

**EDINBURGH INTERNATIONAL  
CONFERENCE CENTRE LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1998**



## Directors' Report

The Directors have pleasure in submitting their annual report and accounts for the year ended 31 December 1998.

### Activities

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

### Financial Matters

The loss for the period amounted to £29,779,620. This includes a one-off write down in respect of an impairment of fixed assets adjustment of £26,788,759. The Directors do not recommend payment of a dividend for the period ended 31 December 1998.

### Business Review

The Edinburgh International Conference Centre has continued to host a wide range of both national and international corporate and association events. During the year 162 events were held at the EICC giving rise to a weighted average occupancy for the building of 68%.

Business activity within the Conference Centre in the course of the year equated to 157,101 delegate days resulting in an estimated economic benefit to the City of Edinburgh of £16.8 million. The year to 31 December 1998 saw the EICC host 27 international events which helped to generate the highest levels of revenue at the Centre since it opened. The focus of attention on client requirements has remained high and customer delight was recorded at 98% for the year.

EICC personnel continued to facilitate an increasing number of activities and functions on behalf of clients and team members are constantly appraising new areas of revenue generation. The Conference Centre currently holds confirmed bookings for 2005 and has tentative bookings as far ahead as 2011.

Continued progress has been made with regard to the development of the Exchange and negotiations with interested parties in respect of land site sales progressed well. Matters relating to design, procurement and legal issues, in respect of Conference Square, were completed in the course of the year and construction activities, in respect of this focal point of the Exchange, commenced on 4 November 1998.

The Company has had to make an impairment write down to fixed assets in accordance with FRS 11 amounting to £26,788,759 during the year, following the introduction of this new accounting standard.

In calculating the amount of the write down no account could be taken of the significant economic benefit which is generated for the City of Edinburgh, each year, by the Conference Centre.

In December 1996 the Company became a subsidiary of CEC Holdings Ltd which in turn is a subsidiary of the City of Edinburgh Council.

As a result of this corporate re-organisation the Company's accounting reference date was changed to 31 December, in order to assimilate accounting reporting dates with other group companies. The comparative figures in this year's annual report and accounts relate to the nine month period to 31 December 1997.

### 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 1999.

### Year 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event of other parties' failure to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the Board and is under way. Resources have been allocated and the Board receives regular reports on progress.

A significant risk analysis has been performed to determine the impact of the Issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the Company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these other parties.

## Statement of Directors' Responsibilities

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures that might arise.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to equipment is estimated at £39,000, of which approximately £25,000 is new equipment that will be capitalised and the remainder will be expensed as incurred. This expenditure is all expected to be incurred by the end of 1999.

### Fixed Assets

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

### Directors and Directors' Interests

The Directors who served during the period were as follows:

|                |                              |
|----------------|------------------------------|
| R.C. Aldridge  | - resigned 9 June 1999       |
| D.C. Anderson  | - resigned 9 June 1999       |
| D. Bonnar      | - resigned 18 September 1998 |
| M.M. Child     | - appointed 9 June 1999      |
| D. Crichton    | - appointed 30 October 1998  |
| J.A. Dawe      | - appointed 27 May 1999      |
| A. Fleming     | - appointed 1 May 1998       |
| A.J. MacKay    | - resigned 9 June 1999       |
| L.M.C. O'Brien | - appointed 27 May 1999      |
| I. Perry       | - appointed 27 May 1999      |
| D.M.W. Sleight |                              |
| P. Stillwell   | - appointed 1 May 1998       |

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

### Auditors

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

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

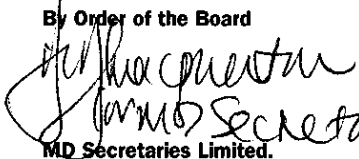
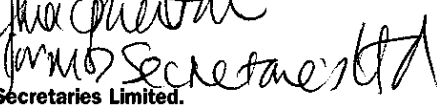
select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

MD Secretaries Limited.

October 1999

## **Report of the Auditors to the members of Edinburgh International Conference Centre Limited**

We have audited the accounts on pages 13 to 24, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 16.

