respect of additional facilities incurred by clients using the Conference Centre and income arising from the development of the Exchange, excluding value added tax. All turnover arises from continuing activities carried on within the United Kingdom. The Company operates in three principal areas of activity, that of the provision of conference and exhibition facilities, the letting of office space and facilitating the development of a previously derelict land site. The turnover of these activities is shown separately below:-

	31 December 1999 £	31 December 1998 £
Conference facilities	2,895,914	3,260,873
Rental income from the letting of office space	413,120	425,877
Site development	<u>106,861</u>	<u>33,287</u>
	<u>3,415,895</u>	<u>3,720,037</u>

## **3. Operating Loss**

(a) This is stated after charging/(crediting):

	£	£
Depreciation of fixed assets - owned	1,126,708	524,882
Depreciation of fixed assets - leased	-	28,353,836
Auditors' remuneration - audit services	18,000	15,000
Auditors' remuneration - non-audit services	28,750	16,750
Operating lease rentals - plant and machinery	50,907	41,854
Capital grants released	<u>(521,183)</u>	<u>(201,736)</u>

The exceptional item relates to stamp duty in respect of the sale and leaseback transaction referred to in note 13.

In the year to 31 December 1998 the exceptional item arose as a result of the Company writing down the carrying value of its long leasehold buildings by £24,992,025 and its office equipment and furniture by £1,796,734, in accordance with FRS11, to align them more closely with the value in use of these assets.



### 3. Operating loss (continued)

	31 December 1999 £	31 December 1998 £
(b) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities		
Operating profit/(loss) after revenue grant	292,530	(26,637,063)
Depreciation of tangible fixed assets	1,126,708	28,878,718
Decrease in investments	42,696,012	3,374,212
Increase in operating debtors and prepayments	(6,229,119)	(424,108)
Decrease in operating creditors and accruals	(219,521)	(138,159)
Capital grants released in period	(521,183)	(201,736)
(Decrease)/Increase in deferred income	<u>(45,236)</u>	<u>213,328</u>
Net cash inflow/(outflow) from operating activities	<u>37,100,191</u>	<u>5,065,192</u>

### (c) Reconciliation of net cash flow to movement in net debt

	Opening £	Cash Flow £	Other £	Closing £
Cash	401,391	(380,073)	-	21,318
Overdraft	(553,598)	(5,819,670)	-	(6,373,268)
		<u>(6,199,743)</u>		
Liquid resources	10,000	-	-	10,000
Short term loans	(2,046,162)	-	-	(2,046,162)
Finance lease obligations	(40,931,866)	40,931,866		-
Loan stock	(49,833,937)	(2,017,613)	(175,811)	(52,027,361)
Total	<u>(92,954,172)</u>	<u>32,714,510</u>	<u>(175,811)</u>	<u>(60,415,473)</u>

### 4. Interest Receivable

	£	£
Interest due on bank deposits	<u>9,491</u>	<u>25,659</u>

### 5. Interest Payable

	£	£
Finance charges payable under finance leases	<u>2,676,143</u>	<u>3,168,217</u>

## 6. Staff Costs

	31 December 1999 £	31 December 1998 £
Salaries	1,072,908	1,120,893
Social security costs	97,897	114,341
Pension costs	<u>41,202</u>	<u>38,302</u>
	<u>1,212,007</u>	<u>1,273,536</u>
The average number of staff employed during the year was	58	58

## 7. Directors' Emoluments

No Directors' emoluments were paid during the year to 31 December 1999, or in the previous period.

## 8. Tangible Assets

	Assets under Construction £	Infrastructural Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
<b>Cost</b>					
At 1 January 1999	2,867,491	2,629,311	36,953,684	7,304,210	49,754,696
Additions in period at cost	2,829,490	71,585	-	78,638	2,979,713
Transfers in period at cost	<u>(2,253,668)</u>	<u>2,253,668</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1999	<u>3,443,313</u>	<u>4,954,564</u>	<u>36,953,684</u>	<u>7,382,848</u>	<u>52,734,409</u>
<b>Depreciation</b>					
At 1 January 1999	-	145,759	27,372,306	5,804,210	33,322,275
Charge for the period	<u>-</u>	<u>486,337</u>	<u>211,372</u>	<u>428,999</u>	<u>1,126,708</u>
At 31 December 1999	<u>-</u>	<u>632,096</u>	<u>27,583,678</u>	<u>6,233,209</u>	<u>34,448,983</u>
Net book value 31 December 1998	<u>2,867,491</u>	<u>2,483,552</u>	<u>9,581,378</u>	<u>1,500,000</u>	<u>16,432,421</u>
Net book value 31 December 1999	<u>3,443,313</u>	<u>4,322,468</u>	<u>9,370,006</u>	<u>1,149,639</u>	<u>18,285,426</u>

