EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED

ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2017

COMPANY NUMBER SC131773

GENERAL INFORMATION

Company number

SC131773

Present Company Directors

L.M. Cameron
K. Campbell
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
Semple 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 profit from continuing operations before tax for the year amounted to £579,328 (2016 – loss of £126,812). The Company has, after taxation adjustments, a total comprehensive profit for the year of £577,757 (2016 – loss of £135,053). The Directors do not recommend payment of a dividend for the year ended 31 December 2017.

Notwithstanding the continuing pressure on client's budgets, increased competition from a growing number of conference centres and aggressive price competition from venues across the globe the year to 31 December 2017 saw a marked improvement in the Company's operating profitability.

The was largely as a result of the sales team continuing to build on the activities that they had introduced the previous year. These included: increasing the number of sales visits undertaken in the year; increasing the level of engagement with booking agents; increasing the reach of the EICC's campaigns; making more flexible offerings to clients; improving the content and layout of bid documents to third parties; and increasing the overall appeal of the EICC to clients.

During the year the sales team continued to: adopt a much more focussed approach to securing corporate business; offer commission to booking agents; promote Day Delegate Rate business; secure increased levels of filler business; increase occupancy levels; and increase the breadth of the Company's sales base through increasing the diversity of events held at the EICC.

The combined effect of these initiatives had a significant impact on the Company's revenues for the year which amounted to £7.919m. This was an increase of £0.574, on the previous year's figure of £7.345m, which is equivalent to an increase of 7.81%. These revenues generated a gross profit of £1.137m in 2017 compared to a gross profit of £0.548m for the previous year, which represents an increase of 107.48%.

It should be noted that in 2017 the Company recorded its highest levels of gross profit for the months of March, August and September since the Company commenced trading. It is also worth noting that in 2017 an operating surplus was recorded for the month of August for the first time ever.

In addition to this there were a number of events that generated exceptionally high gross profits during the year. Indeed 8 of the association events that were held in 2017 recorded a gross profit of over £200,000, which is by far the largest number of events to have achieved this in a single year since the Company started trading in 1995.

Occupancy levels for the year increased to 54.93% and the Company experienced year on year growth in respect of the number of booking enquiries received, the level of bookings contracted for future years and the room rental charges, charges for additional services and catering commission derived from the Company's operations.

Expenditure in respect of cost of sales and administration expenses amounted to £7,321m in 2017 (2016: £7,405m) which represented a decrease of 1.13% compared to the expenditure levels in 2016.

There was a continued focus on minimising the levels 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.

There was a reduction in the level of development expenses incurred in respect of the additional function space construction works compared to the previous year. This level of expenditure was in line with expectations, as it relates to the reducing levels of retention payments made in respect of the Lennox Suite and Atria office construction works.

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. 2017 saw the Company generate its highest ever levels of revenue, gross profits, operating profit and economic impact.

During the year 94,480 delegates (2016: 91,009) attended events at the Conference Centre. The number of delegate days generated by these delegates amounted to 275,517 in 2017 (2016: 234,302). 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.

Delegates attending events at the EICC during the year generated an economic impact of £56.7m in 2017 (2016: £51.6m) which represents an increase of 9.88% 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 remains committed to improving its operational efficiency and effectiveness and in providing a value for money facility for clients. The Company aligns its operations with the business excellence model and it is accredited to six quality standards. These standards 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.

The EICC maintained its quality focus during the year and the provision of high levels of customer service remained a key driver of the EICC team throughout 2017. This resulted in a client delight score of 90% for the year to 31 December 2017, as recorded from client questionnaires, which was an increase of 1% over the previous year.

The EICC's business operations have continued to develop in the first half of 2018. The Company whilst maintaining its focus on its core association and corporate markets has also sought to diversify its client base and promote new product offerings. The existing level of bookings for 2018, 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 current year 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:-

	2017 £'000	2016 £'000	% Change
Turnover	7,919	7,345	7.81%
Cost of sales and administration expenses	7,321	7,405	(1.13)%
Customer delight	90%	89%	1.12%
Economic impact	56,723	51,634	9.86%

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 many notable achievements and successes to date.

Director
25 July 2018

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 2017.

