DIRECTORS' REPORT SC131773

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COMPANIES HOUSE 28/10/05

The Directors have pleasure in submitting their annual report and financial statements for the year ended 31 December 2004

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 £810,265. The Company has, after a tax credit of £48,643, a loss of £761,622

The Directors do not recommend payment of a dividend for the year ended 31 December 2004.

Business Review

The Edinburgh International Conference Centre has continued to build on the foundations which had been laid over the last few years and the year to 31 December 2004 was the most successful year of operation, to date, for the Company. The level of business achieved during the year which resulted in improved operating performance and an over achievement against budget was in contrast to most other UK conference venues.

Conference Centre activities produced an operating profit, before adjustments for depreciation and capital grants received, for the second successive year and it is believed that this position can now be maintained on an annual basis, in the future.

The strategic aim of the Company continued to be to attract international corporate and international association business to the Conference Centre as clients from these markets tend to have the optimum mix of events duration, occupancy of the facility and delegate numbers. In the year to 31 December 2004 19 international events were held at the EICC.

Delegates attending the 137 events held, in total, at the Conference Centre in 2004 spent the equivalent of 173,998 delegate days in Edinburgh. These delegates, who were from countries around the world, generated an estimated economic impact of £23.2m for the City of Edinburgh.

In comparison with the previous year there was an increase in the turnover generated from conference activities and a reduction in the number of events held, which gave rise to a significant increase in the average revenue generated per event.

During the year the eicc continued to attract prestigious high profile events to the city and it has maintained its high level of repeat business. Bookings for future years remain positive and the Conference Centre holds confirmed bookings for events up to 2011.

Customer delight ratings remain very high and there is a very high level of positive customer feedback. The Company is committed to its strategy of providing high levels of service and a high quality, technically advanced product in order to exceed client requirements and expectations.

The Company continued to advance its expansion plans during the year with the appointment of a preferred developer and the commencement of detailed negotiations regarding the necessary legal documentation.

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 2004.

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:

M.M. Child
J.A. Dawe
J.Mc.H. McFarlane
A.L.A. Macpherson appointed 25 August 2004
A.A. Scobbie
L. Shiels
I. Whyte

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

Alan Drummond
DIRECTOR FOR AND
ON BEHALF OF
MD Secretaries Limited.
31 August 2005

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 2004 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh
31 August 2005

PROFIT & LOSS ACCOUNT
For the year ended 31 December 2004

	Note		2004	2003
			£	£
Turnover	2		5,779,814	4,891,860
Cost of sales			(5,932,519)	(4,877,748)
Gross profit/(loss)			(152,705)	14,112
Development expenses		(283,290)		(331,689)
Other administration expenses		(529,177)		(488,674)
			(812,467)	(820,363)
Operating loss	3		(965,172)	(806,251)
Interest receivable	4		154,907	124,343
Loss on ordinary activities before tax			(810,265)	(681,908)
Tax on profit on ordinary activities	5		48,643	88,015
Loss on ordinary activities after tax			(761,622)	(593,893)
Retained loss brought forward			(45,412,957)	(44,819,064)
Retained loss carried forward			(46,174,579)	(45,412,957)

There are no recognised gains or losses, other than the loss after tax on ordinary activities for the year ended 31 December 2004 of £761,622, and for the year ended 31 December 2003, £593,893.

BALANCE SHEET
At 31 December 2004

	Notes		2004	2003
			£	£
Fixed assets				
Tangible assets	8		16,211,836	17,095,178
Current assets				
Debtors	9	2,048,788		1,857,581
Investments	10	190,620		183,970
Cash		3,005,022		3,171,951
		5,244,430		5,213,502
Creditors: Amounts falling due within one year	11	(1,248,464)		(840,138)
Net current assets			3,995,966	4,373,364
Total assets less current liabilities			20,207,802	21,468,542
Creditors: Amounts falling due after more than one year				
Loan	12	2,046,162		2,046,162
Loan stock	12	55,063,073		55,063,073
			57,109,235	57,109,235
Accruals & deferred income	13		9,273,083	9,772,201
			66,382,318	66,881,436
Capital & reserves				
Called up share capital	14	63		63
Profit & loss account		(46,174,579)		(45,412,957)
Shareholders' funds	15		(46,174,516)	(45,412,894)
			20,207,802	21,468,542

Councillor A A Scobbie
Director:

Andrew Alexander Scobbie

Councillor I Whyte
Director:

31 August 2005

CASH FLOW STATEMENT
For the year ended 31 December 2004

	Notes		2004	2003
			£	£
Net cash inflow from operating activities	3b		(36,195)	(203,344)
Returns on investments and servicing of finance				
Interest received		154,907		124,343
Net cash inflow from returns on investment and servicing of finance			154,907	124,343
Taxation				
Group relief recovered		48,643		168,093
Net cash inflow from taxation			48,643	168,093
Capital expenditure				
Payments to acquire tangible fixed assets		(334,284)		(615,595)
Capital grants received		-		253,700
Net cash outflow from capital expenditure			(334,284)	(361,895)
Financing				
Net movement on loan stock		-		183,141
Net cash inflow from financing			-	183,141
Increase in cash			(166,929)	(89,662)

Reconciliation of net cash flow to movement in net debt

	Notes		2004	2003
Increase in cash in the period		(166,929)		(89,662)
Cash inflow/(outflow) from increase in debt and lease financing		-		(183,141)
Cash inflow from decrease in liquid resources		-		-
Change in net debt arising from cash flows			(166,929)	(272,803)
Movement in loan stock debtor			-	-
Movement in net debt during the period			(166,929)	(272,803)
Net debt at 1 January 2004			(53,937,285)	(53,664,482)
Net debt at 31 December 2004	3c		(54,104,214)	(53,937,285)