The net book value of long leasehold buildings and office equipment and furniture, relating to assets held under finance leases, was £nil (for the period to 31 December 1998 - £5,500,000) and £nil (for the period to 31 December 1998 - £1,500,000) respectively.

**9. Debtors**

	31 December 1999 £	31 December 1998 £
Amount due by The City of Edinburgh Council	371,467	195,656
Trade debtors	480,847	837,825
Other debtors	187,185	170,511
Value added tax	7,181,066	663,519
Prepayments	<u>115,716</u>	<u>103,365</u>
	<u>8,336,281</u>	<u>1,970,876</u>

**10. Investments**

	£	£
Bank deposits	10,000	10,000
Bank deposits held in trust	<u>155,417</u>	<u>42,851,429</u>
	<u>165,417</u>	<u>42,861,429</u>

The funds held in trust represent the sales proceeds arising from the sale and leaseback transaction. These funds have been recognised as an asset as they are yielding a future benefit to the company arising from past transactions. The funds are held in two separate accounts. At the year end the No. 1 account had a balance of £nil (at 31 December 1998 £40,090,527) and the No. 2 account a balance of £155,417 (at 31 December 1998 £2,760,902). The No. 1 account is subject to a charge by Bank of Scotland Trust Company (International) Ltd (the trustee) in favour of the Bank of Scotland. This account has been designated to meet the company's obligations under the leasing arrangements, until all of these obligations have been fulfilled. The only permitted withdrawals, subject to any changes in the assumptions implicit in the lease agreement, from the No. 1 account are those required to meet the company's obligations to the finance lessor under the lease transaction. The funds held in the No. 2 account can be invested broadly in whichever way EICC Ltd, the City of Edinburgh Council and the Bank of Scotland Trust Company (International) Ltd determine.

**11. Creditors : Amounts falling due within one year**

	£	£
Bank overdraft	6,373,268	553,598
Payments due to contractors	100,500	204,376
Trade creditors	717,539	449,644
Other taxes and social security costs	30,856	43,666
Other creditors	87,219	231,311
Accruals	37,480	53,822
Finance lease liability (see note 13)	<u>-</u>	<u>40,931,866</u>
	<u>7,346,862</u>	<u>42,468,283</u>

**12. Creditors: Amounts falling due after more than one year**

	31 December 1999 £	31 December 1998 £
Short term loan	2,046,162	2,046,162
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	<u>6,729,752</u>	<u>4,536,328</u>
	<u>54,073,523</u>	<u>51,880,099</u>

Non-convertible unsecured loan stock:

Issued to The City of Edinburgh Council and CEC Holdings Ltd	6,368,307	4,340,674
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	<u>361,445</u>	<u>195,654</u>
	<u>6,729,752</u>	<u>4,536,328</u>

The convertible unsecured loan stock 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. CEC Holdings Ltd hold £2,753,365 of the non-convertible unsecured loan stock, the balance amounting to £3,976,387 being held by The City of Edinburgh Council. The non convertible unsecured loan stock bears no interest and is repayable by 31 December 2024.

**13. Obligations under Finance Leases**

	£	£
Amounts payable:		
Within one year	-	43,673,072
In two to five years	<u>-</u>	<u>-</u>
	-	43,673,072
Less: finance charges allocated to future periods	<u>-</u>	<u>(2,741,206)</u>
	<u>-</u>	<u>40,931,866</u>
Finance leases are analysed as follows:		
Current obligations (see note 11)	-	40,931,866
Non-current obligations	<u>-</u>	<u>-</u>
	<u>-</u>	<u>40,931,866</u>

On 8 December 1995 the Company entered into a sale and leaseback transaction with W & G Lease Finance Ltd, whereby the Conference Centre building and the associated plant, equipment and furniture was sold for £40,350,561. Although the term of the lease was for a period of thirty five years, the Company had options to revert to a reversionary lease at the end of year 7, 12 or 17. The Company subsequently entered into negotiations with W & G Lease Finance Ltd with a view to revising the terms of the finance lease and the restructured finance lease was signed on 12 March 1998. Under the terms of the revised lease the Company had the option to revert to a reversionary lease at the end of year 4, that is at 8 December 1999. The Company exercised its option to break the lease on this date.

