



The Directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2007

### Results and dividends

The loss before tax for the year amounted to £614,094 (2006 £634,909) The Company has, after a refund of tax of £12,964, a loss of £601,130 (2006 £627,447)

The Directors do not recommend payment of a dividend for the year ended 31 December 2007

### Principal activities and review of the business

The principal activities of the Company during the year continued to be the operation of an international conference centre and the development of 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

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

	2007 £'000	2006 £'000	% Change
Turnover	5,433	5,940	8.5%
Cost of sales and administration expenses	5,870	6,377	7.9%
Loss on ordinary activities after tax	601	627	+4.1%
Customer delight	86%	88%	2.3%
Economic impact	20,426	23,694	13.8%

In line with expectations the Company suffered a reduction in turnover during the year to 31 December 2007 as a result of bookings being adversely affected by the delay in and ongoing uncertainties surrounding the procurement of the Company's proposed expanded facilities. There was also, however, a significant reduction in the cost of sales and administration expenses for the year which reflected the reduced throughput of activities in the Conference Centres' operations

The financial targets of the Company were exceeded for the year and the loss on ordinary activities after tax was reduced by £26,317, or 4.1%, compared with 2006. Conference Centre activities produced an operating profit, before adjustments for depreciation and capital grants received, for the fifth consecutive year

The Company has maintained its strategy of focussing on specifically targeted high yield business and increased the volume and value of international and national association business held within the Centre, compared to the previous year. This resulted in the EICC hosting 43 association events which generated a revenue contribution of £2,594,964, during the year

The Executive has also continued to focus on the provision of high quality, client focussed services aimed at exceeding customer expectations. This approach continues to be underpinned by adherence to recognised business excellence models and the ongoing accreditation to the appropriate quality, human resource and environmental standards. This led to the achievement of customer delight levels of 86% for the year. This was below the level achieved last year but exceeded target which had been amended to reflect the changed mix of business arising from the uncertainties over the procurement of the AFS

The level of economic impact generated by the EICC amounted to £20,425,982 in 2007. This was a reduction over the previous year and was a consequence of the reduced turnover for 2007 and a change in the business mix achieved during the year. The economic impact was generated from 121,021 delegate days arising from the 108 events held at the EICC during the year

The Company continues to secure a high level of repeat business and currently has contracted future bookings until 2013. There is also a strong focus on the continuous improvement of the Company's operating performance through improving systems and processes, increasing levels of productivity and developing new business opportunities.

The developer who had been appointed to procure the additional conference and exhibition facilities on a site adjacent to the Conference Centre withdrew from the project in April 2007. This has had a negative impact on the project timescales which is likely to affect short to medium term bookings for the Conference Centre. The Company has subsequently reviewed its options with regard to the procurement of the site and now proposes to adopt a direct procurement route. During the second half of the year business models and funding options have been produced and the Company is currently undertaking the procurement of the necessary specialist professional teams to enable more detailed design and planning activities to be undertaken.

### **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 2008.

### **Land and Buildings**

In the Directors' opinion the land and buildings shown in the accounts, at note 8, have a market value that is significantly in excess of their book value.

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

The Directors who served during the period were as follows:

R C Aldridge  
T Buchanan  
J A Dawe  
J Mc H McFarlane  
A L A Macpherson  
E Maginnis  
I Whyte

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

### **Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **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  
22 September 2008

## **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**

The Directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

- 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 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 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 22. 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered auditor  
Edinburgh

22 September 2008

**PROFIT & LOSS ACCOUNT**  
**For the year ended 31 December 2007**

	Note	2007 £	2006 £
Turnover	2	5,432,691	5,940,190
Cost of sales		<u>(5,386,373)</u>	<u>(5,828,242)</u>
<b>Gross profit</b>		46,318	111,948
Development expenses		(308,384)	(316,085)
Other administration expenses		<u>(484,008)</u>	<u>(548,661)</u>
		<u>(792,392)</u>	<u>(864,746)</u>
<b>Operating loss</b>	3	(746,074)	(752,798)
Interest paid	4	(1,744)	
Interest receivable	4	<u>133,724</u>	<u>117,889</u>
<b>Loss on ordinary activities before tax</b>		(614,094)	(634,909)
Tax on profit on ordinary activities	5	<u>11,593</u>	<u>7,462</u>
<b>Loss on ordinary activities after tax</b>		<u>(602,501)</u>	<u>(627,447)</u>

