

**DIRECTORS' REPORT**

SC131773

The Directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2002.

**Activities**

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

**Financial Matters**

The loss before tax for the year amounted to £1,616,595. The Company has, after a tax credit of £879,050, a loss of £737,545

The Directors do not recommend payment of a dividend for the year ended 31 December 2002.

**Business Review**

Although market conditions improved slightly during the period under review, the year to 31 December 2002 proved to be another difficult trading year for the Edinburgh International Conference Centre. There was a continuing reluctance by clients to contract events, as a result of uncertainties with regard to the global economy, the increasing likelihood of conflict in the Middle East and ongoing concerns regarding the increasing incidences of terrorist attacks throughout the world. The revenues generated from Conference Centre activities were affected by these issues, although their affects were offset by the introduction of a number of cost reduction measures in the period under review. The result was that the Company was able to operate successfully within its overall budget for the year.

The Conference Centre has again operated very successfully within its key market segments, achieving its target mix of association and corporate events. During the year the Conference Centre hosted 147 events, 12 of which were international events attracting delegates from all over the world. The Company has pursued its policy of attracting longer duration events using a higher proportion of the facilities and as a result the average yield per event has continued to increase, on a year on year basis.

During the year events at the Conference Centre generated the equivalent of 132,182 delegate days from 78,595 delegates drawn from the United Kingdom, Europe and from across the world. These delegates contributed an estimated £18.5m to the economy of Edinburgh during the year.

The Conference Centre continues to attract a high percentage of repeat business, record high levels of customer delight and enhance its reputation as a major international conference venue. It has a high value of contracted future bookings and holds confirmed bookings as far forward as 2011.

Work on the procurement of additional function space attached to the Conference Centre has progressed well during the year with work on the detailed designs and costings for the new facility having progressed to an advanced stage of completion.

**Future Developments**

The Directors intend to maintain the objectives and aims of the Company, which have resulted in notable achievements to date in both of the principal areas of the Company's operations. The Directors are of the opinion that the Company's success will continue in the year to 31 December 2003.

**Fixed Assets**

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

## **Directors and Directors' Interests**

The Directors who served during the period were as follows:

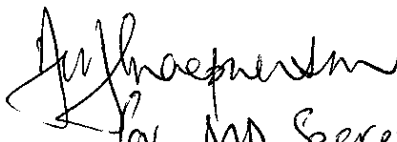
L.M. Cameron	resigned 20 May 2003
M.M. Child	
D. Crichton	resigned 13 May 2003
J.A. Dawe	
E.B. Fallon	appointed 20 May 2003, resigned 25 June 2003
J.Mc.H. McFarlane	appointed 13 May 2003
I. Perry	resigned 20 May 2003
A.A. Scobbie	appointed 20 May 2003
L. Shields	appointed 26 June 2003
D.M.W. Sleight	resigned 17 October 2002
I. Whyte	appointed 17 October 2002

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

## **Auditors**

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

## **By Order of the Board**

  
for MD Secretaries Ltd  
MD Secretaries Limited.  
22 August 2003

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **INDEPENDENT AUDITORS'REPORT**

**to the members of EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED.**

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors.**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