### **Respective responsibilities of Directors and Auditors**

As described on the previous page the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young, Registered Auditor, Edinburgh**  
**25 October 1999**

## Profit & Loss Account for the period ended 31 December 1998

|  | Notes | 12 Months ended<br>31 December 1998 | 9 Months ended<br>31 December 1997 |
|--|-------|-------------------------------------|------------------------------------|
|  |       | £                                   | £                                  |
| Turnover                               | 2     | 3,720,037                           | 2,669,121                          |
| Cost of sales before exceptional items |       | (5,866,563)                         | (4,606,763)                        |
| Exceptional items                      | 3     | (26,788,759)                        | -                                  |
| Cost of sales after exceptional items  |       | (32,655,322)                        | (4,606,763)                        |
| <b>Gross loss</b>                      |       | <b>(28,935,285)</b>                 | <b>(1,937,642)</b>                 |
| Development expenses                   |       | (472,357)                           | (331,641)                          |
| Other administration expenses          |       | (397,637)                           | (311,417)                          |
|  |       | (869,994)                           | (643,058)                          |
| <b>Operating loss</b>                  | 3     | <b>(29,805,279)</b>                 | <b>(2,580,700)</b>                 |
| Revenue grant                          |       | 3,168,217                           | 1,661,377                          |
| Interest receivable                    | 4     | 25,659                              | 40,968                             |
| Interest payable and similar charges   | 5     | (3,168,217)                         | (1,661,377)                        |
| <b>Loss on ordinary activities</b>     |       | <b>(29,779,620)</b>                 | <b>(2,539,732)</b>                 |
| Retained loss brought forward          |       | (12,987,088)                        | (10,447,356)                       |
| <b>Retained loss carried forward</b>   |       | <b>(42,766,708)</b>                 | <b>(12,987,088)</b>                |

*There are no recognised gains or losses, other than the loss on ordinary activities for the period of £29,779,620 (for the period to 31 December 1997 - £2,539,732)*

# Balance Sheet at 31 December 1998

|  | Notes | 12 Months ended<br>31 December 1998 | 9 Months ended<br>31 December 1997 |
|--|-------|-------------------------------------|------------------------------------|
|  |       | £                                   | £                                  |
| <b>Fixed assets</b>  |       |                                     |                                    |
| Tangible assets  | 8     | 16,432,421                          | 42,911,047                         |
| <b>Current assets</b>  |       |                                     |                                    |
| Debtors  | 9     | 1,970,876                           | 1,775,485                          |
| Investments  | 10    | 42,861,429                          | 46,235,641                         |
| Cash   |       | 401,391                             | 980,555                            |
|  |       | 45,233,696                          | 48,991,681                         |
| <b>Creditors: Amounts falling due within one year</b>          | 11    | (42,468,283)                        | (3,526,414)                        |
| Net current assets   |       | 2,765,413                           | 45,465,267                         |
| Total assets less current liabilities                          |       | 19,197,834                          | 88,376,314                         |
| <b>Creditors: Amounts falling due after more than one year</b> |       |                                     |                                    |
| Loan   | 12    | 2,046,162                           | 2,046,162                          |
| Loan stock   | 12    | 49,833,937                          | 47,919,912                         |
| Obligations under finance leases                               | 13    | -                                   | 42,899,465                         |
|  |       | 51,880,099                          | 92,865,539                         |
| <b>Accruals &amp; deferred income</b>                          | 14    | 10,084,380                          | 8,497,800                          |
|  |       | 61,964,479                          | 101,363,339                        |
| <b>Capital &amp; reserves</b>                                  |       |                                     |                                    |
| Called up share capital  | 15    | 63                                  | 63                                 |
| Profit & loss account  |       | (42,766,708)                        | (12,987,088)                       |
| Shareholders' funds  | 16    | (42,766,645)                        | (12,987,025)                       |
|  |       | 19,197,834                          | 88,376,314                         |

Director:

Director:

