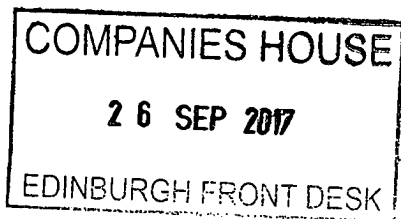


# **EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2016**

**COMPANY NUMBER SC131773**



## **GENERAL INFORMATION**

### **Company number**

SC131773

### **Present Company Directors**

G. Barrie  
L-M. Cameron  
M.C. Dallas  
L.M. Florence  
J.Mc.H. McFarlane  
S. Smith

### **Company Secretary**

Pinsent Masons Secretarial Limited  
1 Park Row  
Leeds  
LS1 5AB

### **Registered Office**

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

### **Auditor**

Scott-Moncrieff  
Exchange Place 3  
Sempie Street  
Edinburgh  
EH3 8BL

### **Bankers**

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

### **Solicitors**

Pinsent Masons LLP  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

## STRATEGIC REPORT

### Principal activities

The principal activities of the Company during the year were in respect of the operation of an international conference centre.

### Results and review of the business

The results for the year are shown on the statement of profit or loss and other comprehensive income on page 9.

The loss from continuing operations before tax for the year amounted to £126,812 (2015 - £486,915). The Company has, after taxation adjustments, a total comprehensive loss for the year of £135,053 (2015 - £432,587). The Directors do not recommend payment of a dividend for the year ended 31 December 2016.

Trading conditions remained difficult throughout 2016 as a result of the depressed state of the global economy, continuing pressure on client's budgets, increased competition from a growing number of conference centres worldwide and aggressive price competition amongst venues. Despite this, however, the year to 31 December 2016 saw a continuing improvement in the Company's operating profitability.

This was due, in part, to the sales and marketing team's continued drive to review and refine its activities in an effort to: increase the reach of the Company's media campaigns; address targeted market segments more directly; make the sales team's offers to third parties clear and unambiguous; and increase the appeal of the EICC to clients.

The sales team continued to build and develop its association business in the course of the year. Whilst at the same time it has continued to adopt a much more focused approach to securing corporate business through: offering commission to booking agents; increasing the number of booking agencies used; promoting Day Delegate Rate business and securing increased levels of filler business; increasing occupancy levels and; increasing the breadth of the Company's sales base through increasing the range and diversity of events held at the EICC.

These activities and initiatives combined with an increase in the level of the Company's core business activities had a positive impact on the Company's business during the year. This resulted in an increase in occupancy levels of 13.4% compared to 2015 which enabled the Company to generate a turnover of £7,345m in 2016 (2015: £6,326m) which was an increase of 16.1% compared to the previous year. The Company generated a gross profit of £547,697 in 2016 (2015: £20,440).

The increase in turnover and gross profit was derived from an increase in volume and value of the Company's business from the association, corporate and banqueting markets. In addition to this there was year on year growth across all elements of the Company's operation, namely room rental charges, charges for additional services and catering commission.

The Company experienced an increase in the number of booking enquiries received during the year of 107% as a result of a number of initiatives that were introduced in the course of the year. This increase in the number of enquiries received translated into an increase in the number of short lead corporate bookings contracted during the period, compared to the previous year. The level of bookings contracted during the period for future years was also significantly up on the levels achieved in 2015.

Expenditure in respect of cost of sales and administration expenses amounted to £7,405m in 2016 (2015: £6,895m) which represented an increase of 7.4% compared to the expenditure levels in 2015. Great focus, however, continued to be placed on containing the level of expenditure incurred during the year and as a result of: a stringent focus on cost controls and the achievement of a number of operating efficiencies outgoings for the year were significantly below budget.

Development expenses in respect of the additional function space construction works were significantly less than in the previous year, as they relate to the reducing levels of retention payments due to the contractor. This level of expenditure was in line with expectations.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation and the recognition of capital grant income.