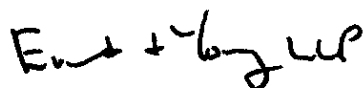
### **Basis of audit opinion.**

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Edinburgh  
22 August 2003

**PROFIT & LOSS ACCOUNT**  
**For the year ended 31 December 2002**

	Note	31 December 2002 £	31 December 2001 £
Turnover	2	4,302,742	4,594,855
Cost of sales		<u>(4,523,991)</u>	<u>(3,356,326)</u>
<b>Gross (loss)/profit</b>		(221,249)	1,238,529
Development expenses		(984,422)	(214,627)
Other administration expenses		<u>(506,600)</u>	<u>(462,822)</u>
		<u>(1,491,022)</u>	<u>(677,449)</u>
<b>Operating (loss)/profit</b>	3	(1,712,271)	561,080
Interest receivable	4	<u>95,676</u>	<u>215,659</u>
<b>(Loss)/Profit on ordinary activities before tax</b>		(1,616,595)	776,739
Tax on profit on ordinary activities	5	<u>879,050</u>	<u>1,000,402</u>
<b>(Loss)/Profit on ordinary activities after tax</b>		(737,545)	1,777,141
Retained loss brought forward		<u>(44,081,519)</u>	<u>(45,858,660)</u>
<b>Retained loss carried forward</b>		<u>(44,819,064)</u>	<u>(44,081,519)</u>

There are no recognised gains or losses, other than the loss after tax on ordinary activities for the year ended 31 December 2002 of £737,545, and for the year ended 31 December 2001, a profit of £1,777,141.

**BALANCE SHEET**  
**At 31 December 2002**

	Notes	31 December 2002 £	31 December 2001 £
<b>Fixed assets</b>			
Tangible assets	8	17,768,988	18,447,478
<b>Current assets</b>			
Debtors	9	1,565,442	2,268,749
Investments	10	178,045	181,936
Cash		<u>3,261,612</u>	<u>2,895,854</u>
		5,005,099	5,346,539
<b>Creditors: Amounts falling due within one year</b>	11	<u>(1,017,982)</u>	<u>(1,900,568)</u>
Net current assets		<u>3,987,117</u>	<u>3,445,971</u>
<b>Total assets less current liabilities</b>		<u>21,756,105</u>	<u>21,893,449</u>
<b>Creditors: Amounts falling due after more than one year</b>			
Loan	12	2,046,162	2,046,162
Loan stock	12	<u>54,879,932</u>	<u>53,671,743</u>
		56,926,094	55,717,905
<b>Accruals &amp; deferred income</b>	13	<u>9,649,012</u>	<u>10,257,000</u>
		66,575,106	65,974,905
<b>Capital &amp; reserves</b>			
Called up share capital	14	63	63
Profit & loss account		<u>(44,819,064)</u>	<u>(44,081,519)</u>
Shareholders' funds	15	<u>(44,819,001)</u>	<u>(44,081,456)</u>
		<u>21,756,105</u>	<u>21,893,449</u>

Councillor M.Child

Director:

*Maureen M. Child*

Councillor A.Scobbie

Director:

*Andrew Alexander Scobbie*

22 August 2003

**CASH FLOW STATEMENT**  
**For the year ended 31 December 2002**

	Notes	31 December 2002 £	31 December 2001 £
<b>Net cash inflow from operating activities</b>	3b	(1,030,849)	124,249
<b>Returns on investments and servicing of finance</b>			
Interest received		<u>95,676</u>	<u>215,659</u>
Net cash inflow from returns on investment and servicing of finance		95,676	215,659
<b>Taxation</b>			
Group relief recovered		<u>798,970</u>	<u>1,287,100</u>
Net cash inflow from taxation		798,970	1,287,100
<b>Management of liquid resources</b>			
Sale of liquid resources		<u>10,000</u>	<u>-</u>
Net cash inflow from liquid resources		10,000	-
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		<u>(300,856)</u>	<u>(177,579)</u>
Net cash outflow from capital expenditure		(300,856)	(177,579)
<b>Financing</b>			
Net movement on loan stock		<u>1,433,800</u>	<u>-</u>
Net cash inflow from financing		<u>1,433,800</u>	<u>-</u>
<b>Increase in cash</b>		<u>1,006,741</u>	<u>1,449,429</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase in cash in the period</b>		1,006,741	1,449,429
Cash inflow/(outflow) from increase in debt and lease financing		(1,433,800)	492,319
Cash inflow from decrease in liquid resources		<u>(10,000)</u>	<u>-</u>
<b>Change in net debt arising from cash flows</b>		(437,059)	1,941,748
Movement in loan stock debtor		<u>225,611</u>	<u>(64,261)</u>
Movement in net debt during the period		(211,448)	1,877,487
<b>Net debt at 1 January 2002</b>		<u>(53,453,034)</u>	<u>(55,330,521)</u>
<b>Net debt at 31 December 2002</b>	3c	<u>(53,664,482)</u>	<u>(53,453,034)</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Accounting Policies**