25 October 1999

## Cash Flow Statement for the period ended 31 December 1998

|   | Notes | 12 months ended<br>31 December 1998 | 9 months ended<br>31 December 1997 |
|---|-------|-------------------------------------|------------------------------------|
|   |       | £                                   | £                                  |
| <b>Net cash inflow/(outflow) from operating activities</b>                    | 3b    | <b>5,065,192</b>                    | <b>(2,229,098)</b>                 |
| <b>Returns on investments and servicing of finance</b>                        |       |                                     |                                    |
| Interest received   |       | 25,659                              | 40,968                             |
| Interest paid on finance rental payments                                      |       | (2,979,835)                         | -                                  |
| Net cash (outflow)/inflow from returns on investment and servicing of finance |       | (2,954,176)                         | 40,968                             |
| <b>Capital expenditure</b>  |       |                                     |                                    |
| Payments to acquire tangible fixed assets                                     |       | (2,934,396)                         | (1,517,539)                        |
| Capital grants received   |       | 1,810,261                           | 1,394,052                          |
| Net cash outflow from capital expenditure                                     |       | (1,124,135)                         | (123,487)                          |
| <b>Management of Liquid Resources</b>   |       |                                     |                                    |
| Cash withdrawn from deposit and loan accounts                                 |       | -                                   | 431,285                            |
| Net cash inflow from management of liquid resources                           |       | -                                   | 431,285                            |
| <b>Financing</b>  |       |                                     |                                    |
| Net movement on loan stock  |       | 1,907,470                           | 1,648,317                          |
| Capital element of finance lease rental payments                              |       | (3,564,490)                         | -                                  |
| Net cash (outflow)/inflow from financing                                      |       | (1,657,020)                         | 1,648,317                          |
| <b>Decrease in cash</b>   |       | <b>(670,139)</b>                    | <b>(232,015)</b>                   |
| <b>Reconciliation of net cash flow to movement in net debt</b>                |       |                                     |                                    |
| <b>Decrease in cash in the period</b>   |       | <b>(670,139)</b>                    | <b>(232,015)</b>                   |
| Cash outflow from increase in debt and lease financing                        |       | (1,907,470)                         | (1,648,317)                        |
| Cash inflow from lease rental payments (capital)                              |       | 3,564,490                           | -                                  |
| Cash inflow/(outflow) from decrease in liquid resources                       |       | -                                   | (431,285)                          |
| <b>Change in net debt arising from cash flows</b>                             |       | <b>986,881</b>                      | <b>(2,311,617)</b>                 |
| Movement in loan stock debtor   |       | (7,604)                             | (180,106)                          |
| Unpaid finance charge on finance lease accrued in period                      |       | (188,382)                           | (1,661,377)                        |
| Movement in net debt during the period  |       | 790,895                             | (4,153,100)                        |
| <b>Net debt at 1 January 1998</b>   |       | <b>(93,745,067)</b>                 | <b>(89,591,967)</b>                |
| <b>Net debt at 31 December 1998</b>   | 3c    | <b>(92,954,172)</b>                 | <b>(93,745,067)</b>                |

## Notes

### 1. Accounting Policies

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

#### Basis of Preparation

The accounts have been prepared under the historical cost convention.

#### Fixed Assets

Fixed assets have been recorded at cost, less accumulated depreciation. In line with FRS 11, the Company has written down the carrying value of its long leasehold buildings by £24,992,025 and its office equipment and furniture by £1,796,734 to align them more closely with the value of these assets.

#### Depreciation

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

Leasehold Land and Buildings: 50 years.

Plant & Machinery: 3 to 15 years.

Furniture & Fittings: 3 to 10 years.

Infrastructural works: 2 to 20 years.

#### Capital Grants

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

#### Leasing and Hire Purchase Commitments

The lease of the Conference Centre is treated as a finance lease. A finance lease is a lease under which substantially all the risks and rewards of ownership of the asset pass to the lessee company, and the assets are capitalised in the lessee's balance sheet and depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the period of the lease and represent a constant proportion of the balance of capital repayments outstanding. The assets which were subject to the sale and leaseback transaction have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing.

#### Revenue Grants

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

#### Operating Lease Payments

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

#### Taxation

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### Pensions

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



## Notes

### 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:-

|  | 12 months ended<br>31 December 1998 | 9 months ended<br>31 December 1997 |
|--|-------------------------------------|------------------------------------|
|  | £                                   | £                                  |
| Conference facilities                          | 3,260,873                           | 2,546,557                          |
| Rental income from the letting of office space | 425,877                             | 114,835                            |
| Site development                               | 33,287                              | 7,729                              |
|  | <b>3,720,037</b>                    | <b>2,669,121</b>                   |

### 3. Operating Loss

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

|   | Exceptional | Ordinary  | £          | £         |
|---|-------------|-----------|------------|-----------|
| Depreciation of fixed assets - owned          | 109,949     | 414,933   | 524,882    | 172,030   |
| Depreciation of fixed assets - leased         | 26,678,810  | 1,675,026 | 28,353,836 | 1,343,090 |
| Auditors' remuneration - audit services       |             |           | 15,000     | 14,000    |
| Auditors' remuneration - non-audit services   |             |           | 16,750     | 5,400     |
| Operating lease rentals - plant and machinery |             |           | 41,854     | 32,775    |
| Capital grants released                       |             |           | (201,736)  | (36,574)  |