Directors

The Directors who served during the period were as follows:

R.C. Aldridge	resigned 02 August 2017
G. Barrie	appointed 02 August 2017
G. Barrie	resigned 28 March 2018
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

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 FOR AND ON BEHALF OF
Pinsent Masons Secretarial Limited
25 July 2018

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

Opinion

We have audited the financial statements of Edinburgh International Conference Centre Limited (the 'company') for the year ended 31 December 2017 which comprises the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Material uncertainty related to going concern

We draw attention to the Directors Report and note 2 in the financial statements, which indicate that Edinburgh International Conference Centre Ltd is reliant on the continued support of the City of Edinburgh Council to continue as a going concern. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Nick Bennett

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

Date: 31 July 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Notes		2017	2016
		£	£	£
Revenue	3		7,918,852	7,344,545
Cost of sales			(6,781,993)	(6,796,848)
Gross profit			1,136,859	547,697
Other income	4	77,467		25,989
Development expenses		(50,970)		(73,240)
Administration expenses		(538,970)		(607,715)
			(512,473)	(654,966)
Operating profit from continuing operations	6		624,386	(107,269)
Finance revenue	8		8,164	10,873
Gain on sale of fixed asset			-	-
Finance costs	9		(53,222)	(30,416)
Profit from continuing operations before tax			579,328	(126,812)
Tax (charge)/credit	10		(1,571)	(8,241)
Total comprehensive profit for the year			577,757	(135,053)

The accompanying notes form part of the financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2015	63	60,546,822	(54,672,750)	5,874,135
Total comprehensive loss for period	-	-	(135,053)	(135,053)
Increase in loan stock	-	123,525	-	123,525
At 31 December 2016	63	60,670,347	(54,807,803)	5,862,607
Total comprehensive loss for period	-	-	577,757	577,757
Increase in loan stock	-	300,458	-	300,458
At 31 December 2017	63	60,970,805	(54,230,046)	6,740,822

The accompanying notes form part of the financial statements

STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	£	2017 £	2016 £
Non-current assets				
Property, plant and equipment	11		6,819,847	7,121,487
Current assets				
Trade and other receivables	12	2,430,247		1,896,994
Cash and cash equivalents	13	3,980,822		3,688,948
			6,411,069	5,585,942
Total assets			13,230,916	12,707,429
Current liabilities				
Trade and other payables	14	1,781,135		1,963,719
Capital grants	17	459,807		466,732
Deferred revenue	17	1,911,512		1,783,867
			4,152,454	4,214,318
Non-current liabilities				
Financial liabilities	15	124,242		71,020
Capital grants	17	1,802,687		2,262,494
Deferred revenue	17	410,711		296,990
			2,337,640	2,630,504
Capital & reserves				
Issued share capital	18	63		63
Other reserves	19	60,970,805		60,670,347
Accumulated losses		(54,230,046)		(54,807,803)
			6,740,822	5,862,607
Total equity & liabilities			13,230,916	12,707,429

The financial statements were authorised for issue by the Board of Directors on 25 July 2018 and were signed on its behalf, on that date, by:

Lezley Marion Cameron
Director:

James McFarlane
Director:

The accompanying notes form part of the financial statements

Company Number SC131773

CASHFLOW STATEMENT
For the year ended 31 December 2017

		2017	2016
	£	£	£
Operating activities			
Loss before tax	579,328		(126,812)
Finance revenue	(8,164)		(10,873)
Finance costs	53,222		30,416
Operating loss for the year	624,386		(107,269)
Net finance revenues	8,164		10,873
Depreciation on property, plant and equipment	784,078		870,679
Capital grants released	(466,732)		(474,152)
(Increase)/decrease in trade and other receivables	(533,253)		995,193
(Decrease)/increase in trade and other payables	(182,584)		(22,150)
Increase/(decrease) in deferred income	241,366		189,255
Cash generated from operations	475,425		1,462,429
Tax on continuing operations	(1,571)		(8,241)
Cash flow from operating activities		473,854	1,454,188
Investing activities			
Proceeds from sale of property, plant and equipment	-		-
Payments to acquire property, plant and equipment	(482,438)		(66,092)
Cash flow from investing activities		(482,438)	(66,092)
Financing activities			
Receipt of loan stock	300,458		123,525
Cash flow from financing activities		300,458	123,525
Net increase/(decrease) in cash and cash equivalents		291,874	1,511,621
Cash and cash equivalents at 1 January 2017		3,688,948	2,177,327
Cash and cash equivalents at 31 December 2017		3,980,822	3,688,948

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 2017 were approved by the Board of Directors on xx August 2018 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 2017 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 2017. 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 2017 and have been adopted by the company:

- Disclosure initiative (Amendments to IAS 1)
- Statement of cash flows: disclosure initiative (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The above amendments are not considered to have materially impacted the financial statements of the company.

