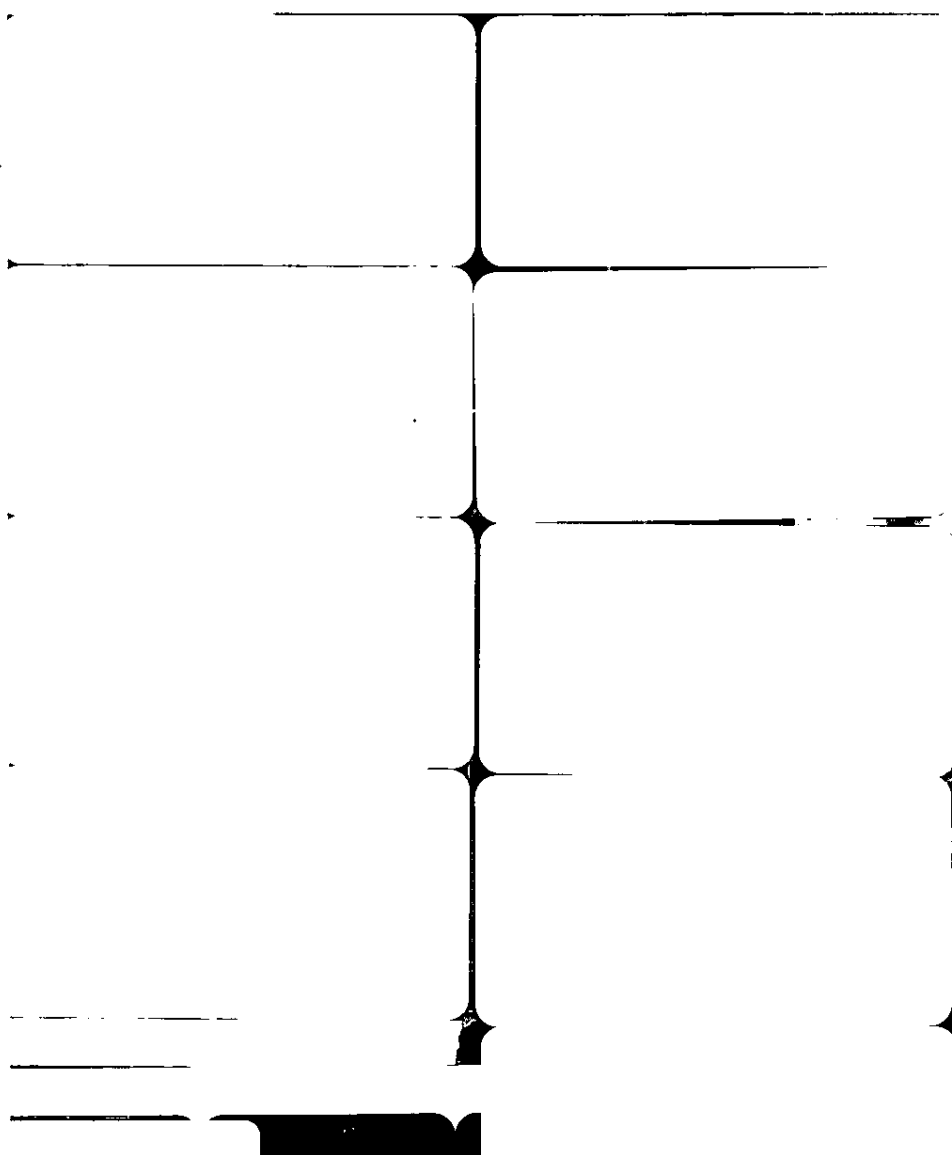


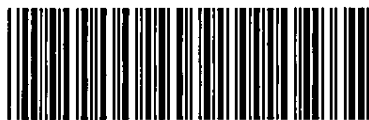
EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2010

COMPANY NUMBER SC131773



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GENERAL INFORMATION

Present Company Directors

R.C. Aldridge
T. Buchanan
J.A. Dawe
L.A. Hinds
J.Mc.H. McFarlane
A.L.A. Macpherson
I. Whyte

Company Secretary

MD Secretaries Limited
Pacific House
70 Wellington Street
Glasgow
G2 6SB

Registered Office

Edinburgh International Conference Centre Limited
152 Morrison Street
Edinburgh
EH3 8EB

Auditors

Ernst & Young LLP
10 George Street
Edinburgh
EH2 2DZ

Bankers

Bank of Scotland plc
3 Earl Grey Street
Edinburgh
EH3 9BN

Solicitors

McGrigors LLP
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

DIRECTORS' REPORT

Company number: SC131773

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Limited (the Company), for the year ended 31 December 2010.