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

|   | £                | £                  |
|---|------------------|--------------------|
| Operating loss after revenue grant                      | (26,637,063)     | (919,323)          |
| Depreciation of tangible fixed assets                   | 28,878,718       | 1,515,120          |
| Decrease/(Increase) in investments                      | 3,374,212        | (2,419,954)        |
| Increase in operating debtors and prepayments           | (424,108)        | (114,391)          |
| (Decrease)/Increase in operating creditors and accruals | (138,159)        | 28,088             |
| Capital grants released in period                       | (201,736)        | (36,574)           |
| Increase/(Decrease) in deferred income                  | 213,328          | (282,064)          |
| Net cash inflow/(outflow) from operating activities     | <b>5,065,192</b> | <b>(2,229,098)</b> |

## Notes

### 3. Operating Loss (continued)

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

|                           | Opening      | Cash Flow   | Other     | Closing      |
|---------------------------|--------------|-------------|-----------|--------------|
|                           | £            | £           | £         | £            |
| Cash                      | 980,555      | (579,164)   | -         | 401,391      |
| Overdraft                 | (462,623)    | (90,975)    | -         | (553,598)    |
|                           |              | (670,139)   |           |              |
| Liquid resources          | 10,000       | -           | -         | 10,000       |
| Short term loans          | (2,046,162)  | -           | -         | (2,046,162)  |
| Finance lease obligations | (44,307,973) | 3,564,490   | (188,383) | (40,931,866) |
| Loan stock                | (47,918,864) | (1,907,470) | (7,603)   | (49,833,937) |
| Total                     | (93,745,067) | 986,881     | (195,986) | (92,954,172) |

### 4. Interest Receivable

|                                | 12 months ended<br>31 December 1998 | 9 months ended<br>31 December 1997 |
|--------------------------------|-------------------------------------|------------------------------------|
|                                | £                                   | £                                  |
| Interest due on bank deposits  | 25,659                              | 30,159                             |
| Interest due on other deposits | -                                   | 10,809                             |
|                                | 25,659                              | 40,968                             |

### 5. Interest Payable

|  | £         | £         |
|--|-----------|-----------|
| Finance charges payable under finance leases | 3,168,217 | 1,661,377 |

### 6. Staff Costs

|                       | £         | £       |
|-----------------------|-----------|---------|
| Salaries              | 1,120,893 | 811,770 |
| Social security costs | 114,341   | 73,317  |
| Pension costs         | 38,302    | 28,119  |
|                       | 1,273,536 | 913,206 |

|  |    |    |
|--|----|----|
| The average number of staff employed during the year was | 58 | 57 |
|--|----|----|

## Notes

### 7. Directors' Emoluments

No Directors' emoluments were paid during the year to 31 December 1998, or in the previous period.

### 8. Tangible Assets

|  | Assets under<br>Construction | Infrastructural<br>Works | Long<br>Leasehold<br>Buildings | Office<br>Equipment<br>& Furniture | Total             |
|--|------------------------------|--------------------------|--------------------------------|------------------------------------|-------------------|
|  | £                            | £                        | £                              | £                                  | £                 |
| <b>Cost</b>                            |                              |                          |                                |                                    |                   |
| <b>At 1 January 1998</b>               | <b>3,339,050</b>             | <b>-</b>                 | <b>36,946,797</b>              | <b>7,068,757</b>                   | <b>47,354,604</b> |
| Additions in period at cost            | 2,157,752                    | -                        | 6,887                          | 235,453                            | 2,400,092         |
| Transfers in period at cost            | (2,629,311)                  | 2,629,311                | -                              | -                                  | -                 |
| <b>At 31 December 1998</b>             | <b>2,867,491</b>             | <b>2,629,311</b>         | <b>36,953,684</b>              | <b>7,304,210</b>                   | <b>49,754,696</b> |
| <b>Depreciation</b>                    |                              |                          |                                |                                    |                   |
| <b>At 1 January 1998</b>               | <b>-</b>                     | <b>-</b>                 | <b>1,634,379</b>               | <b>2,809,178</b>                   | <b>4,443,557</b>  |
| Charge for the period                  | -                            | 145,759                  | 25,737,927                     | 2,995,032                          | 28,878,718        |
| <b>At 31 December 1998</b>             | <b>-</b>                     | <b>145,759</b>           | <b>27,372,306</b>              | <b>5,804,210</b>                   | <b>33,322,275</b> |
| Net book value 31 December 1997        | 3,339,050                    | -                        | 35,312,418                     | 4,259,579                          | 42,911,047        |
| <b>Net book value 31 December 1998</b> | <b>2,867,491</b>             | <b>2,483,552</b>         | <b>9,581,378</b>               | <b>1,500,000</b>                   | <b>16,432,421</b> |