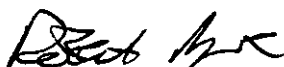
All operations are continuing

There are no recognised gains or losses, other than the loss after tax on ordinary activities for the year ended 31 December 2007 of £602,501, and for the year ended 31 December 2006, £627,447

**BALANCE SHEET**  
**At 31 December 2007**

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Tangible assets	8	14,386,619	15,172,429
<b>Current assets</b>			
Debtors	9	2,265,139	2,102,744
Investments	10	213,284	204,470
Cash		<u>2,237,797</u>	<u>2,474,453</u>
		4,716,220	4,781,667
<b>Creditors</b> Amounts falling due within one year	11	<u>(1,482,290)</u>	<u>(1,584,202)</u>
Net current assets		<u>3,233,930</u>	<u>3,197,465</u>
<b>Total assets less current liabilities</b>		<u>17,620,549</u>	<u>18,369,894</u>
<b>Creditors</b> Amounts falling due after more than one year			
Loan	12	2,046,162	2,046,162
Loan stock	12	55,763,855	55,763,855
Obligations under finance leases and hire purchase contracts	13	<u>7,838</u>	<u>46,179</u>
		57,817,855	57,856,196
<b>Accruals &amp; deferred income</b>	14	<u>8,077,086</u>	<u>8,185,589</u>
		65,894,941	66,041,785
<b>Capital &amp; reserves</b>			
Called up share capital	15	63	63
Profit & loss account		<u>(48,274,455)</u>	<u>(47,671,954)</u>
Shareholders' funds	16	<u>(48,274,392)</u>	<u>(47,671,891)</u>
		<u>17,620,549</u>	<u>18,369,894</u>

Councillor Robert Aldridge  
Director



Councillor Jenny Dawe  
Director



22 September 2008

**CASH FLOW STATEMENT**  
**For the year ended 31 December 2007**

	Notes	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	3b	7,532	97,055
<b>Returns on investments and servicing of finance</b>			
Interest received	133,724		117,889
Interest paid on finance rental payments	<u>(1,744)</u>		<u>(1,475)</u>
Net cash inflow from returns on investment and servicing of finance		131,980	116,414
<b>Taxation</b>			
Tax recovered	15,168		
Tax paid	<u>(2,203)</u>		<u>(1,756)</u>
Net cash inflow from taxation		12,965	(1,756)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets	(350,365)		(589,213)
Capital grants received	————		<u>222,495</u>
Net cash outflow from capital expenditure		(350,365)	(366,718)
<b>Financing</b>			
Net movement on loan stock			624,071
Capital element of finance lease rental payments	<u>(38,767)</u>		<u>(37,915)</u>
Net cash inflow/(outflow) from financing		<u>(38,767)</u>	<u>586,156</u>
<b>Increase/(decrease) in cash</b>		<u>(236,656)</u>	<u>431,151</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase/(decrease) in cash in the period</b>	(236,656)		431,151
Cash inflow/(outflow) from increase in debt and lease financing	<u>38,341</u>		<u>(652,193)</u>
<b>Change in net debt arising from cash flows</b>		(198,315)	(221,042)
Movement in loan stock debtor		————	<u>(76,711)</u>
Movement in net debt during the period		(198,315)	(297,753)
<b>Net debt at 1 January 2007</b>		(55,381,743)	(55,083,990)
<b>Net debt at 31 December 2007</b>		<u>(55,580,058)</u>	<u>(55,381,743)</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 of the Edinburgh International Conference Centre Limited were approved for issue by the Board of Directors on 28 May 2008

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

#### **Going Concern**

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the company's ultimate parent undertaking, The City of Edinburgh Council. It is the directors' opinion that the financial statements should be prepared on a going concern basis

#### **Tangible Fixed Assets**

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**

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 balance sheet 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 balance sheet. The interest elements of the rental obligations are charged in the profit and loss account 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



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

### Revenue Grants

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

### 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 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 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 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

Revenue is recognised, at the fair value of the consideration received, to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is recognised net of discounts and VAT.

All turnover arises from continuing activities carried on within the United Kingdom. The Company operates in three principal areas, the provision of conference and exhibition facilities, the letting of office space and facilitating the development of a previously derelict land site. The turnover arising from each of these activities is shown separately below.