Results and dividends

The loss from continuing operations before tax for the year amounted to £3,057,890 (2009 – £2,636,946). The Company has, after taxation adjustments, a total comprehensive loss for the year of £3,050,132 (2009 – £2,637,126). The Directors do not recommend payment of a dividend for the year ended 31 December 2010.

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:-

	2010 £'000	2009 £'000	% Change
Turnover	4,989	5,373	-7.1%
Cost of sales and administration expenses	5,893	5,838	+0.9%
Customer delight	88%	88%	+0.0%
Economic impact	32,762	31,898	+2.7%

The effects of the recession continued to have an effect on the Company's business in the first half of the year and this was particularly noticeable in the relatively low level and lower value of corporate bookings that were achieved. However the second half of the year proved to be stronger and the Conference Centre hosted a larger number of events, primarily from the association market, which enabled the Company to exceed its turnover target for the year. The EICC continued to be constrained by the perceived limitation of its exhibition facilities in the course of the year. The revenue generated from conference facilities was lower than the previous year which was largely due to the higher than normal event revenues generated by one event which was held in 2009.

The cost of sales figure included in the accounts also shows a reduction compared to the previous year when compared on a like for like basis. Included within cost of sales in 2009 was a rebate of £477,531 in respect of rates. When an adjustment is made in respect of this rebate the cost of sales and administration expenses for 2010, compared on the same basis with the previous year have reduced by 6.7%. This is very much in line with the reduction in turnover for the year. Expenditure in respect of the Company's development activities was significantly reduced from the previous year which was in line with expectation.

The operating profit generated by the activities of the Conference Centre which is the Company's internal measure of performance, although slightly below that achieved in 2009, was significantly ahead of budget for the year. This measure of performance is based upon the operating profit generated before adjustments in respect of depreciation, the recognition of capital grant income, currency exchange translation and an allowance in lieu of Conference House rentals.

The economic impact recorded in respect of events held at the EICC, which helps to maintain or create employment within the city, increased in comparison to the previous year. This economic impact is generated from the expenditure of delegates attending events at the EICC. The Conference Centre hosted 86 events during the year (2009: 92) and attendance at these events was measured in the form of 154,027 delegate days (2009: 131,463). This was a consequence of the Company succeeding in attracting a large number of high yielding international and national association events to the city.

The Company maintained its high level of customer delight, recorded from client feedback questionnaires, during the year. It remains focussed on providing the highest levels of customer care and of exceeding client expectations through the provision of creative and innovative solutions to client requirements. As a result of this the EICC continues to generate a high level of repeat bookings and has contracted bookings until 2015.

The Company remains focussed on streamlining its business operations and increasing its operating efficiency through the implementation of selected quality standards and adherence to the business excellence model. The Company continues to score very highly in its re-accreditations to the standards which it adopts and in a number of these is regarded as best in class. In addition to this the Company continues to champion environmental issues and is focused on reducing the environmental impact of its operations through its sustainable events programme.

The City of Edinburgh Council granted planning consent in respect of the Additional Function Space facility and office buildings project in early 2010. Pre construction work with regard to undertaking service diversions in respect of water, power and communications utilities was completed by mid July.

The contractor selection process was concluded at the end of June and work on site commenced on 26 July 2010. The construction activities initially focussed on the necessary excavation, piling and wall retention works. This has been followed by laying the foundations, concrete slabs and turntable base and erecting the core stairwells and lift shafts. A number of internal works have also taken place within the existing EICC building. The work is progressing well and is currently in line with programme.

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 2011.

Directors

The Directors who served during the period were as follows:

R.C. Aldridge
T. Buchanan
J.A. Dawe
L.A. Hinds
J.Mc.H. McFarlane
A.L.A. Macpherson
I. Whyte

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

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, interest income and cash flows can be affected by movements in interest rates. The Company's debt is primarily non-interest bearing.

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.

Going Concern

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to interest rate, credit and liquidity risk are described above.

The Company's ultimate parent entity, City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements.

Internal Control

The directors acknowledge that they are responsible for the company's system of internal control. As part of this system a process has been established for identifying, evaluating and managing the significant risks faced by the company. This process has been in place throughout the year under review. The company's key risk management processes and systems of internal control include the following:

Management structure – authority to operate the company is delegated to management within limits set by the board. There is a clear understanding between management and the board regarding delegation of authority and authorisation levels and management regularly reviews matters such as segregation of duties and other control procedures.