# 14. Accruals and Deferred Income

	31 December 1999 £	31 December 1998 £
Capital grants	9,462,393	8,972,713
Deferred income	<u>1,066,431</u>	<u>1,111,667</u>
	<u>10,528,824</u>	<u>10,084,380</u>

The above capital grants have been received in respect of building construction and roadworks.

Capital grants brought forward	8,972,713	7,599,461
Received during period	1,010,863	1,574,988
Released during period	<u>(521,183)</u>	<u>(201,736)</u>
Capital grants carried forward	<u>9,462,393</u>	<u>8,972,713</u>

# 15. Share Capital

	31 December 1999 No.	31 December 1998 No.	31 December 1999 £	31 December 1998 £
Authorised:				
Preferred Ordinary shares	54,999,999	54,999,999	54,999,999	54,999,999
Ordinary shares	980	980	980	980
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
“B” Redeemable Preference shares	1	1	-	-
Special share	1	1	<u>1</u>	<u>1</u>
			<u>55,001,000</u>	<u>55,001,000</u>
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
“B” Redeemable Preference shares	1	1	-	-
Special share	1	1	<u>1</u>	<u>1</u>
			<u>63</u>	<u>63</u>

## 15. Share Capital (continued)

Two Ordinary shares are issued to The City of Edinburgh Council. In addition one redeemable preference share has been issued to both the City of Edinburgh Council and Lothian and Edinburgh Enterprise Ltd. The special share was issued to Lothian and Edinburgh Enterprise 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 Lothian and Edinburgh Enterprise Ltd and approved by the City of Edinburgh Council. The special shareholder is entitled to receive notice of general meetings, and to attend and speak at such meetings but has no other rights. Specifically, the special shareholder has no right to vote at such a meeting. The special shareholder is however entitled to receive a copy of each resolution passed at a general meeting, to receive any resolution proposed as a written resolution and each circular sent by the company to holders of any class of shares in the company.

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

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

The "B" redeemable preference share may be redeemed at the request of the shareholder prior to 31 March 2002 subject to the procedures in the Articles of Association, or otherwise will be redeemed on 31 March 2002. The redeemable preference share carries no voting rights, has no right to participate in profits and may participate in a distribution of capital only to the extent of the amount paid up on each share.

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 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 share ; £1 for each ordinary share ; £1 for each RBL ordinary share; £1 for each special share; Thereafter pro rata

## 16. Movement in Shareholders' Funds

	31 December 1999 £	31 December 1998 £
Shareholders' funds brought forward	(42,766,645)	(12,987,025)
Loss on ordinary activities for the period	<u>(2,374,122)</u>	<u>(29,779,620)</u>
Shareholders' funds carried forward	<u>(45,140,767)</u>	<u>(42,766,645)</u>

## 17. Capital Commitments

The Company has capital commitments in respect of various construction projects, amounting to £7,749,970 relating to the Exchange Development of which £4,477,520 has already been expended (at 31 December 1998 these capital commitments amounted to £7,749,970 of which £349,200 had been expended).

## 18. Financial Commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases relating to plant and equipment as follows:

	31 December 1999 £	31 December 1998 £
Operating leases which expire:		
Within one year	3,334	6,217
In two to five years	33,133	27,651
In over five years	—	—
	<u>36,467</u>	<u>33,868</u>

## 19. Pension Commitments

The company operates a defined contributions scheme for its employees. The assets of this scheme are held separately from those of the company in an independently administered fund.

## 20. Related Party Transactions

During the period capital grants totalling £54,327 were receivable by EICC Ltd from Lothian and Edinburgh Enterprise Ltd, who have a special shareholding in the company. Of the total, £14,038 was received during the period and £40,289 is included in other debtors at 31 December 1999. (During the period to 31 December 1998 grants totalling £890,773 were received from Lothian and Edinburgh Enterprise Ltd, of which £810,958 was received during the period and £79,815 was included in year end debtors).

The company has taken advantage of the exemption allowed under FRS 8 in respect of transactions with other group entities.