	2007 £	2006 £
Conference facilities	4,859,020	5,323,913
Rental income from the letting of office space	296,348	414,082
Site development	<u>277,323</u>	<u>202,195</u>
	<u>5,432,691</u>	<u>5,940,190</u>

### 3. Operating loss

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

	2007 £	2006 £
Depreciation of fixed assets	1,112,339	1,122,742
Depreciation of fixed assets under finance leases	34,572	7,600
Auditors' remuneration – audit services	23,000	23,000
Auditors' remuneration – taxation services	7,096	12,200
Operating lease rentals – plant and equipment	25,207	24,303
Capital grants released	<u>(500,605)</u>	<u>(493,184)</u>

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

	£	£
Operating loss	(746,074)	(751,323)
Depreciation of tangible fixed assets	1,146,911	1,130,342
Increase in investments	(8,814)	(7,050)
Decrease/(Increase) in operating debtors and prepayments	(95,377)	354,826
Increase/(Decrease) in operating creditors and accruals	(106,412)	256,132
Capital grants released in period	(500,605)	(493,185)
(Decrease)/Increase in deferred income	<u>317,903</u>	<u>(392,687)</u>
Net cash inflow from operating activities	<u>7,532</u>	<u>97,055</u>

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

	Opening £	Cash Flow £	Other £	Closing £
Cash	2,474,453	(236,656)		2,237,797
		<u>(236,656)</u>		
Obligations under finance leases and hire purchase contracts	(46,179)		38,341	(7,838)
Short term loans	(2,046,162)			(2,046,162)
Loan stock	<u>(55,763,855)</u>			<u>(55,763,855)</u>
Total	<u>(55,381,743)</u>	<u>(236,656)</u>	<u>38,341</u>	<u>(55,580,058)</u>

### 4 Interest (Paid)/Receivable

	£	£
Finance charges payable under finance leases	(1,744)	
Interest due on bank deposits	<u>133,724</u>	<u>117,889</u>

## 5 Tax on Profit on Ordinary Activities

	2007 £	2006 £
Income Tax		
Income tax deducted at source	2,204	1,755
UK Corporation Tax		
Tax charge for the year	1,371	
Adjustment in respect of prior years		(9,217)
Adjustment for group relief recovered in relation to previous years	<u>(15,168)</u>	<u>—</u>
	<u>(11,593)</u>	<u>(7,462)</u>

### Tax Reconciliation

#### Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2006 – 30%) The differences are reconciled below

Loss on ordinary activities before tax	<u>(614,094)</u>	<u>(634,909)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	(184,228)	(190,473)
Expenses not deductible for tax purposes	355,920	326,519
Capital allowances in excess of depreciation	(17,717)	8,797
Other timing differences	(150,400)	(147,946)
Adjustments in respect of prior periods		(9,217)
Group relief charge	(15,168)	
Other	<u>—</u>	<u>4,858</u>
Total current tax	<u>(11,593)</u>	<u>(7,462)</u>

No factors that may affect future tax charges have been identified

## 6. Staff Costs

	£	£
Salaries	1,517,189	1,604,200
Social security costs	138,502	158,690
Pension costs	<u>68,223</u>	<u>72,264</u>
	<u>1,723,914</u>	<u>1,835,154</u>

The average number of staff employed during the year was 50 58

## 7. Directors' Emoluments

No Directors' emoluments were paid during the year to 31 December 2007, or in the previous year

## 8. Tangible Assets

Cost	Infrastructural Works £	Long Leasehold Buildings £	Motor Vehicles £	Office Equipment & Furniture £	Total £
At 1 January 2007	9,993,597	37,332,793	38,000	10,073,301	57,437,691
Additions in period at cost	—	(1,506)	—	362,607	361,101
At 31 December 2007	<u>9,993,597</u>	<u>37,331,287</u>	<u>38,000</u>	<u>10,435,908</u>	<u>57,798,792</u>
<b>Depreciation</b>					
At 1 January 2007	4,041,793	29,113,989	13,300	9,096,180	42,265,262
Charge for the period	<u>496,062</u>	<u>242,707</u>	<u>7,600</u>	<u>400,542</u>	<u>1,146,911</u>
At 31 December 2007	<u>4,537,855</u>	<u>29,356,696</u>	<u>20,900</u>	<u>9,496,722</u>	<u>43,412,173</u>
NBV 31 December 2006	<u>5,951,803</u>	<u>8,218,804</u>	<u>24,700</u>	<u>977,122</u>	<u>15,172,429</u>
NBV 31 December 2007	<u>5,455,742</u>	<u>7,974,591</u>	<u>17,100</u>	<u>939,186</u>	<u>14,386,619</u>