Identification and evaluation of business risks – the major financial, commercial, regulatory and operating risks are evaluated and reviewed by the management team on a regular basis to ensure that they are being effectively managed.

Information and financial reporting systems – the company prepares detailed operating budgets for the year and submits a detailed business plan and a rolling five year plan to the board for review and authorisation each year. Performance is monitored against these plans and relevant action is taken throughout the year as required.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year and to satisfy themselves that the financial statements present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8; Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS's is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRS's, subject to any material departures disclosed and explained in the financial statements; and
- make judgments and estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the 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
1 August 2011

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

We have audited the financial statements of Edinburgh International Conference Centre Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flow and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- ▶ adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the accounting records and returns; or
- ▶ certain disclosures of directors' remuneration specified by law are not made; or
- ▶ we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Walter Campbell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh

1 August 2011

STATEMENT OF COMPREHENSIVE INCOME
At 31 December 2010

	Notes	2010 £	2009 £
Revenue	3	4,989,418	5,372,982
Cost of sales		<u>(5,416,121)</u>	<u>(5,295,624)</u>
Gross (loss)/profit		(426,703)	77,358
Development expenses	(2,170,558)		(3,781,491)
Administration expenses	<u>(477,268)</u>		<u>(542,115)</u>
		<u>(2,647,826)</u>	<u>(4,323,606)</u>
Operating loss from continuing operations	5	(3,074,529)	(4,246,248)
Profit on disposal of fixed assets		9,250	1,600,427
Finance revenue	7	8,803	9,930
Finance costs	8	<u>(1,414)</u>	<u>(1,055)</u>
Loss from continuing operations before tax		(3,057,890)	(2,636,946)
Tax credit/(expense)		<u>7,758</u>	<u>(180)</u>
Total comprehensive loss for the year		<u>(3,050,132)</u>	<u>(2,637,126)</u>

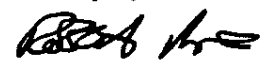
All of the total comprehensive loss for the year is attributable to the Company's immediate parent undertaking.


STATEMENT OF CHANGES IN EQUITY
At 31 December 2010

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 1 January 2009	63	50,602,526	(46,731,566)	3,871,023
Loss for period	-	-	(2,637,126)	(2,637,126)
Net movement on recognition of loans	-	<u>744,824</u>	<u>-</u>	<u>744,824</u>
At 31 December 2009	63	51,347,350	(49,368,692)	1,978,721
Loss for period	-	-	(3,050,132)	(3,050,132)
Net movement on recognition of loans	-	<u>3,596,921</u>	<u>-</u>	<u>3,596,921</u>
At 31 December 2010	<u>63</u>	<u>54,944,271</u>	<u>(52,418,824)</u>	<u>2,525,510</u>

STATEMENT OF FINANCIAL POSITION
At 31 December 2010

	Notes	£	2010 £	2009 £	As at 1 January 2009 £
Non-current assets					
Property, plant and equipment	10		8,200,469	8,414,818	10,599,129
Current assets					
Trade and other receivables	11	2,600,651		2,579,287	2,650,855
Cash and short term deposits	12	<u>2,496,735</u>		<u>2,247,323</u>	<u>1,594,676</u>
			<u>5,097,386</u>	<u>4,826,610</u>	<u>4,245,531</u>
Total assets			<u>13,297,855</u>	<u>13,241,428</u>	<u>14,844,660</u>
Current liabilities					
Trade and other payables	13	1,871,739		2,156,663	1,406,215
Financial liabilities	14	2,046,162		2,046,162	2,046,162
Deferred revenue	16	<u>1,227,780</u>		<u>1,178,062</u>	<u>1,295,465</u>
			5,145,681	5,380,887	4,747,842
Non-current liabilities					
Financial liabilities	14	9,702		1,548	895
Capital grants	16	5,092,530		5,493,683	5,893,707
Deferred revenue	16	<u>524,432</u>		<u>386,589</u>	<u>331,193</u>
			5,626,664	5,881,820	6,225,795
Equity					
Issued share capital	17	63		63	63
Other reserves	18	54,944,271		51,347,350	50,602,526
Retained earnings		<u>(52,418,824)</u>		<u>(49,368,692)</u>	<u>(46,731,566)</u>
			<u>2,525,510</u>	<u>1,978,721</u>	<u>3,871,023</u>
Total equity and liabilities			<u>13,297,855</u>	<u>13,241,428</u>	<u>14,844,660</u>