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

#### ***Basis of Preparation***

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

#### **Fixed Assets**

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

#### **Depreciation**

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

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

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

#### **Capital Grants**

Grants in respect of capital expenditure are credited to deferred income and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments. The City of Edinburgh Council has title to interest receivable on the funds held in trust (see note 10), however an agreement is in place for the trust to obtain an equal amount in the form of a grant from the City of Edinburgh Council. This is intended to provide a capital contribution towards the designated construction works and will be released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

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

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

#### **Revenue Grants**

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

#### **Operating Lease Payments**

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

#### **Taxation**

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The implementation of FRS 19 has had no material impact on the financial statements.



## Taxation (continued)

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

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

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

## Pensions

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

## 2. Turnover

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

	31 December 2002 £	31 December 2001 £
Conference facilities	3,736,317	3,752,247
Rental income from the letting of office space	417,188	653,185
Site development	<u>149,237</u>	<u>189,423</u>
	<u>4,302,742</u>	<u>4,594,855</u>

## 3. Operating (Loss)/Profit

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

	£	£
Depreciation of fixed assets – owned	1,049,059	1,009,173
Auditors' remuneration - audit services	20,000	18,000
Auditors' remuneration - non-audit services	14,614	12,200
Rebate of rates in relation to prior years	-	1,129,001
Capital grants released	<u>(439,589)</u>	<u>(443,616)</u>

As a result of a revaluation of the rateable value of the Conference Centre building, the Company received a rates rebate of £1,129,001 during 2001. This rebate was included in Cost of Sales for that year net of £35,000 of associated professional fees. Related interest receivable of £148,372 was credited to the Profit and Loss Account (see note 4).

### 3. Operating (loss)/profit (continued)

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

	31 December 2002 £	31 December 2001 £
Operating (loss)/profit after revenue grant	(1,712,271)	561,080
Depreciation of tangible fixed assets	1,049,059	1,009,173
(Increase) in investments	(6,109)	(7,657)
Decrease/(Increase) in operating debtors and prepayments	385,756	(687,385)
(Decrease) in operating creditors and accruals	(197,804)	(211,334)
Capital grants released in period	(439,589)	(443,616)
(Decrease)/Increase in deferred income	(168,398)	396,307
Transfer of Capital Grant	58,507	-
Transfer of loan stock in respect of group relief	-	(492,319)
Net cash inflow from operating activities	<u>1,030,849</u>	<u>124,249</u>

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

	Opening £	Cash Flow £	Other £	Closing £
Cash	2,895,854	365,758	-	3,261,612
Overdraft	(640,983)	640,983	-	-
		<u>1,006,741</u>		
Liquid resources	10,000	(10,000)	-	-
Short term loans	(2,046,162)	-	-	(2,046,162)
Loan stock	<u>(53,671,743)</u>	<u>(1,433,800)</u>	<u>225,611</u>	<u>(54,879,932)</u>
Total	<u>(53,453,034)</u>	<u>(437,059)</u>	<u>225,611</u>	<u>(53,664,482)</u>

### 4. Interest Receivable

	£	£
Interest due on bank deposits	95,676	67,287
Interest due on rates rebates	-	<u>148,372</u>
	<u>95,676</u>	<u>215,659</u>

## 5. Tax on Profit on Ordinary Activities

	31 December 2002 £	31 December 2001 £
UK Corporation Tax:		
Current Tax on income for the year	80,079	(286,698)
Adjustment for group relief recovered in relation to previous years	<u>798,971</u>	<u>1,287,100</u>
	<u>879,050</u>	<u>1,000,402</u>

## 6. Staff Costs

	£	£
Salaries	1,214,131	1,159,111
Social security costs	114,131	125,408
Pension costs	<u>47,467</u>	<u>46,902</u>
	<u>1,375,729</u>	<u>1,331,421</u>
The average number of staff employed during the year was	58	57

## 7. Directors' Emoluments

No Directors' emoluments were paid during the year to 31 December 2002, or in the previous year.