In the course of the year 91,009 delegates (2015: 70,934) attended events at the Conference Centre. This increase in delegate numbers was due to an increase in the number of events held and to a change in the mix of business compared to the previous year. The number of delegate days generated by these delegates amounted to 234,302 during 2016 (2015: 208,251). The delegates who attended events at the EICC during the year generated an economic impact of £51.6m in 2016 (2015: £45.8m) which represents an increase of 12.7% over the previous year. The economic impact that is produced as a result of the EICC's activities helps to create and sustain employment within Edinburgh and further afield.

The EICC continues to be accredited to six quality standards, which cover systems management, human resources and environmental practices and the Conference Centre continues to achieve very positive results from assessments in respect of its re-accreditation to these standards. Through its adherence to these standards the Company seeks to ensure the adoption of best practice and the effective implementation of the business excellence framework.

This quality focus and the provision of high levels of customer service remained a key driver of the EICC team throughout 2016. This resulted in a client delight score of 89% for the year to 31 December 2016 (2015: 89%), as recorded from client questionnaires. This is seen as a key factor in maintaining the Company's continued success in achieving high levels of repeat business.

The Company has over the course of the last year developed a number of new initiatives and these will, in the current year, see: the launch of a masters degree course in Event Business Management which is being run jointly by Edinburgh Napier University and EICC Ltd and; an expansion of the Company's festival programme as a result of a partnership agreement with Pleasance Theatre Trust which will see additional shows being hosted within the EICC.

The existing level of bookings for 2017, the high volume of enquiries that are being received and the increase in the number of short lead bookings that are being secured is encouraging and the EICC's business outlook for the year to date and the longer term remains very positive.

### Key performance indicators

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

	2016 £'000	2015 £'000	% Change
Turnover	7,345	6,326	16.1%
Cost of sales and administration expenses	7,405	6,895	7.4%
Customer delight	89%	89%	-%
Economic impact	51,634	45,840	12.6%

### Risks and uncertainties

In common with many other businesses the Company is exposed to a range of risks. The principal risks and uncertainties facing the Company are associated with market forces and the behaviour of competition as well as the risks associated with catastrophic events.

### 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.



James McFarlane  
Director  
15 September 2017

## **DIRECTORS' REPORT**

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 2016.

### **Directors**

The Directors who served during the period were as follows:

R.C. Aldridge	resigned 02 August 2017
G. Barrie	appointed 02 August 2017
L-M. Cameron	appointed 02 August 2017
M.C. Dallas	
L.M. Florence	
J.Mc.H. McFarlane	
G.J. Munro	resigned 02 August 2017
A. Rankin	resigned 02 August 2017
S. Smith	appointed 02 August 2017
G. Walker	resigned 29 November 2016

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

### **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 in note 22 to the financial statements.

The Company's ultimate parent entity, the 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, as described in note 2 to the financial statements.

### **Directors' Responsibilities for the Financial Statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's, as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping 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 auditor**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company auditor is unaware and each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Auditor**

A resolution to re-appoint Scott-Moncrieff as the Company's auditor will be put to the forthcoming Annual General Meeting.

#### **By Order of the Board**



**DIRECTOR**  
Pinsent Masons Secretarial Limited  
15 September 2017

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

We have audited the financial statements of Edinburgh International Conference Centre for the year ended 31 December 2016 which are set out on pages 9 to 27. 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 pages 5 and 6 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2016 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.

### **Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the Directors' Report and in note 2 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a total comprehensive loss of £135,053 during the year ended 31 December 2016 and will be reliant on the continued support of the City of Edinburgh Council to continue as a going concern should its operating performance not continue to improve.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.



**Nick Bennett, Senior Statutory Auditor**  
**For and on behalf of Scott-Moncrieff, Statutory Auditor**  
**Exchange Place 3**  
**Seemple Street**  
**Edinburgh**  
**EH3 8BL**