Councillor Robert Aldridge
Director:


Councillor Jenny Dawe
Director:

STATEMENT OF CASH FLOW
For the year ended 31 December 2010

	£	2010 £	2009 £
Operating activities			
Operating loss for the year		(3,074,529)	(4,246,248)
Adjustments to reconcile loss for the year to net cash inflow from operating activities			
Tax on continuing operations	7,758		(180)
Net finance revenues	8,526		9,528
Depreciation on property, plant and equipment	838,598		1,027,774
Capital grants released	(466,137)		(466,833)
(Increase)/decrease in trade and other receivables	(93,799)		4,413
(Decrease)/ increase in trade and other payables	(66,808)		551,923
Increase/(decrease) in deferred revenue	<u>187,561</u>		<u>(62,006)</u>
		<u>415,699</u>	<u>1,064,619</u>
Net cash flow from operating activities		(2,658,830)	(3,181,629)
Investing activities			
Receipt of grants	137,419		133,963
Proceeds from sale of property, plant and equipment	9,250		3,323,604
Payments to acquire property, plant and equipment	<u>(833,945)</u>		<u>(360,277)</u>
Net cash flow from investing activities		(687,276)	3,097,290
Financing activities			
Receipt of loan stock	3,596,921		744,824
Repayment of capital element of finance leases	<u>(1,403)</u>		<u>(7,838)</u>
Net cash flow from financing activities		<u>3,595,518</u>	<u>736,986</u>
Increase in cash		<u>249,412</u>	<u>652,647</u>
Net increase in cash and cash equivalents		249,412	652,647
Cash and cash equivalents at 1 January		<u>2,247,323</u>	<u>1,594,676</u>
Cash and cash equivalents at 31 December		<u>2,496,735</u>	<u>2,247,323</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of Edinburgh International Conference Centre Limited for the year ended 31 December 2010 were authorised for issue by the board of directors on 25 May 2011. Edinburgh International Conference Centre Limited is a company incorporated and domiciled in Scotland.

The principal activities of the Company are described in Note 3 and information regarding its ultimate parent company is presented in Note 21.

2. Accounting policies

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

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2010 and applied in accordance with the Companies Act 2006.

The Company's transition date to IFRS is 1 January 2009. IFRS 1 First-time Adoption of IFRS allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The exemptions that the Company has used, along with a reconciliation to previous UK GAAP, is set out in Note 22.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2010. The Company has used the "cost of sales" method of presenting income and expenditure and the Company's financial statements are presented in Sterling.

New standards not yet applied

The following standards and interpretations have an effective date after the date of these financial statements but the Company has not early adopted them.

IAS 24 Related Party Disclosures (amendment) – effective 1 January 2011. The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (amendment) – effective 1 February 2010. The amendment to IAS 32 amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company.

IFRS 9 Financial Instruments: Classification and Measurement – effective 1 January 2013. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have no effect on the Company. The Company will quantify the effect of the other phases, when issued.

IFRIC 14 Prepayments of a minimum funding requirement (amendment). The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – effective 1 July 2010. IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In the case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in the statement of comprehensive income. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to IFRS – issued in May 2010. The Company expects no impact from the adoption of the amendments on its financial position or performance.

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.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period and the amounts reported for revenues and expenses during the year.

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows:

Infrastructural works: 2 to 20 years. Leasehold Land and Buildings: 50 years. Motor Vehicles: 5 Years. Office Equipment and Furniture: 3 to 15 years.

Management use judgement in arriving at the Company's depreciation policy by taking account of the residual value of the assets concerned and their useful economic life. The Company expects that items of property, plant and equipment will be used for their entire life and as a result it is expected that these items will have no residual value. An assets useful economic life is based on past experience and general expectations.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

The capitalisation of infrastructural works and assets under construction is based on management's judgement of when a projects future economic benefit can be determined. Initial project development costs in respect of feasibility studies, design team fees and pre construction activities are expensed via the statement of comprehensive income. However, once a project's feasibility has been determined and a future benefit is expected to arise from it the costs of that project are capitalised.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

Capital grants

Grants in respect of capital expenditure are credited to deferred income and are released to income in equal amounts over the expected useful lives of the relevant assets by equal annual instalments.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position. The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 when the option to enter into a new lease was exercised. From this date the assets have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing.

Rentals payable under operating leases are charged in the statement of comprehensive income 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.