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:-

	2004 £	2003 £
Conference facilities	5,149,471	4,334,824
Rental income from the letting of office space	468,327	381,773
Site development	162,016	175,263
	5,779,814	4,891,860

3. Operating loss

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

	£	£
Depreciation of fixed assets	1,208,370	1,131,515
Auditors' remuneration - audit services	18,500	20,000
Auditors' remuneration - non-audit services	6,500	6,950
Operating lease rentals	31,008	39,462
Capital grants released	(480,458)	(535,296)

3. Operating loss (continued)

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

	2004 £	2003 £
Operating loss after revenue grant	(965,172)	(806,251)
Depreciation of tangible fixed assets	1,208,370	1,131,515
(Increase) in investments	(6,651)	(5,925)
Decrease/(Increase) in operating debtors and prepayments	(110,468)	(220,673)
(Decrease) in operating creditors and accruals	417,583	(97,248)
Capital grants released in period	(480,458)	(535,296)
(Decrease)/Increase in deferred income	(99,399)	330,534
Net cash inflow from operating activities	(36,195)	(203,344)

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

	Opening £	Cash Flow £	Other £	Closing £
Cash	3,171,951	(166,929)	-	3,005,022
Overdraft	-	-	-	-
		(166,929)		
Liquid resources	-	-	-	-
Short term loans	(2,046,162)	-	-	(2,046,162)
Loan stock	(55,063,074)	-	-	(55,063,074)
Total	(53,937,285)	(166,929)	-	(54,104,214)

4. Interest Receivable

	£	£
Interest due on bank deposits	154,907	124,343

5. Tax on Profit on Ordinary Activities

	2004	2003
	£	£
UK Corporation Tax:		
Current Tax on income for the year	-	(80,079)
Adjustment for group relief recovered in relation to previous years	48,643	168,094
	48,643	88,015

6. Staff Costs

	£	£
Salaries	1,610,365	1,363,355
Social security costs	151,760	128,854
Pension costs	67,093	57,593
	1,829,218	1,549,802
The average number of staff employed during the year was	60	60

7. Directors' Emoluments

No Directors' emoluments were paid during the year to 31 December 2004, or in the previous year.

8. Tangible Assets

	Infrastructural Works	Long Leasehold Buildings	Office Equipment & Furniture	Total
Cost	£	£	£	£
At 1 January 2004	9,919,961	36,982,237	8,897,344	55,799,542
Additions in period at cost	-	-	325,028	325,028
Transfers in period at cost	-	-	-	-
At 31 December 2004	9,919,961	36,982,237	9,222,372	56,124,570
Depreciation				
At 1 January 2004	2,537,430	28,445,046	7,721,888	38,704,364
Charge for the period	493,356	210,071	504,943	1,208,370
At 31 December 2004	3,030,786	28,655,117	8,226,831	39,912,734
Net book value 31 December 2003	7,382,531	8,537,191	1,175,456	17,095,178
Net book value 31 December 2004	6,889,175	8,327,120	995,541	16,211,836

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

9. Debtors

	2004 £	2003 £
Amount due by The City of Edinburgh Council	115,291	115,291
Trade debtors	1,031,755	967,503
Other debtors	745,313	593,147
Value added tax	5,479	22,709
Prepayments	150,950	158,931
	2,048,788	1,857,581

10. Investments

	£	£
Bank deposits held in trust	190,620	183,970

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

	£	£
Trade creditors	763,623	615,553
Corporation Tax	-	-
Other taxes and social security costs	50,040	40,763
Other creditors	339,087	85,640
Accruals	95,714	98,182
	1,248,464	840,138

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	9,765,464	9,765,464
	57,109,235	57,109,235

12. Creditors: Amounts falling due after more than one year (continued)

	2004 £	2003 £
Non-convertible unsecured loan stock:		
Issued to The City of Edinburgh Council and CEC Holdings Ltd	9,660,194	9,660,194
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd	105,270	105,270
	9,765,464	9,765,464

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 2003 £2,876,365) of the issued non-convertible unsecured loan stock, the balance amounting to £6,783,829 (at 31 December 2003 £6,783,829) being held by The City of Edinburgh Council. The non convertible unsecured loan stock bears no interest and is repayable by 31 December 2024.

13. Accruals and Deferred Income

	£	£
Capital grants	7,610,292	8,010,011
Deferred income	1,662,791	1,762,190
	9,273,083	9,772,201

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

Capital grants brought forward	8,010,011	8,217,356
Received during period	80,739	327,951
Released during period	(480,458)	(535,296)
Capital grants carried forward	7,610,292	8,010,011

14. Share Capital

	2004 No.	2003 No.	2004 £	2003 £
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	1	1
			55,001,000	55,001,000

14 Share Capital (continued)

	2004 No.	2003 No.	2004 £	2003 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
"B" Redeemable Preference shares	-	-	-	-
Special share	1	1	1	1
			63	63

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.

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

	2004 £	2003 £
Shareholders' funds brought forward	(45,412,894)	(44,819,001)
Profit/(Loss) on ordinary activities for the period	(761,622)	(593,893)
Shareholders' funds carried forward	(46,174,516)	(45,412,894)

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 2003 these capital commitments amounted to £7,865,000 of which £7,747,325 had been expended).

17. Financial Commitments

At 31 December 2004 the Company had annual commitments under non-cancellable operating leases relating to plant and equipment as follows:

	£	£
Operating leases which expire:		
Within one year	22,738	4,734
In two to five years	48,660	20,509
In over five years	-	-
	71,398	25,243

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 £5,864 (2003 - £nil)

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 2003 grants totalling £nil 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.