Date: 15 September 2017



**STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2016

	Notes	2016 £	2015 £
Revenue	3	7,344,545	6,325,764
Cost of sales		<u>(6,796,848)</u>	<u>(6,305,324)</u>
<b>Gross profit/(loss)</b>		547,697	20,440
Other income	4	25,989	77,883
Development expenses		(73,240)	(148,647)
Administration expenses		<u>(607,715)</u>	<u>(589,995)</u>
		<u>(654,966)</u>	<u>(660,759)</u>
<b>Operating loss from continuing operations</b>	6	(107,269)	(640,319)
Finance revenue	8	10,873	5,822
Gain on sale of fixed asset		-	164,959
Finance costs	9	<u>(30,416)</u>	<u>(17,377)</u>
<b>Loss from continuing operations before tax</b>		(126,812)	(486,915)
Tax charge/(credit)	10	<u>(8,241)</u>	<u>54,328</u>
<b>Total comprehensive loss for the year</b>		<u>(135,053)</u>	<u>(432,587)</u>

The accompanying notes form part of the financial statements

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2016**

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2014	63	62,682,169	(54,240,163)	8,442,069
Total comprehensive loss for period	-	-	(432,587)	(432,587)
Increase in loan stock	-	790,815	-	790,815
Redemption of loan stock	-	<u>(2,926,162)</u>	<u>-</u>	<u>(2,926,162)</u>
At 31 December 2015	63	60,546,822	(54,672,750)	5,874,135
Total comprehensive loss for period	-	-	(135,053)	(135,053)
Decrease in loan stock	-	<u>123,525</u>	<u>-</u>	<u>123,525</u>
At 31 December 2016	<u>63</u>	<u>60,670,347</u>	<u>(54,807,803)</u>	<u>5,862,607</u>

The accompanying notes form part of the financial statements

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2016**

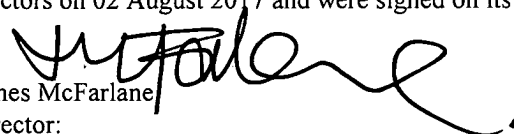
	Notes	£	2016 £	2015 £
<b>Non-current assets</b>				
Property, plant and equipment	11		7,121,487	7,926,074
<b>Current assets</b>				
Trade and other receivables	12	1,896,994		2,892,187
Cash and cash equivalents	13	<u>3,688,948</u>		<u>2,177,327</u>
			<u>5,585,942</u>	<u>5,069,514</u>
<b>Total assets</b>			<u>12,707,429</u>	<u>12,995,588</u>
<b>Current liabilities</b>				
Trade and other payables	14	1,963,719		1,985,869
Capital Grants	17	466,732		474,152
Deferred revenue	17	<u>1,783,867</u>		<u>1,641,168</u>
			4,214,318	4,101,189
<b>Non-current liabilities</b>				
Financial liabilities	15	71,020		40,604
Capital grants	17	2,262,494		2,729,226
Deferred revenue	17	<u>296,990</u>		<u>250,434</u>
			2,630,504	3,020,264
<b>Capital &amp; reserves</b>				
Issued share capital	18	63		63
Other reserves	19	60,670,347		60,546,822
Accumulated losses		<u>(54,807,803)</u>		<u>(54,672,750)</u>
			<u>5,862,607</u>	<u>5,874,135</u>
<b>Total equity &amp; liabilities</b>			<u>12,707,429</u>	<u>12,995,588</u>

The financial statements were authorised for issue by the Board of Directors on 02 August 2017 and were signed on its behalf, on 15 September 2017, by:

