

DIRECTORS' REPORT

SC 131773

The Directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2005

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 before tax for the year amounted to £881,739 The Company has, after a refund of tax of £11,811, a loss of £869,928

The Directors do not recommend payment of a dividend for the year ended 31 December 2005

Business Review

The significant improvement in the Company's operating performance, achieved in the last few years, was maintained during the year to 31 December 2005 The Company's Conference Centre operations were effectively and efficiently managed and the financial targets for the period were exceeded Conference Centre activities produced an operating profit, before adjustments for depreciation and capital grants received, for the third successive year

In the year to 31 December 2005 the EICC hosted 17 international events International business tends to have the optimum mix of events duration, occupancy of the facility and delegate numbers and it therefore remains the principal market from which the Conference Centre seeks to secure business During the year the EICC continued to attract prestigious high profile events to the city of Edinburgh

In line with previous years there was a focus on attracting higher yield business to the Conference Centre in order to optimise the use of available resources This led to an increase in the average revenue generated per event compared with previous years During the year under review 114 events were held at the EICC These events generated an estimated economic impact of £22.1m for the City of Edinburgh from the equivalent of 145,912 delegate days

The EICC team continue to exceed customer expectations through their focus on planning and delivery, their "can do" attitude and their attention to detail Customer delight ratings remain very high and there is a very high level of positive customer feedback The Company is committed to its strategy of providing high levels of service and a high quality, technically advanced product in order to exceed client requirements and expectations The resultant highly successful delivery of events at the EICC has continued to generate a high level of repeat business

Bookings for future years remain positive and although the lead time for securing events has shortened the Conference Centre holds confirmed bookings for events up to 2011

During the year the Company signed a development agreement with a major developer for the procurement of additional conference and exhibition facilities on a site adjacent to the Conference Centre An application for planning was submitted in December and the Company is currently awaiting planning approval in respect of these development proposals

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 2006



Fixed Assets

Movements in fixed assets are disclosed in note 8 to the financial statements

Directors and Directors' Interests

The Directors who served during the period were as follows


R C Aldridge
M M Child
J A Dawe
J Mc H McFarlane
A L A Macpherson
A A Scobbie
L Shiels
I Whyte

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

Auditors

A resolution to re appoint Ernst & Young LLP 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
MD Secretaries Limited
12 October 2006

FINANCIAL RISK MANAGEMENT POLICY

The Company's principal financial instruments comprise cash, cash equivalents and group loans. Other financial assets and liabilities, such as trade creditors and group balances, arise directly from the Company's operating activities.

The main risks associated with the Company's financial assets and liabilities are set out below.

Interest rate risk

The Company invests surplus cash in a floating rate interest yielding bank deposit account. Therefore financial assets, liabilities, interest income and interest charges and cash flows can be affected by movements in interest rates. However, the exposure is reduced as these cash flows largely offset each other.

Credit risk

There is no significant exposure to customers being unable to meet their liabilities to the Company due to the fact that over 85% of the Company's gross profits are derived from fees which are paid in advance and from catering commission which is paid by the catering concessionaire.

Liquidity risk

The Company aims to mitigate liquidity risk by managing cash generated by its operations. Flexibility is maintained by retaining surplus cash in readily accessible bank deposit accounts.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements 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 financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgements and estimates that are reasonable and prudent,

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements 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 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 financial statements 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.

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

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Edinburgh
27 October 2006

PROFIT & LOSS ACCOUNT
For the year ended 31 December 2005

	Note	2005 £	2004 £
Turnover	2	5,446,553	5,779,814
Cost of sales		<u>(5,460,177)</u>	<u>(5,932,519)</u>
Gross profit/(loss)		(13,624)	(152,705)
Development expenses		(520,994)	(283,290)
Other administration expenses		<u>(477,332)</u>	<u>(529,177)</u>
		<u>(998,326)</u>	<u>(812,467)</u>
Operating loss	3	(1,011,950)	(965,172)
Interest receivable	4	<u>130,211</u>	<u>154,907</u>
Loss on ordinary activities before tax		(881,739)	(810,265)
Tax on profit on ordinary activities	5	<u>11,811</u>	<u>48,643</u>
Loss on ordinary activities after tax		(869,928)	(761,622)
Retained loss brought forward		<u>(46,174,579)</u>	<u>(45,412,957)</u>
Retained loss carried forward		<u>(47,044,507)</u>	<u>(46,174,579)</u>