Trade and other receivables

Trade receivables which generally have 30 day terms are recognised and carried at their original invoiced value, less an allowance for impairment of doubtful debt. An allowance for doubtful debt is estimated by management, taking into account future cashflows, based on past experience and an assessment of the current economic climate in which the company operates

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Trade and other payables

Trade and other payables are recognised at fair value and subsequently held at amortised cost

Loans

Loans are initially recognised at fair value and then held at amortised cost using the effective interest rate method of calculation. The effective interest rate is included in finance costs in the statement of comprehensive income.

Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws enacted or substantially enacted at the reporting date.

The Company does not recognise amounts which may be recoverable under group relief until the tax computations for the companies in the tax group have been agreed and the relevant payments have been received.

Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding VAT.

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

3. Revenue

The Company operates in two principal areas; the provision of conference and exhibition facilities and facilitating the development of a previously derelict land site. All revenues arise from continuing operations.

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

	2010 £	2009 £
Provision of conference facilities	4,766,049	5,132,914
Rendering of services	<u>223,369</u>	<u>240,068</u>
	<u>4,989,418</u>	<u>5,372,982</u>

4. Segment information

For management purposes the Company operates as a single business unit.

All revenues are derived from external customers who are based in the United Kingdom. No single customer accounted for 10 per cent or more of the Company's revenues.

5. Operating loss

This is stated after charging/(crediting):

	2010 £	2009 £
Depreciation of fixed assets	817,920	993,202
Depreciation of fixed assets under finance leases	20,678	34,572
Auditors' remuneration - audit services	25,750	25,750
Auditors' remuneration – taxation services	9,274	21,350
Operating lease rentals – land and buildings	80,696	80,696
- plant and equipment	15,680	15,680
Loss on foreign exchange translation	28,240	48,382
Capital grants released	<u>(466,137)</u>	<u>(466,833)</u>

6. Staff costs and directors' emoluments

(a) Staff costs

	2010 £	2009 £
Salaries	1,620,013	1,568,649
Social security costs	143,460	161,181
Pension costs	<u>66,892</u>	<u>54,842</u>
	<u>1,830,365</u>	<u>1,784,672</u>

The average number of staff employed during the year was:

Sales and Marketing	9	7
Operations	28	28
Administration	8	8

(b) Directors' emoluments

No Directors or key management personnel (which comprise the Board) were paid any emoluments during the year to 31 December 2010, or in the previous year.

7. Finance revenue

	2010 £	2009 £
Interest due on bank deposits	<u>8,803</u>	<u>9,930</u>

8. Finance costs

	2010 £	2009 £
Finance charges payable under finance leases and hire purchase contracts	(277)	(402)
Effective interest on loan stock	<u>(1,137)</u>	<u>(653)</u>
	<u>(1,414)</u>	<u>(1,055)</u>

9. Tax credit/(expense)

	2010 £	2009 £
Income Tax:		
Income tax deducted at source	111	180
UK Corporation Tax:		
Tax charge for the year	-	-
Adjustment for group relief recovered in relation to previous years	<u>(7,869)</u>	<u>-</u>
	<u>(7,758)</u>	<u>180</u>

Tax Reconciliation:

Factors affecting the current tax charge:

The tax assessed on the loss on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 28.0% (2009: 28.0%). The differences are reconciled below:

	£	£
Loss from continuing operations before tax	<u>(3,057,890)</u>	<u>(2,636,946)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2009: 28.0%)	(856,209)	(738,345)
Expenses not deductible for tax purposes	784,589	784,677
Capital allowances in excess of depreciation	(47,604)	(65,076)
Other timing differences	(112,005)	(130,530)
Adjustments in respect of prior periods	(7,869)	-
Unrelieved tax losses carried forward	231,229	149,274
Other	<u>111</u>	<u>180</u>
Total current tax	<u>(7,758)</u>	<u>180</u>

As at 31 December 2010 there was an unrecognised deferred tax asset amounting to £4,028,113 (2009: £3,956,811) of which £174,247 (2009: £126,822) was in respect of accelerated capital allowances, £1,425,909 (2009: £1,538,231) was in respect of other timing differences and £2,776,631 (2009: £2,545,402) was in respect of trading losses. The directors have elected not to recognise a deferred tax asset due to uncertainty surrounding future profitability from which any reversal of timing differences could be deducted.