## 8. Tangible Assets

Cost	Infrastructural Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
At 1 January 2001	9,952,322	36,972,395	8,046,552	54,971,269
Additions in period at cost	(32,361)	-	402,930	370,569
Transfers in period at cost	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2001	<u>9,919,961</u>	<u>36,972,395</u>	<u>8,449,482</u>	<u>55,341,838</u>
<b>Depreciation</b>				
At 1 January 2001	1,557,185	28,026,641	6,939,965	36,523,791
Charge for the period	<u>486,889</u>	<u>209,081</u>	<u>353,089</u>	<u>1,049,059</u>
At 31 December 2001	<u>2,044,074</u>	<u>28,235,722</u>	<u>7,293,054</u>	<u>37,572,850</u>
Net book value 31 December 2000	<u>8,395,137</u>	<u>8,945,754</u>	<u>1,106,587</u>	<u>18,447,478</u>
Net book value 31 December 2001	<u>7,875,887</u>	<u>8,736,673</u>	<u>1,156,428</u>	<u>17,768,988</u>

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

## 8. Tangible Assets (continued)

Infrastructural works additions include compensation of £64,306 recovered from a contractor.

## 9. Debtors

	31 December 2002 £	31 December 2001 £
Amount due by The City of Edinburgh Council	115,291	340,902
Trade debtors	791,803	1,321,915
Other debtors	489,805	475,382
Value added tax	22,357	10,743
Prepayments	<u>146,186</u>	<u>119,807</u>
	<u>1,565,442</u>	<u>2,268,749</u>

## 10. Investments

	£	£
Bank deposits	-	10,000
Bank deposits held in trust	<u>178,045</u>	<u>171,936</u>
	<u>178,045</u>	<u>181,936</u>

The funds held in trust represent the sales proceeds arising from the sale and leaseback transaction. These funds have been recognised as an asset as they are yielding a future benefit to the Company arising from past transactions. The funds are held in a separate account, which can be invested broadly in whichever way EICC Ltd, the City of Edinburgh Council and the Bank of Scotland Trust Company (International) Ltd determine.

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

	£	£
Bank overdraft	-	640,983
Payments due to contractors	40,000	100,000
Trade creditors	633,909	746,542
Corporation Tax	206,619	286,698
Other taxes and social security costs	36,821	47,918
Other creditors	31,910	38,467
Accruals	<u>68,723</u>	<u>39,960</u>
	<u>1,017,982</u>	<u>1,900,568</u>

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

	31 December 2002 £	31 December 2001 £
Short term loan	2,046,162	2,046,162
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	<u>9,582,323</u>	<u>8,374,134</u>
	<u>56,926,094</u>	<u>55,717,905</u>
Non-convertible unsecured loan stock:		
Issued to The City of Edinburgh Council and CEC Holdings Ltd	9,477,053	8,535,573
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	105,270	330,880
Transferred during year in respect of group relief	<u>-</u>	<u>(492,319)</u>
	<u>9,582,323</u>	<u>8,374,134</u>

The convertible unsecured loan stock held by CEC Holdings Ltd bears no interest and is repayable on 31 March 2117 at par. CEC Holdings Ltd have the right to convert loan stock into fully paid preferred ordinary shares at the rate of one preferred ordinary share per £1 nominal of loan stock. CEC Holdings Ltd hold £2,876,365 (at 31 December 2001 £2,876,365) of the issued non-convertible unsecured loan stock, the balance amounting to £6,600,688 (at 31 December 2001 £5,166,889) being held by The City of Edinburgh Council. The non convertible unsecured loan stock bears no interest and is repayable by 31 December 2024.