There are no recognised gains or losses, other than the loss after tax on ordinary activities for the year ended 31 December 2005 of £869,928, and for the year ended 31 December 2004, £761,622

BALANCE SHEET
At 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	8	15,559,049	16,211,836
Current assets			
Debtors	9	2,536,410	2,048,788
Investments	10	197,419	190,620
Cash		<u>2,043,302</u>	<u>3,005,022</u>
		4,777,131	5,244,430
Creditors Amounts falling due within one year	11	<u>(1,241,635)</u>	<u>(1,248,464)</u>
Net current assets		<u>3,535,496</u>	<u>3,995,966</u>
Total assets less current liabilities		<u>19,094,545</u>	<u>20,207,802</u>
Creditors Amounts falling due after more than one year			
Loan	12	2,046,162	2,046,162
Loan stock	12	55,063,073	55,063,073
Obligations under finance leases and hire purchase contracts	13	<u>18,058</u>	<u> </u>
		57,127,293	57,109,235
Accruals & deferred income	14	<u>9,011,696</u>	<u>9,273,083</u>
		66,138,989	66,382,318
Capital & reserves			
Called up share capital	15	63	63
Profit & loss account		<u>(47,044,507)</u>	<u>(46,174,579)</u>
Shareholders' funds	16	<u>(47,044,444)</u>	<u>(46,174,516)</u>
		<u>19,094,545</u>	<u>20,207,802</u>

Director
Councillor M Child

Director
Councillor I Whyte

12 October 2006

CASH FLOW STATEMENT
For the year ended 31 December 2005

	Notes	2005 £	2004 £
Net cash inflow from operating activities	3b	(570,916)	(36,195)
Returns on investments and servicing of finance			
Interest received	130,211		154,907
Interest paid on finance rental payments	<u>(1,207)</u>		<u>—</u>
Net cash inflow from returns on investment and servicing of finance		129,004	154,907
Taxation			
Tax recovered	53,526		48,643
Tax paid	<u>(32,497)</u>		<u>—</u>
Net cash inflow from taxation		21,029	48,643
Capital expenditure			
Payments to acquire tangible fixed assets	(537,005)		(334,283)
Capital grants received	<u>—</u>		<u>—</u>
Net cash outflow from capital expenditure		(537,005)	(334,283)
Financing			
Net movement on loan stock			
Capital element of finance lease rental payments	<u>(3,832)</u>		<u>—</u>
Net cash inflow from financing		<u>(3,832)</u>	<u>—</u>
Increase in cash		<u>(961,720)</u>	<u>(166,928)</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period	(961,720)		(166,928)
Cash inflow/(outflow) from increase in debt and lease financing	(18,057)		
Cash inflow from decrease in liquid resources	<u>—</u>		<u>—</u>
Change in net debt arising from cash flows		(979,777)	(166,928)
Movement in loan stock debtor		<u>—</u>	<u>—</u>
Movement in net debt during the period		(979,777)	(166,928)
Net debt at 1 January 2005		(54,104,213)	(53,937,285)
Net debt at 31 December 2005		<u>(55,083,990)</u>	<u>(54,104,213)</u>

NOTES TO THE FINANCIAL STATEMENTS

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 financial statements

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

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 fixed 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 Motor Vehicles 5 Years

When an impairment loss on a fixed asset is recognised, as required by FRS 11 Impairment of Fixed Assets and Goodwill, the revised carrying amount is depreciated over the revised estimate of the remaining useful economic life

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. The City of Edinburgh Council has title to interest receivable on the funds held in trust (see note 10), 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. 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. The implementation of FRS 19 has had no material impact on the financial statements.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet 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 balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable 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 balance sheet 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 and the relevant payments have been received.

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.