Marshall Dallas  
 Director



James McFarlane  
 Director



The accompanying notes form part of the financial statements

Company Number SC131773

**CASHFLOW STATEMENT**  
**For the year ended 31 December 2016**

	2016	2015
	£	£
<b>Operating activities</b>		
Loss before tax	(126,812)	(486,915)
Finance revenue	(10,873)	(5,822)
Finance costs	30,416	17,377
Profit on disposal of property, plant and equipment	-	(164,959)
<b>Operating loss for the year</b>	<b>(107,269)</b>	<b>(640,319)</b>
Net finance revenues	10,873	5,822
Depreciation on property, plant and equipment	870,679	1,076,804
Capital grants released	(474,152)	(500,665)
Decrease/(Increase) in trade and other receivables	995,193	1,032,166
(Decrease)/Increase in trade and other payables	(22,150)	(367,549)
Increase/(decrease) in deferred income	<u>189,255</u>	<u>295,313</u>
<b>Cash generated from operations</b>	<b>1,462,429</b>	<b>901,572</b>
Tax on continuing operations	<u>(8,241)</u>	<u>54,328</u>
<b>Cash flow from operating activities</b>	<b>1,454,188</b>	<b>955,900</b>
<b>Investing activities</b>		
Receipt of grants	-	-
Proceeds from sale of property, plant and equipment	-	17,000
Payments to acquire property, plant and equipment	<u>(66,092)</u>	<u>(118,922)</u>
<b>Cash flow from investing activities</b>	<b>(66,092)</b>	<b>(101,922)</b>
<b>Financing activities</b>		
Receipt of loan stock	123,525	790,815
Repayment of capital element of finance leases	-	-
<b>Cash flow from financing activities</b>	<b><u>123,525</u></b>	<b><u>790,815</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,511,621</b>	<b>1,644,793</b>
Cash and cash equivalents at 1 January 2016	<u>2,177,327</u>	<u>532,534</u>
<b>Cash and cash equivalents at 31 December 2016</b>	<b><u>3,688,948</u></b>	<b><u>2,177,327</u></b>

## 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 2016 were approved by the Board of Directors on xx May 2017 and signed on its behalf by the Directors noted on the Statement of Financial Position. 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 2016 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply, in preparing the financial statements for the year ended 31 December 2016. 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 accounting standards adopted during the year

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2016 and have been adopted by the company:

- Disclosure initiative (Amendments to IAS 1)

The above amendment is not considered to have materially impacted the financial statements of the company.

#### New standards and interpretations issued not applied

The International Accounting Standards Board ("IASB") and IFRIC have issued the following standards and interpretations, which may have an impact on the company, with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

<i>International Accounting Standards and Interpretations</i>		<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 7	Statement of cash flows: disclosure initiative*	1 January 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
IFRS 9	Financial instruments	1 January 2018
Amendments to IAS 1	Presentation of financial statements	1 January 2018
Amendments to IAS 39	Financial Instruments: Recognition and Measurement	1 January 2018
Amendments to IFRS 7	Financial Instruments: Disclosures	1 January 2018

IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

\*not yet adopted for use in the European Union

With the exception of IFRS 16, Leases, as detailed below, the directors have reviewed the requirements of the new standards and interpretations listed above and they are not expected to have a material impact on the company's financial statements in the period of initial application.

IFRS 16, 'Financial Instruments' will make it mandatory for entities with leases under operating leases to record a liability for the payment under the lease and record a right of use asset. This does not apply to leases of one year or less which do not contain a purchase option and leases of low value assets. This will affect the current financial statements of EICC as they will be required to recognise the liability and assets in respects of all applicable operating leases.

### **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. Uncertainty about these assumptions and estimates could, however, 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 are 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 - 20 years; Leasehold Land and Buildings - 10 to 50 years; Motor Vehicles - 5 years; Office Equipment and Furniture - 3 to 10 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. The leaseholders hold no rights to impose restrictions on or reclaim the title of the Conference Centre.

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 cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

### **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 charge for the year 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.

### 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

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

	2016 £	2015 £
Provision of conference facilities	7,280,287	6,272,992
Rendering of other services	<u>64,258</u>	<u>52,772</u>
	<u>7,344,545</u>	<u>6,325,764</u>

## 4. Other Income

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

	2016 £	2015 £
Reimbursement of development expenditure	<u>25,989</u>	<u>77,883</u>

## 5. 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.



## 6. Operating loss

This is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of fixed assets	870,679	1,076,804
Auditor's remuneration - audit services	8,000	8,000
Auditor's remuneration – taxation services	1,600	1,600
Operating lease rentals – land and buildings	153,678	153,678
Operating lease rentals - plant and equipment	10,163	10,163
Other income	(25,989)	(77,883)
Capital grants released	<u>(474,152)</u>	<u>(500,665)</u>

## 7. Staff costs and directors' emoluments

### (a) Staff costs

	2016 £	2015 £
Salaries	2,149,952	1,998,899
Social security costs	185,436	179,669
Pension costs	<u>106,390</u>	<u>106,935</u>
	<u>2,441,778</u>	<u>2,285,503</u>