**13. Accruals and Deferred Income**

	£	£
Capital grants	8,217,356	8,656,945
Deferred income	<u>1,431,656</u>	<u>1,600,055</u>
	<u>9,649,012</u>	<u>10,257,000</u>

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

Capital grants brought forward	8,656,945	9,095,993
Received during period	-	4,568
Released during period	<u>(439,589)</u>	<u>(443,616)</u>
Capital grants carried forward	<u>8,217,356</u>	<u>8,656,945</u>

#### 14. Share Capital

	31 December 2002 No.	31 December 2001 No.	31 December 2002 £	31 December 2001 £
Authorised:				
Preferred Ordinary shares	54,999,999	54,999,999	54,999,999	54,999,999
Ordinary shares	980	980	980	980
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
“B” Redeemable Preference shares	1	1	-	-
Special share	1	1	<u>1</u>	<u>1</u>
			<u>55,001,000</u>	<u>55,001,000</u>
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
“B” Redeemable Preference shares	-	1	-	-
Special share	1	1	<u>1</u>	<u>1</u>
			<u>63</u>	<u>63</u>

Two Ordinary shares are issued to The City of Edinburgh Council. In addition the “B” redeemable preference share is held by the City of Edinburgh Council. The special share was issued to Scottish Enterprise Edinburgh and Lothian Ltd on 18 December 1996. The City of Edinburgh Council is the ultimate holding organisation of the Company.

The special share has a nominal value of £1. The share can only be transferred to a body nominated by Lothian and Edinburgh Enterprise Ltd and approved by the City of Edinburgh Council. The special shareholder is entitled to receive notice of general meetings, and to attend and speak at such meetings but has no other rights. Specifically, the special shareholder has no right to vote at such a meeting. The special shareholder is however entitled to receive a copy of each resolution passed at a general meeting, to receive any resolution proposed as a written resolution and each circular sent by the Company to holders of any class of shares in the Company.

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

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

On 31 March 2002 the outstanding “B” redeemable preference share was redeemed in accordance with the rights associated with the share. The “B” redeemable preference share could be redeemed at the request of the shareholder prior to 31 March 2002 subject to the procedures in the Articles of Association, or otherwise would be redeemed on 31 March 2002. The redeemable preference share carried no voting rights, had no right to participate in profits and would participate in a distribution of capital only to the extent of the amount paid up on each share.

#### 14. Share Capital (continued)

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

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

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

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

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

#### 15. Movement in Shareholders' Funds

	31 December 2002 £	31 December 2001 £
Shareholders' funds brought forward	(44,081,456)	(45,858,597)
Profit/(Loss) on ordinary activities for the period	<u>(737,545)</u>	<u>1,777,141</u>
Shareholders' funds carried forward	<u>(44,819,001)</u>	<u>(44,081,456)</u>

#### 16. Capital Commitments

The Company has capital commitments in respect of various construction projects, amounting to £7,865,000 relating to the Exchange Development of which £7,747,325 has already been expended (at 31 December 2001 these capital commitments amounted to £7,865,000 of which £7,747,325 had been expended).

#### 17. Financial Commitments

At 31 December 2002 the Company had annual commitments under non-cancellable operating leases relating to plant and equipment as follows:

	£	£
Operating leases which expire:		
Within one year	2,788	2,263
In two to five years	35,917	24,388
In over five years	<u>-</u>	<u>-</u>
	<u>38,705</u>	<u>26,651</u>

#### 18. 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 unpaid contributions outstanding at the year end, included in other creditors, amount to £7,520 (2001 - £10,880)

## **19. Related Party Transactions**

There were no capital grants received during the year by EICC Ltd from Scottish Enterprise Edinburgh and Lothian Ltd, who have a special shareholding in the company. (During the period to 31 December 2001 grants totalling £58,508 were receivable from Scottish Enterprise Edinburgh and Lothian Ltd).

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