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

10. Property, plant and equipment

	Infrastructural Works £	Long Leasehold Buildings £	Assets Under Construction £	Office Equipment & Furniture £	Total £
Cost or valuation					
At 1 January 2009	9,993,597	33,035,035	-	10,955,360	53,983,992
Additions	-	38,323	-	528,317	566,640
Disposals	<u>(3,323,604)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,323,604)</u>
At 31 December 2009	6,669,993	33,073,358	-	11,483,677	51,227,028
Additions	-	28,293	139,656	456,300	624,249
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,140,480)</u>	<u>(9,140,480)</u>
At 31 December 2010	<u>6,669,993</u>	<u>33,101,651</u>	<u>139,656</u>	<u>2,799,497</u>	<u>42,710,797</u>
Depreciation and impairment					
At 1 January 2009	5,034,893	28,416,962	-	9,933,008	43,384,863
Charge for the period	455,313	160,996	-	411,465	1,027,774
Disposals	<u>(1,600,427)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,600,427)</u>
At 31 December 2009	3,889,779	28,577,958	-	10,344,473	42,812,210
Charge for the period	289,133	162,875	-	386,590	838,598
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,140,480)</u>	<u>(9,140,480)</u>
At 31 December 2010	<u>4,178,912</u>	<u>28,740,833</u>	<u>-</u>	<u>1,590,583</u>	<u>34,510,328</u>
Net book value					
At 1 January 2009	<u>4,958,704</u>	<u>4,618,073</u>	<u>-</u>	<u>1,022,352</u>	<u>10,599,129</u>
At 31 December 2009	<u>2,780,214</u>	<u>4,495,400</u>	<u>-</u>	<u>1,139,204</u>	<u>8,414,818</u>
At 31 December 2010	<u>2,491,081</u>	<u>4,360,818</u>	<u>139,656</u>	<u>1,208,914</u>	<u>8,200,469</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 £36,765 relating to assets held under finance leases and hire purchase contracts (31 December 2009: £20,678 and 1 January 2009: £67,654).

11. Trade and other receivables

	2010 £	2009 £	As at 1 January 2009 £
Trade receivables	1,999,305	1,617,320	1,368,535
Amount owed by the City of Edinburgh Council	216,548	181,982	192,002
Short term deposits	222,163	221,719	221,000
Corporation Tax recoverable	180	2,109	-
Value Added Tax	-	14,295	-
Other debtors	1	399,051	725,949
Prepayments	<u>162,454</u>	<u>142,811</u>	<u>143,369</u>
	<u>2,600,651</u>	<u>2,579,287</u>	<u>2,650,855</u>

Trade receivables are non interest bearing and are generally on 30 days' terms. As at 31 December 2010 no trade receivables were determined to be impaired (31 December 2009: nil and 1 January 2009: nil).

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £	Neither past due nor impaired £	Past due but not impaired		
			< 30 days £	30-60 days £	> 90 days £
At 1 January 2009	1,368,535	868,732	180,082	245,018	74,703
At 31 December 2009	1,617,320	1,255,737	91,865	118,241	151,477
At 31 December 2010	1,999,305	1,927,042	18,636	42,571	11,056

The credit rating of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings, where available, historical information in respect of repeat business and payment history with regard to current business.

The short term deposits represent the balance of funds arising from the sale and leaseback transaction and can be invested broadly in special projects in whichever way EICC Ltd and the City of Edinburgh Council determine.

12. Cash and short term deposits

	2010 £	2009 £	As at 1 January 2009 £
Cash at bank and in hand	<u>2,496,735</u>	<u>2,247,323</u>	<u>1,594,676</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £2,496,735 (31 December 2009: £2,247,323 and 1 January 2009: £1,594,676).

13. Trade and other payables

	2010 £	2009 £	As at 1 January 2009 £
Trade payables	494,941	1,288,778	734,699
Value Added Tax	294,926	-	42,670
Other taxes and social security costs	45,184	40,733	43,789
Other payables	947,195	731,756	499,073
Obligations under finance leases and hire purchase contracts (see Note 15)	5,614	-	7,838
Accruals	<u>83,879</u>	<u>95,396</u>	<u>78,146</u>
	<u>1,871,739</u>	<u>2,156,663</u>	<u>1,406,215</u>

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

14. Financial liabilities

Loans and borrowings

	2010 £	2009 £	As at 1 January 2009 £
Current			
Short term loan	<u>2,046,162</u>	<u>2,046,162</u>	<u>2,046,162</u>
Non-current			
Obligations under finance leases and hire purchase contracts	7,017	-	-
Loan stock	<u>2,685</u>	<u>1,548</u>	<u>895</u>
	<u>9,702</u>	<u>1,548</u>	<u>895</u>

The short term loan, which bears no interest, is repayable to the City of Edinburgh Council.