	2005 £	2004 £
Conference facilities	4,705,271	5,149,471
Rental income from the letting of office space	556,998	468,327
Site development	<u>184,284</u>	<u>162,016</u>
	<u>5,446,553</u>	<u>5,779,814</u>

3 Operating loss

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

	£	£
Depreciation of fixed assets	1,216,486	1,208,370
Depreciation of fixed assets under finance leases	5,700	
Auditors' remuneration - audit services	19,000	18,500
Auditors' remuneration - non audit services	7,250	6,500
Operating lease rentals	30,699	31,008
Capital grants released	<u>(487,209)</u>	<u>(480,458)</u>

(b) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2005 £	2004 £
Operating loss after revenue grant	(1,010,743)	(965,172)
Depreciation of tangible fixed assets	1,222,186	1,208,370
(Increase) in investments	(6,799)	(6,651)
Decrease/(Increase) in operating debtors and prepayments	(420,116)	(110,468)
(Decrease) in operating creditors and accruals	(26,551)	417,583
Capital grants released in period	(487,209)	(480,458)
(Decrease)/Increase in deferred income	<u>158,316</u>	<u>(99,399)</u>
Net cash inflow from operating activities	<u>(570,916)</u>	<u>(36,195)</u>

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

	Opening £	Cash Flow £	Other £	Closing £
Cash	3,005,022	(961,720)		2,043,302
Overdraft		<u>(961,720)</u>		
Obligations under finance leases and hire purchase contracts			(18,057)	(18,057)
Short term loans	(2,046,162)			(2,046,162)
Loan stock	<u>(55,063,073)</u>			<u>(55,063,073)</u>
Total	<u>(54,104,213)</u>	<u>(961,720)</u>	<u>(18,057)</u>	<u>(55,083,990)</u>

4. Interest Receivable

	£	£
Interest due on bank deposits	<u>130,211</u>	<u>154,907</u>

5 Tax on Profit on Ordinary Activities

	£	£
UK Corporation Tax		
Tax charge for the year	(41,715)	
Adjustment in respect of prior years	53,526	
Adjustment for group relief recovered in relation to previous years		<u>48,643</u>
	<u>11,811</u>	<u>48,643</u>

6 Staff Costs

	2005 £	2004 £
Salaries	1,537,555	1,610,365
Social security costs	149,460	151,760
Pension costs	<u>71,779</u>	<u>67,093</u>
	<u>1,758,794</u>	<u>1,829,218</u>
The average number of staff employed during the year was	60	60

7 Directors' Emoluments

No Directors' emoluments were paid during the year to 31 December 2005, or in the previous year

8 Tangible Assets

Cost	Infrastructural Works £	Long Leasehold Buildings £	Motor Vehicles £	Office Equipment & Furniture £	Total £
At 1 January 2005	9,919,961	36,982,237		9,222,372	56,124,570
Additions in period at cost	<u> </u>	<u>283,889</u>	<u>38,000</u>	<u>247,510</u>	<u>569,399</u>
At 31 December 2005	<u>9,919,961</u>	<u>37,266,126</u>	<u>38,000</u>	<u>9,469,882</u>	<u>56,693,969</u>
Depreciation					
At 1 January 2005	3,030,786	28,655,117		8,226,831	39,912,734
Charge for the period	<u>493,356</u>	<u>222,683</u>	<u>5,700</u>	<u>500,447</u>	<u>1,222,186</u>
At 31 December 2005	<u>3,524,142</u>	<u>28,877,800</u>	<u>5,700</u>	<u>8,727,278</u>	<u>41,134,920</u>
NBV 31 December 2004	<u>6,889,175</u>	<u>8,327,120</u>	<u> </u>	<u>995,541</u>	<u>16,211,836</u>
NBV 31 December 2005	<u>6,395,819</u>	<u>8,388,326</u>	<u>32,300</u>	<u>742,604</u>	<u>15,559,049</u>

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

The net book value of motor vehicles above of £32,300 (2004 £nil), relates to assets held under finance leases and hire purchase contracts

9. Debtors

	2005 £	2004 £
Amount due by The City of Edinburgh Council	115,291	115,291
Trade debtors	1,600,275	1,031,755
Corporation Tax recoverable	53,526	
Other debtors	621,103	745,313
Value added tax		5,479
Prepayments	<u>146,215</u>	<u>150,950</u>
	<u>2,536,410</u>	<u>2,048,788</u>

10. Investments

	£	£
Bank deposits held in trust	<u>197,419</u>	<u>190,620</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 a separate account, which 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

	£	£
Trade creditors	496,233	763,623
Corporation Tax provision	9,218	
Value Added Tax	156,539	
Other taxes and social security costs	50,871	50,040
Other creditors	419,773	339,087
Obligations under finance leases and hire purchase contracts (see Note 13)	5,110	
Accruals	<u>103,891</u>	<u>95,714</u>
	<u>1,241,635</u>	<u>1,248,464</u>