The monthly average number of staff employed during the year was:

	2016	2015
Sales and Marketing	12	11
Operations	39	37
Administration	8	7

### (b) Directors' emoluments

	2016 £	2015 £
Directors' remuneration	281,771	225,270
Directors' pension	<u>26,970</u>	<u>43,007</u>
	<u>308,741</u>	<u>268,277</u>

The remuneration of the highest paid director included:

	2016 £	2015 £
Directors' remuneration	162,900	157,790
Directors' pension	<u>15,592</u>	<u>28,874</u>
	<u>178,492</u>	<u>186,664</u>

**8. Finance revenue**

	2016 £	2015 £
Interest receivable on bank deposits	<u>10,873</u>	<u>5,822</u>

**9. Finance costs**

	2016 £	2015 £
Effective interest on loan stock	<u>(30,416)</u>	<u>(17,377)</u>

**10. Tax charge**

	2016 £	2015 £
UK Corporation Tax	2,175	(55,741)
Adjustment for group relief recovered in relation to previous years	<u>6,066</u>	<u>1,413</u>
	<u>8,241</u>	<u>(54,328)</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 20.00% (2015: 20.25%). The differences are reconciled below:

	2016 £	2015 £
Loss from continuing operations before tax	<u>(126,812)</u>	<u>(486,915)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(25,362)	(98,584)
Expenses not deductible for tax purposes	15,597	22,306
Fixed asset differences	91,883	79,624
Adjustments in respect of prior periods	6,066	1,413
Group relief surrendered	-	55,724
Losses surrendered	-	(55,741)
Adjust deferred tax to average rate	104,971	233,204
Deferred tax not recognised	<u>(184,914)</u>	<u>(292,274)</u>
Tax charge/(credit) for the period	<u>8,241</u>	<u>(54,328)</u>

As at 31 December 2016 there was an unrecognised deferred tax asset amounting to £1,949,577 (2015: £2,105,310) of which £489,056 (2015: £nil) was in respect of accelerated capital allowances and other timing differences and £1,460,521 (2015: £2,105,310) 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.

# 11. Property, plant and equipment

	Infrastructural Works £	Long Leasehold Buildings £	Motor Vehicles £	Office Equipment & Furniture £	Total £
<b>Cost or valuation</b>					
At 1 January 2016	6,669,993	35,264,791	-	4,997,865	46,932,649
Additions	-	-	-	66,092	66,092
Transfers	-	-	-	-	-
At 31 December 2016	<u>6,669,993</u>	<u>35,264,791</u>	<u>-</u>	<u>5,063,957</u>	<u>46,998,741</u>
<b>Depreciation and impairment</b>					
At 1 January 2016	5,624,572	29,620,369	-	3,761,634	39,006,575
Charge for the period	289,134	180,562	-	400,983	870,679
Transfers	-	-	-	-	-
At 31 December 2016	<u>5,913,706</u>	<u>29,800,931</u>	<u>-</u>	<u>4,162,617</u>	<u>39,877,254</u>
<b>Net book value</b>					
At 31 December 2015	<u>1,045,421</u>	<u>5,644,422</u>	<u>-</u>	<u>1,236,231</u>	<u>7,926,074</u>
At 31 December 2016	<u>756,287</u>	<u>5,463,860</u>	<u>-</u>	<u>901,340</u>	<u>7,121,487</u>
<b>Cost or valuation</b>					
At 1 January 2015	6,669,993	38,190,953	38,700	4,878,943	49,778,589
Additions	-	-	-	118,922	118,922
Disposals	-	(2,926,162)	(38,700)	-	(2,964,862)
At 31 December 2015	<u>6,669,993</u>	<u>35,264,791</u>	<u>-</u>	<u>4,997,865</u>	<u>46,932,649</u>
<b>Depreciation and impairment</b>					
At 1 January 2015	5,335,440	29,505,952	32,895	3,242,143	38,116,430
Charge for the period	289,132	265,601	2,580	519,491	1,076,804
Released on disposal	-	(151,184)	(35,475)	-	(186,659)
At 31 December 2015	<u>5,624,572</u>	<u>29,620,369</u>	<u>-</u>	<u>3,761,634</u>	<u>39,006,575</u>
<b>Net book value</b>					
At 31 December 2014	<u>1,334,553</u>	<u>8,685,001</u>	<u>5,805</u>	<u>1,636,800</u>	<u>11,662,159</u>
At 31 December 2015	<u>1,045,421</u>	<u>5,644,422</u>	<u>-</u>	<u>1,236,231</u>	<u>7,926,074</u>