*The net book value of long leasehold buildings and office equipment and furniture, relating to assets held under finance leases, was £5,500,000 (for the period to 31 December 1997 - £31,144,353) and £1,500,000 (for the period to 31 December 1997 - £3,871,533) respectively.*

### 9. Debtors

|   | 31 December 1998 | 31 December 1997 |
|---|------------------|------------------|
|   | £                | £                |
| Amount due by the City of Edinburgh Council | <b>195,656</b>   | 190,148          |
| Trade debtors                               | <b>837,825</b>   | 696,392          |
| Other debtors                               | <b>170,511</b>   | 518,273          |
| Value added tax                             | <b>663,519</b>   | 282,611          |
| Prepayments                                 | <b>103,365</b>   | 88,061           |
|   | <b>1,970,876</b> | 1,775,485        |

## Notes

### 10. Investments

|                             | 31 December 1998  | 31 December 1997  |
|-----------------------------|-------------------|-------------------|
|                             | £                 | £                 |
| Bank deposits               | 10,000            | 10,000            |
| Bank deposits held in trust | 42,851,429        | 46,225,641        |
|                             | <b>42,861,429</b> | <b>46,235,641</b> |

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

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

|                                       | £                 | £                |
|---------------------------------------|-------------------|------------------|
| Bank overdraft                        | 553,598           | 462,623          |
| Payments due to contractors           | 204,376           | 756,651          |
| Trade creditors                       | 449,644           | 608,227          |
| Other taxes and social security costs | 43,666            | 41,091           |
| Other creditors                       | 231,311           | 191,699          |
| Accruals                              | 53,822            | 57,613           |
| Finance lease liability (see note 13) | 40,931,866        | 1,408,510        |
|                                       | <b>42,468,283</b> | <b>3,526,414</b> |

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

|   | £                 | £                 |
|---|-------------------|-------------------|
| Short term loan                                   | 2,046,162         | 2,046,162         |
| Convertible unsecured loan stock                  | 45,297,609        | 45,297,609        |
| Non-convertible unsecured loan stock              | 4,536,328         | 2,622,303         |
|   | <b>51,880,099</b> | <b>49,966,074</b> |
| <b>Non-convertible unsecured loan stock:</b>      |                   |                   |
| Issued to the City of Edinburgh Council           | 4,340,674         | 2,433,205         |
| Due to be issued to the City of Edinburgh Council | 195,654           | 189,098           |
|   | <b>4,536,328</b>  | <b>2,622,303</b>  |

## Notes

### 12. Creditors: Amounts falling due after more than one year (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. CEC Holdings Ltd hold £2,207,365 of the non convertible unsecured loan stock, the balance amounting to £2,328,963 being held by the City of Edinburgh Council. The non convertible unsecured loan stock bears no interest and is repayable on 31 December 2022.

### 13. Obligations under Finance Leases

|   | 31 December 1998   | 31 December 1997 |
|---|--------------------|------------------|
| Amounts payable:                                  | £                  | £                |
| Within one year                                   | <b>43,673,072</b>  | 1,408,510        |
| In two to five years                              | -                  | 54,523,071       |
|   | <b>43,673,072</b>  | 55,931,581       |
| Less: finance charges allocated to future periods | <b>(2,741,206)</b> | (11,623,606)     |
|   | <b>40,931,866</b>  | 44,307,975       |
| Finance leases are analysed as follows:           |                    |                  |
| Current obligations (see note 11)                 | <b>40,931,866</b>  | 1,408,510        |
| Non-current obligations                           | -                  | 42,899,465       |
|   | <b>40,931,866</b>  | 44,307,975       |

On 8 December 1995 the Company entered into a sale and leaseback transaction with W & G Lease Finance Ltd, whereby the Conference Centre building and the associated plant, equipment and furniture was sold for £40,350,561. Although the term of the lease is for a period of 35 years, the Company had options to revert to a reversionary lease at the end of year 7, 12 or 17. The Company subsequently entered into negotiations with W & G Lease Finance Ltd with a view to revising the terms of the finance lease and the restructured finance lease was signed on 12 March 1998. Under the terms of the revised lease the Company may revert to a reversionary lease at the end of year 4, that is at 8 December 1999. The Company intends to exercise its option to break the lease on this date.