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

	2005	2004
	£	£
Obligations under finance leases and hire purchase contracts (see Note 13)	18,058	
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>9,765,464</u>	<u>9,765,464</u>
	<u>57,127,293</u>	<u>57,109,235</u>
	£	£
Non convertible unsecured loan stock		
Issued to The City of Edinburgh Council and CEC Holdings Ltd	9,660,194	9,660,194
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	<u>105,270</u>	<u>105,270</u>
	<u>9,765,464</u>	<u>9,765,464</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 £2,876,365 (at 31 December 2004 £2,876,365) of the issued non convertible unsecured loan stock, the balance amounting to £6,783,829 (at 31 December 2004 £6,783,829) 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 and hire purchase contracts

The maturity of these amounts is as follows

	£	£
Amounts payable		
Within one year	6,720	
Within two to five years	<u>21,680</u>	
Less finance charges allocated to future periods	<u>5,232</u>	
	<u>23,168</u>	
Finance leases and hire purchase contracts are analysed as follows		
Current obligations	5,110	
Non current obligations	<u>18,058</u>	
	<u>23,168</u>	

14. Accruals and Deferred Income

	2005 £	2004 £
Capital grants	7,190,589	7,610,292
Deferred income	<u>1,821,107</u>	<u>1,662,791</u>
	<u>9,011,696</u>	<u>9,273,083</u>

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

Capital grants brought forward	7,610,292	8,010,011
Received during period	67,506	80,739
Released during period	<u>(487,209)</u>	<u>(480,458)</u>
Capital grants carried forward	<u>7,190,589</u>	<u>7,610,292</u>

15. Share Capital

	2005 No	2004 No	2005 £	2004 £
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>

	2005 No	2004 No	2005 £	2004 £
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				
Special share	1	1	<u>1</u>	<u>1</u>
			<u>63</u>	<u>63</u>

15. Share Capital (continued)

The whole share capital i.e. 1 B share, 10 preference shares, 2 ordinary shares and 40 preferred ordinary shares were all issued to CEC 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 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.

On 31 March 2002 the outstanding "B" redeemable preference share was redeemed in accordance with the rights associated with the share. The "B" redeemable preference share could be redeemed at the request of the shareholder prior to 31 March 2002 subject to the procedures in the Articles of Association, or otherwise would be redeemed on 31 March 2002. The redeemable preference share carried no voting rights, had no right to participate in profits and would 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 Ordinary 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

	2005 £	2004 £
Shareholders' funds brought forward	(46,174,516)	(45,412,894)
Profit/(Loss) on ordinary activities for the period	<u>(869,928)</u>	<u>(761,622)</u>
Shareholders' funds carried forward	<u>(47,044,444)</u>	<u>(46,174,516)</u>

17. Capital Commitments

The Company has capital commitments in respect of various construction projects, amounting to £7,865,000 relating to the Exchange Development of which £7,747,325 has already been expended (at 31 December 2004 these capital commitments amounted to £7,865,000 of which £7,747,325 had been expended).

18 Financial Commitments

At 31 December 2005 the Company had annual commitments under non cancellable operating leases relating to plant and equipment as follows

	2005 £	2004 £
Operating leases which expire		
Within one year	22,033	22,738
In two to five years	41,976	48,660
In over five years	<u> </u>	<u> </u>
	<u>64,009</u>	<u>71,398</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.

The total amount paid to the scheme during the year totals £73,757 (2004 £67,093)

The unpaid contributions outstanding at the year end, included in other creditors, amount to £5,840 (2004 £5,684)

20. Related Party Transactions

There were no capital grants received during the year by EICC Ltd from Scottish Enterprise Edinburgh and Lothian Ltd, who have a special shareholding in the company. (During the period to 31 December 2005 grants totalling £nil were receivable from Scottish Enterprise Edinburgh and Lothian Ltd)

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

21. Parent undertaking and controlling party

The company's immediate parent undertaking is CEC Holdings Limited. It has included the company in its group financial statements, copies of which are available from its registered office.

The ultimate parent undertaking is The City of Edinburgh Council. Copies of the accounts of both companies are available from the Director of Finance, City Chambers, Edinburgh, EH1 1YJ.