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

**12. Trade and other receivables**

	2016 £	2015 £
Trade receivables	1,142,854	1,330,871
Amount owed by the City of Edinburgh Council	518,556	1,000,356
Corporation Tax recoverable	55,741	400,836
Other receivables	1	1
Prepayments	<u>179,842</u>	<u>160,123</u>
	<u>1,896,994</u>	<u>2,892,187</u>

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2016 no trade receivables were determined to be impaired (31 December 2015: 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 31 December 2015	1,330,871	1,183,233	101,694	13,104	32,840
At 31 December 2016	1,142,854	950,812	106,195	70,925	14,922

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.

**13. Cash and cash equivalents**

	2016 £	2015 £
Cash at bank and in hand	<u>3,688,948</u>	<u>2,177,327</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £3,688,948 (31 December 2015: £2,177,327).

**14. Trade and other payables**

	2016 £	2015 £
Trade payables	507,931	638,908
Value Added Tax	381,416	129,302
Other taxes and social security costs	45,551	47,308
Other payables	529,605	707,112
Accruals	<u>499,216</u>	<u>463,239</u>
	<u>1,963,719</u>	<u>1,985,869</u>

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

## 15. Financial liabilities

### Loans and borrowings

	2016 £	2015 £
Non-current		
Loan stock	<u>71,020</u>	<u>40,604</u>

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 £60,670,347 (31 December 2015: £60,546,822) either bear no interest or the interest on them has been waived by the stockholder.

The loans have been recognised at fair value 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.

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	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2016 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	34	31
Non-Convertible Unsecured Loan Stock 2117	13	7,411,244	32	30
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	46,631	46,632
Non-Convertible Unsecured Loan Stock 2023	75	868,000	17,268	17,269
Non-Convertible Unsecured Loan Stock 2024	70	546,000	6,207	6,207
Non-Convertible Unsecured Loan Stock 2025	75	123,000	799	799
Non-Convertible Unsecured Loan Stock 2034	75	154,299	7	7
Non-Convertible Unsecured Loan Stock 2035	75	799,000	19	20
Non-Convertible Unsecured Loan Stock 2036	75	709,141	10	8
Non-Convertible Unsecured Loan Stock 2037	75	461,069	4	4
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	6	4
Non-Convertible Unsecured Loan Stock 2039	75	841,099	2	2
Non-Convertible Unsecured Loan Stock 2040	75	718,922	1	0
Non-Convertible Unsecured Loan Stock 2041	75	<u>123,525</u>	<u>0</u>	<u>0</u>
		<u>60,670,347</u>	<u>71,020</u>	<u>71,013</u>

## 15. Financial liabilities (cont.)

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

	2016 £	2015 £
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	<u>15,372,738</u>	<u>15,249,213</u>
	<u>60,670,347</u>	<u>60,546,822</u>
Non-convertible unsecured loan stock		
Issued to The City of Edinburgh Council and CEC Holding Ltd	4,675,316	4,675,316
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	<u>10,697,422</u>	<u>10,573,897</u>
	<u>15,372,738</u>	<u>15,249,213</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.

A further £7,468,677 of non-convertible unsecured loan stock 2117 (31 December 2015: £7,411,244) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £7,904,061 (31 December 2015: £7,837,969) 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.