New standards and interpretations issued not applied

The International Accounting Standards Board 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:

International Accounting Standards and Interpretations		*Effective for annual periods beginning on or after*
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
Amendments to IAS 12	Income taxes: Treatment of tax consequences of dividends and other distributions	1 January 2019

*not yet adopted for use in the European Union

With the exception of IFRS 16 in respect of Leases, as detailed below, the directors have reviewed the requirements of the new standards and interpretations listed above and are satisfied that 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 operating leases to record a liability for the payment under the lease and record a right of use of the 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:

	2017 £	2016 £
Provision of conference facilities	7,894,787	7,280,287
Rendering of other services	24,065	64,258
	7,918,852	7,344,545

4. Other Income

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

	2017 £	2016 £
Reimbursement of development expenditure	77,467	25,989

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):

	2017 £	2016 £
Depreciation of fixed assets	784,078	870,679
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	9,896	10,163
Other income	(77,467)	(25,989)
Capital grants released	(466,732)	(474,152)

7. Staff costs and directors' emoluments

(a) Staff costs

	2017 £	2016 £
Salaries	2,172,248	2,149,952
Social security costs	194,486	185,436
Pension costs	113,550	106,390
	2,480,284	2,441,778

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

	2017	2016
Sales and Marketing	12	12
Operations	38	39
Administration	7	8

(b) Directors' emoluments

	2017 £	2016 £
Directors' remuneration	289,100	281,771
Directors' pension	27,677	26,970
	316,777	308,741

The remuneration of the highest paid director included:

	2017 £	2016 £
Directors' remuneration	167,136	162,900
Directors' pension	16,001	15,592
	183,137	178,492

8. Finance revenue

	2017 £	2016 £
Interest receivable on bank deposits	8,164	10,873

9. Finance costs

	2017 £	2016 £
Effective interest on loan stock	(53,222)	(30,416)

10. Tax charge

	2017 £	2016 £
UK Corporation Tax	1,571	2,175
Adjustment for group relief recovered in relation to previous years	-	6,066
	1,571	8,241

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 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 £	2016 £
Profit/ (Loss) from continuing operations before tax	579,328	(126,812)
Profit/ (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	111,501	(25,362)
Expenses not deductible for tax purposes	7,621	15,597
Fixed asset differences	91,761	91,883
Adjustments in respect of prior periods	-	6,066
Adjust deferred tax to average rate	(24,432)	104,971
Deferred tax not recognised	(184,880)	(184,914)
Tax charge/(credit) for the period	1,571	8,241

As at 31 December 2017 there was an unrecognised deferred tax asset amounting to (£1,764,697) (2016: £1,949,577) of which £410,561 (2016: £489,056) was in respect of accelerated capital allowances and other timing differences and £1,354,136 (2016: £1,460,521) 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 £
Cost or valuation					
At 1 January 2017	6,669,993	35,264,791	-	5,063,957	46,998,741
Additions	-	-	-	482,438	482,438
Disposals	-	-	-	-	-
At 31 December 2017	6,669,993	35,264,791	-	5,546,395	47,481,179
Depreciation and impairment					
At 1 January 2017	5,913,706	29,800,931	-	4,162,617	39,877,254
Charge for the period	289,132	198,361	-	296,585	784,078
Released on disposal	-	-	-	-	-
At 31 December 2017	6,202,838	29,999,292	-	4,459,202	40,661,332
Net book value					
At 31 December 2016	756,287	5,463,860	-	901,340	7,121,487
At 31 December 2017	467,155	5,265,499	-	1,087,193	6,819,847
Cost or valuation					
At 1 January 2016	6,669,993	35,264,791	-	4,997,865	46,932,649
Additions	-	-	-	66,092	66,092
Disposals	-	-	-	-	-
At 31 December 2016	6,669,993	35,264,791	-	5,063,957	46,998,741
Depreciation and impairment					
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
Released on disposal	-	-	-	-	-
At 31 December 2016	5,913,706	29,800,931	-	4,162,617	39,877,254
Net book value					
At 31 December 2015	1,045,421	5,644,422	-	1,236,231	7,926,074
At 31 December 2016	756,287	5,463,860	-	901,340	7,121,487

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

12. Trade and other receivables

	2017	2016
	£	£
Trade receivables	1,365,307	1,142,854
Amount owed by the City of Edinburgh Council	803,892	518,556
Corporation Tax recoverable	-	55,741
Other receivables	1	1
Prepayments	261,047	179,842
	2,430,247	1,896,994

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2017 no trade receivables were determined to be impaired (31 December 2016: 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 2016	1,142,854	950,812	106,195	70,925	14,922
At 31 December 2017	1,365,307	1,184,471	101,452	30,021	49,363

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

	2017	2016
	£	£
Cash at bank and in hand	3,980,822	3,688,948

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £3,980,822 (31 December 2016: £3,688,948).