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

Included in the net book value of motor vehicles and office equipment and furniture are sums amounting to £95,193 relating to assets held under finance leases and hire purchase contracts (2006 £122,732)

## 9. Debtors

	2007 £	2006 £
Amount due by The City of Edinburgh Council	192,002	192,002
Trade debtors	1,211,505	1,112,193
Other debtors	716,750	643,242
Prepayments	<u>144,882</u>	<u>155,307</u>
	<u>2,265,139</u>	<u>2,102,744</u>

## 10. Investments

	£	£
Bank deposits held in trust	<u>213,284</u>	<u>204,470</u>

## 10 Investments (continued)

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

	2007 £	2006 £
Trade creditors	584,514	865,055
Corporation Tax provision	1,371	
Value Added Tax	101,102	34,815
Other taxes and social security costs	40,847	47,150
Other creditors	613,964	525,341
Obligations under finance leases and hire purchase contracts (see Note 13)	38,341	38,767
Accruals	<u>102,151</u>	<u>73,074</u>
	<u>1,482,290</u>	<u>1,584,202</u>

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

	£	£
Obligations under finance leases and hire purchase contracts (see Note 13)	7,838	46,179
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>10,466,246</u>	<u>10,466,246</u>
	<u>57,817,855</u>	<u>57,856,196</u>
	£	£
Non convertible unsecured loan stock		
Issued to The City of Edinburgh Council and CEC Holdings Ltd	10,284,266	9,660,194
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	<u>181,980</u>	<u>806,052</u>
	<u>10,466,246</u>	<u>10,466,246</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 2006 £2,876,365) of the issued non convertible unsecured loan stock, the balance amounting to £7,407,901 (at 31 December 2006 £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

	2007 £	2006 £
Amounts payable		
Within one year	39,951	40,511
Within two to five years	<u>8,240</u>	<u>48,191</u>
Less finance charges allocated to future periods	<u>2,012</u>	<u>3,756</u>
	<u>46,179</u>	<u>84,946</u>

Finance leases and hire purchase contracts are analysed as follows

Current obligations	38,341	38,767
Non current obligations	<u>7,838</u>	<u>46,179</u>
	<u>46,179</u>	<u>84,946</u>

### 14 Accruals and Deferred Income

	£	£
Capital grants	6,330,762	6,757,169
Deferred income	<u>1,746,324</u>	<u>1,428,420</u>
	<u>8,077,086</u>	<u>8,185,589</u>

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

Capital grants brought forward	6,757,169	7,190,589
Received during period	74,198	59,764
Released during period	<u>(500,605)</u>	<u>(493,184)</u>
Capital grants carried forward	<u>6,330,762</u>	<u>6,757,169</u>

### 15 Share Capital

	2007 No	2006 No	2007 £	2006 £
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>

**15. Share Capital (continued)**

	2007 No	2006 No	2007 £	2006 £
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>

The whole share capital is 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**

	2007 £	2006 £
Shareholders' funds brought forward	(47,671,891)	(47,044,444)
Loss on ordinary activities for the period	<u>(602,501)</u>	<u>(627,447)</u>
Shareholders' funds carried forward	<u>(48,274,392)</u>	<u>(47,671,891)</u>

**17 Capital Commitments**

The Company has no capital commitments in respect of construction projects, (at 31 December 2006 no capital commitments)

**18. Financial Commitments**

At 31 December 2007 the Company had annual commitments under non cancellable operating leases relating to plant and equipment as follows

	2007 £	2006 £
Operating leases which expire		
Within one year	19,065	19,065
In two to five years	16,054	32,465
In over five years	<u>          </u>	<u>          </u>
	<u>35,119</u>	<u>51,530</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 £68,223 (2006 £72,264)

The unpaid contributions outstanding at the year end, included in other creditors, amount to £5,145 (2006 £5,874)

**20. Related Party Transactions**

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.



## **22. Post Balance Sheet Events**

On 31 March 2008 the Company sold its leasehold interest in Conference House. The consideration received for EICC Ltd's interest in the property was £5,915,000. This has resulted in a gain on disposal of £2,605,244.