## 16. Obligations under leases and hire purchase contracts

### 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 5 and 14 years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2016 £	2015 £
Land and buildings		
Expiring:		
Not later than one year	153,678	153,678
Later than one year and not later than five years	614,712	614,712
Later than five years	<u>1,075,746</u>	<u>1,229,424</u>
	<u>1,844,136</u>	<u>1,997,814</u>
Other		
Expiring:		
Not later than one year	9,896	9,896
Later than one year and not later than five years	<u>17,318</u>	<u>27,214</u>
	<u>27,214</u>	<u>37,110</u>

## 17. Deferred revenue and capital grants

	2016 £	2015 £
Deferred revenue	2,080,857	1,891,602
Capital grants	<u>2,729,226</u>	<u>3,203,378</u>
	<u>4,810,083</u>	<u>5,094,980</u>

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

	2016 £	2015 £
At 1 January	1,891,602	1,596,289
Deferred during the year	1,830,423	1,676,583
Released to the income statement	<u>(1,641,168)</u>	<u>(1,381,270)</u>
At 31 December	<u>2,080,857</u>	<u>1,891,602</u>

Deferred revenue is analysed as follows:

	2016 £	2015 £
Current obligations	1,783,867	1,641,168
Non-current obligations	<u>296,990</u>	<u>250,434</u>
	<u>2,080,857</u>	<u>1,891,602</u>

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

	2016 £	2015 £
At 1 January	3,203,378	3,704,043
Receivable during the year	-	-
Released to the income statement	<u>(474,152)</u>	<u>(500,665)</u>
At 31 December	<u>2,729,226</u>	<u>3,203,378</u>

Capital grants are analysed as follows:

	2016 £	2015 £
Current obligations	466,732	474,152
Non-current obligations	<u>2,262,494</u>	<u>2,729,226</u>
	<u>2,729,226</u>	<u>3,203,378</u>

## 18. Share capital

	2016 No.	2015 No.	2016 £	2015 £
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 The City of Edinburgh Council 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.



## 19. 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 2016	60,546,822
Net movement on recognition of loans	<u>123,525</u>
At 31 December 2016	<u>60,670,347</u>

## 20. Pension commitments

The Company operates a defined contribution 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 £106,390 (31 December 2015: £106,935).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £2,319 (31 December 2015: £19,604).

## 21. Related party transactions

The transactions that have been entered into with related parties, which have a significant influence over the Company, for the financial year are as follows:

	Net funding received £
The City of Edinburgh Council	
2016	-
2015	78,365
CEC Holdings Limited	
2016	66,092
2015	712,450

Loans received from or made to related parties, which have a significant influence over the Company, are as follows:

	Owed by related parties £	Owed to related parties £
The City of Edinburgh Council		
2016	270,482	7,468,677
2015	846,312	7,411,244
CEC Holdings Limited		
2016	66,094	53,201,670
2015	154,044	53,135,578

## 21. Related party transactions (cont.)

The Company's immediate parent undertaking is CEC Holdings Limited. It has included the Company in its group financial statements. The ultimate parent undertaking is The City of Edinburgh Council. Copies of the accounts of both companies are available from the Head of Finance, The City of Edinburgh Council, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

## 22. Financial instruments and risk management

The company has the following categories of financial instruments at the balance sheet date:

	2016 £	2015 £
Financial assets		
Loans and receivables:		
Trade and other receivables	1,896,994	2,892,187
Cash and cash equivalents	<u>3,688,948</u>	<u>2,177,327</u>
	<u>5,585,942</u>	<u>5,069,514</u>
	2016 £	2015 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	1,963,719	1,985,869
Loan stock	<u>71,020</u>	<u>40,604</u>
	<u>2,034,739</u>	<u>2,026,473</u>

### Capital management and risk management objectives

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

The Board is charged with the overall responsibility of establishing and monitoring the company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

The main risks that the company is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity. The company's debt is primarily non-interest bearing.

## **22. Financial instruments and risk management (cont.)**

### **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. It arises from exposure to customers and amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- Only banks and institutions with an acceptable credit rating are utilised;
- All customers are rated for credit worthiness, where practical, taking into account their size, market position and financial standing;

Over 85% of the company's gross profits are derived from room hire fees which are paid in advance and from catering commission which is paid by the catering concessionaire.

### **Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Managing cash generated by its operations and retaining surplus cash in readily accessible bank deposit accounts.

### **Fair values**

The directors consider that the carrying values of all the company's financial assets and liabilities approximate their fair values at the balance sheet date.