The company has issued convertible and non-convertible loan stock to the City of Edinburgh Council and CEC Holdings Limited, as shown overleaf. These loan stocks, which amount to a face value of £54,944,271 (31 December 2009: £51,347,350 and 31 January 2009: £50,602,526) either bear no interest or the interest on them has been waived by the stockholder.

The loans have been fair valued by discounting the future cash flows using market interest rates. Loan stocks are then held at amortised cost by applying an effective interest rate, to increase the loan stock to its face value over the term of the loan stock's issue.

These loans have been received from the parent company and the Company relies on these loans as an ongoing source of funding.

14. Financial liabilities (continued)

The fair value of loan stock has been estimated using effective interest rates which have been applied to the various loan stocks as follows:

Loan Stock	Interest Rate %	Loan Stock £	Amortised cost at 31 December 2010 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	15	13
Non-Convertible Unsecured Loan Stock 2117	13	5,816,998	12	11
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	1,623	1,622
Non-Convertible Unsecured Loan Stock 2023	75	868,000	601	600
Non-Convertible Unsecured Loan Stock 2024	70	546,000	324	323
Non-Convertible Unsecured Loan Stock 2025	60	123,000	107	106
Non-Convertible Unsecured Loan Stock 2034	60	154,299	2	1
Non-Convertible Unsecured Loan Stock 2035	75	<u>799,000</u>	<u>1</u>	<u>1</u>
		<u>54,944,271</u>	<u>2,685</u>	<u>2,677</u>

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

	2010 £	2009 £	As at 1 January 2009 £
Convertible unsecured loan stock	45,297,609	45,297,609	45,297,609
Non-convertible unsecured loan stock	<u>9,646,662</u>	<u>6,049,741</u>	<u>5,304,917</u>
	<u>54,944,271</u>	<u>51,347,350</u>	<u>50,602,526</u>
Non-convertible unsecured loan stock			
Issued to The City of Edinburgh Council and CEC Holdings Ltd	4,675,316	4,675,316	10,284,266
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	4,971,346	1,374,425	935,651
Due to be reduced by The City of Edinburgh Council and CEC Holdings Ltd	<u>-</u>	<u>-</u>	<u>(5,915,000)</u>
	<u>9,646,662</u>	<u>6,049,741</u>	<u>5,304,917</u>

14. Financial liabilities (continued)

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.

A further £5,816,998 of non-convertible unsecured loan stock 2117 (31 December 2009: £3,019,077 and 1 January 2009: £2,428,552) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £3,829,664 (31 December 2009: £3,030,664 and 1 January 2009: £2,876,365) of the remaining issued or due to be issued non-convertible unsecured loan stock. This non-convertible unsecured loan stock bears no interest and is repayable within 25 years of issue.

15. Obligations under leases and hire purchase contracts

Finance lease agreements

The Company uses finance leases and hire purchase contracts to acquire plant, machinery and motor vehicles. Future minimum lease payments under finance leases and hire purchase contracts as at 31 December are as follows:

	2010 £	2009 £
Amounts payable:		
Within one year	6,000	-
Within two to five years	7,595	-
Less: finance charges allocated to future periods	<u>(964)</u>	<u>-</u>
	<u>12,631</u>	<u>-</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (see Note 13)	5,614	-
Non-current obligations (see Note 14)	<u>7,017</u>	<u>-</u>
	<u>12,631</u>	<u>-</u>

Operating lease agreements

The Company has entered into commercial leases on land and buildings and certain items of office equipment. These leases have duration of between 3 and 5 years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2010 £	2009 £
Land and buildings		
Within one year	80,696	80,696
In two to five years	<u>20,174</u>	<u>100,870</u>
	<u>100,870</u>	<u>181,566</u>
Other		
Within one year	9,944	12,211
In two to five years	<u>32,205</u>	<u>25,134</u>
	<u>42,149</u>	<u>37,345</u>

16. Deferred revenue

	2010	2009	As at 1 January 2009
	£	£	£
Deferred revenue	1,752,212	1,564,651	1,626,658
Capital grants	<u>5,092,530</u>	<u>5,493,683</u>	<u>5,893,707</u>
	<u>6,844,742</u>	<u>7,058,334</u>	<u>7,520,365</u>