### 14. Accruals and Deferred Income

|                 | £                 | £         |
|-----------------|-------------------|-----------|
| Capital grants  | <b>8,972,713</b>  | 7,599,461 |
| Deferred income | <b>1,111,667</b>  | 898,339   |
|                 | <b>10,084,380</b> | 8,497,800 |

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

|                                |                  |           |
|--------------------------------|------------------|-----------|
| Capital grants brought forward | <b>7,599,461</b> | 5,926,895 |
| Received during period         | <b>1,574,988</b> | 1,709,140 |
| Released during period         | <b>(201,736)</b> | (36,574)  |
| Capital grants carried forward | <b>8,972,713</b> | 7,599,461 |

## Notes

### 15. Share Capital

|  | 31 December 1998 | 31 December 1997 | 31 December 1998  | 31 December 1997  |
|--|------------------|------------------|-------------------|-------------------|
| <b>Authorised:</b>                         | <b>No.</b>       | <b>No.</b>       | <b>£</b>          | <b>£</b>          |
| 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                | 1                 | 1                 |
|  |                  |                  | <b>55,001,000</b> | <b>55,001,000</b> |
| <b>Allotted, called up and fully paid:</b> |                  |                  |                   |                   |
| Preferred Ordinary shares                  | 40               | 40               | 40                | 40                |
| Ordinary shares                            | 2                | 2                | 2                 | 2                 |
| RBL Ordinary shares                        | 10               | 10               | 10                | 10                |
| Preference shares                          | 10               | 10               | 10                | 10                |
| "B" Redeemable Preference shares           | 1                | 1                | -                 | -                 |
| Special share                              | 1                | 1                | 1                 | 1                 |
|  |                  |                  | <b>63</b>         | <b>63</b>         |

Two Ordinary shares are issued to the City of Edinburgh Council. In addition one redeemable preference share has been issued to both the City of Edinburgh Council and Lothian and Edinburgh Enterprise Limited. The special share was issued to Lothian and Edinburgh Enterprise Ltd on 18 December 1996. The City of Edinburgh Council is the ultimate holding organisation of the company.

The special share has a nominal value of £1. The share can only be transferred to a body nominated by Lothian and Edinburgh Enterprise Limited 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.

## Notes

### 15. Share Capital (continued)

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

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

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

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

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

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

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

### 16. Movement in Shareholders' Funds

|  | 31 December 1998 | 31 December 1997 |
|--|------------------|------------------|
|  | £                | £                |
| Shareholders' funds brought forward        | (12,987,025)     | (10,447,293)     |
| Loss on ordinary activities for the period | (29,779,620)     | (2,539,732)      |
| Shareholders' funds carried forward        | (42,766,645)     | (12,987,025)     |

### 17. Capital Commitments

The Company has capital commitments in respect of various construction projects, amounting to £7,749,970 relating to the Exchange Development of which £349,200 has already been expended.

## Notes

### 18. Financial Commitments

At 31 December 1998 the Company had annual commitments under non-cancellable operating leases relating to plant and equipment as follows:

| <b>Operating leases which expire:</b> | 31 December 1998 | 31 December 1997 |
|---------------------------------------|------------------|------------------|
|                                       | <b>£</b>         | <b>£</b>         |
| Within one year                       | <b>6,217</b>     | -                |
| In two to five years                  | <b>27,651</b>    | <b>37,278</b>    |
| In over five years                    | -                | -                |
|                                       | <b>33,868</b>    | <b>37,278</b>    |

### 19. Pension Commitments

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

### 20. Related Party Transactions

During the period capital grants totalling £890,773 were receivable by EICC Ltd from Lothian and Edinburgh Enterprise Ltd, who have a special shareholding in the Company. Of the total, £810,958 was received during the period and £79,815 is included in other debtors at 31 December 1998.

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