14. Trade and other payables

	2017	2016
	£	£
Trade payables	723,654	507,931
Value Added Tax	92,188	381,416
Other taxes and social security costs	47,704	45,551
Other payables	538,049	529,605
Accruals	379,540	499,216
	1,781,135	1,963,719

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

	2017	2016
	£	£
Non-current		
Loan stock	124,242	71,020

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 £60,970,805 (31 December 2016: £60,670,347) 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 2017 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	39	36
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	36	34
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	81,603	81,605
Non-Convertible Unsecured Loan Stock 2023	75	868,000	30,220	30,220
Non-Convertible Unsecured Loan Stock 2024	70	546,000	10,862	10,862
Non-Convertible Unsecured Loan Stock 2025	75	123,000	1,398	1,398
Non-Convertible Unsecured Loan Stock 2034	75	154,299	11	12
Non-Convertible Unsecured Loan Stock 2035	75	799,000	34	34
Non-Convertible Unsecured Loan Stock 2036	75	709,141	17	15
Non-Convertible Unsecured Loan Stock 2037	75	461,069	6	7
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	10	8
Non-Convertible Unsecured Loan Stock 2039	75	841,099	4	4
Non-Convertible Unsecured Loan Stock 2040	75	718,922	2	1
Non-Convertible Unsecured Loan Stock 2041	75	123,525	0	0
Non-Convertible Unsecured Loan Stock 2042	75	482,438	0	0
		60,970,805	124,242	124,236

15. Financial liabilities (cont.)

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

	2017 £	2016 £
Convertible unsecured loan stock	45,297,609	45,297,609
Non-convertible unsecured loan stock	15,673,196	15,372,738
	60,970,805	60,670,347

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	10,997,880	10,697,422
	15,673,196	15,372,738

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 £7,286,697 of non-convertible unsecured loan stock 2117 (31 December 2016: £7,468,677) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £8,386,499 (31 December 2016: £7,904,061) 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 a duration of between 5 and 14 years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2017 £	2016 £
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	922,068	1,075,746
	1,690,458	1,844,136
Other		
Expiring:		
Not later than one year	9,896	9,896
Later than one year and not later than five years	9,896	17,318
	19,792	27,214

17. Deferred revenue and capital grants

	2017	2016
	£	£
Deferred revenue	2,322,223	2,080,857
Capital grants	2,262,494	2,729,226
	4,584,717	4,810,083

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

	2017	2016
	£	£
At 1 January	2,080,857	1,891,602
Deferred during the year	2,025,232	1,830,423
Released to the income statement	(1,783,866)	(1,641,168)
At 31 December	2,322,223	2,080,857

Deferred revenue is analysed as follows:

	2017	2016
	£	£
Current obligations	1,911,512	1,783,867
Non-current obligations	410,711	296,990
	2,322,223	2,080,857

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

	2017	2016
	£	£
At 1 January	2,729,226	3,203,378
Receivable during the year	-	-
Released to the income statement	(466,732)	(474,152)
At 31 December	2,262,494	2,729,226

Capital grants are analysed as follows:

	2017	2016
	£	£
Current obligations	459,807	466,732
Non-current obligations	1,802,687	2,262,494
	2,262,494	2,729,226

18. Share capital

	2017 No.	2016 No.	2017 £	2016 £
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	1	1
			63	63

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 2017	60,670,347
Net movement on recognition of loans	300,458
At 31 December 2017	60,970,805

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 £113,550 (31 December 2016: £106,390).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £3,521 (31 December 2016: £2,319).

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	
2017	-
2016	-
CEC Holdings Limited	
2017	-
2016	66,092

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		
2017	321,454	7,286,697
2016	270,482	7,468,677
CEC Holdings Limited		
2017	482,438	53,684,108
2016	66,094	53,201,670

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:

	2017 £	2016 £
Financial assets		
Loans and receivables:		
Trade and other receivables	2,430,247	1,896,994
Cash and cash equivalents	3,980,822	3,688,948
	6,411,069	5,585,942

	2017 £	2016 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	1,779,564	1,963,719
Loan stock	124,242	71,020
	1,903,806	2,034,739

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.