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

	2010	2009	As at 1 January 2009
	£	£	£
At 1 January	1,564,651	1,626,658	1,746,324
Deferred during the year	1,365,623	1,233,458	1,098,203
Released to the income statement	<u>(1,178,062)</u>	<u>(1,295,465)</u>	<u>(1,217,869)</u>
At 31 December	<u>1,752,212</u>	<u>1,564,651</u>	<u>1,626,658</u>

Deferred revenue is analysed as follows:

Current obligations	1,227,780	1,178,062	1,295,465
Non-current obligations	<u>524,432</u>	<u>386,589</u>	<u>331,193</u>
	<u>1,752,212</u>	<u>1,564,651</u>	<u>1,626,658</u>

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

	2010	2009	As at 1 January 2009
	£	£	£
At 1 January	5,493,683	5,893,707	6,330,762
Receivable during the year	64,984	66,809	70,610
Released to the income statement	<u>(466,137)</u>	<u>(466,833)</u>	<u>(507,665)</u>
At 31 December	<u>5,092,530</u>	<u>5,493,683</u>	<u>5,893,707</u>

17. Share capital

	2010 No.	2009 No.	2010 £	2009 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
Special share	1	1	<u>1</u>	<u>1</u>
			<u>63</u>	<u>63</u>

The 10 preference shares, 2 ordinary shares and 40 preferred ordinary shares were all issued to 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.

The preference shares carry no voting rights, but have the right to a fixed cumulative preferential dividend at the rate of 6% (net of associated tax credit) per annum, on the amount paid up, to be paid annually on 31 December each year.

The RBL ordinary shares, which were issued on 29 November 1995, carry no voting rights and are entitled to a dividend of £0.01 for every full amount of £100 worth of assets paid. This is payable after payment of the fixed dividend to holders of the preference shares.

The ordinary and preferred ordinary shares carry one vote per share and participate in profits available for dividend pro rata.

In the event of a capital distribution the shares rank in the following order:

£1 for each Preference Share; £1 for each Preferred Ordinary Share; £1 for each Ordinary Share; £1 for each RBL Ordinary Share; £1 for each Special Share. Thereafter pro rata.

18. Other reserves

Other reserves arise from the fair valuing of loan stock where the difference between the fair value and face value of the loan has been recognised as a capital contribution where the loan has been issued at below market rate from a parent company.

	£
At 1 January 2009	50,602,526
Net movement on recognition of loans	<u>744,824</u>
At 31 December 2009	51,347,350
Net movement on recognition of loans	<u>3,596,921</u>
At 31 December 2010	<u>54,944,271</u>

19. Capital commitments

The Company has capital commitments in respect of construction projects amounting to £4,513,328 (31 December 2009: nil and 1 January 2009: nil).

20. 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 £66,892 (31 December 2009: £54,842 and 1 January 2009: £59,634).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £nil (31 December 2009: nil and 1 January 2009: nil).

21. Related party transactions

The tables, below, detail the transactions that have been entered into with related parties for the financial year.

	Net funding received £
Entity with significant influence over the Company: The City of Edinburgh Council	
2010	3,596,921
2009	744,824

21. Related party transactions (continued)

Loans received from or made to related parties are as follows:

	Amounts owed by related parties £	Amounts owed to related parties £
Entity with significant influence over the Company: The City of Edinburgh Council		
2010	216,548	56,990,433
2009	181,982	53,393,512
2008	192,002	52,648,688

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. Transition to IFRS

For all periods up to and including the year ended 31 December 2009, Edinburgh International Conference Centre Limited prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2010, are the first the Company is required to prepare in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (EU).

Accordingly, the Company has prepared financial statements which comply with IFRS's applicable for periods beginning on or after 1 January 2009 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2009, the Company's date of transition to IFRS's, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRS's. The transition from UK GAAP to IFRS has had no significant effect on the Company's financial position, financial performance and cash flows, except for the impact of the adoption of IAS 39 leading to fair valuing long term loans payable. The fair valuing of the loans has led to a decrease in long terms loans payable as a result of the loans having been deemed to have a fair value of £1 (31 December 2009: £51,345,802 and 1 January 2009: £50,601,631), and an increase in other reserves (31 December 2009: £51,347,350 and 1 January 2009: £50,602,526), and this has resulted in an increase in the total comprehensive loss in 2009 of £653.

Restatement of cash flow statement from UK GAAP to IFRS

The transition from UK GAAP to IFRS has no effect upon the reported cash flows generated by the Company. The IFRS cash flow statement is presented in a different format from that required under UK GAAP with cash flows split into three categories of activities – operating activities, investing activities and financing activities. The reconciling items between the UK GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.