

Registered number: 01858349

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

COMPANY INFORMATION

DIRECTORS

C M Benzie
B Crockett
G A Cumming
J A Donnelly
E A Gillespie
E Hulse
L Lonie (appointed 1 April 2015)
A Malone
F Mann
J Reynolds
G Runcie
Prof J Watson

COMPANY SECRETARY

Stronachs LLP

REGISTERED NUMBER

01858349

REGISTERED OFFICE

Citypoint
1 Ropemaker Street
London
EC2Y 9SS

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

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ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016

STRATEGY AND OBJECTIVES

The overall corporate objectives are set by our parent company, Aberdeen City Council ("ACC"). The principal objectives for the AECC are to optimise profit and thereafter economic impact. The relationship with ACC is governed by a service level agreement and within Audit Scotland's definition of "Arm's Length Organisations".

On 4th March 2015, ACC approved the development of the new venue at Bucksburn, therefore recognising the significant role of the meetings industry in driving economic development and building the "Aberdeen" competitive identity. In February 2016 the ACC announced their intention to put out to tender the contract for the venue operation from April 2017, through opening at the new venue in 2019 and up to 2029. AECC have submitted a proposal and are successfully through in to the detailed submission stage with the final decision by the ACC expected on 20th September 2016. If the AECC is unsuccessful in the procurement it will have consequences which are unknown and unquantifiable at this point and the following accounts lay this out in more detail in note 2.3.

THE BUSINESS MODEL

The AECC is a multi-purpose venue based in the north east of Scotland. It is the home to the biennial "Offshore Europe", the Eastern Hemisphere's largest oil and gas exploration and production event. With an emphasis on energy related clients the company covers a broad mix of market sectors: conferences; exhibitions; meetings; entertainment; banqueting; and ancillary revenues from car parking, exhibition builds, sponsorship and media. The AECC has built up a strong reputation, particularly the quality of its in house catering and strong service levels.

The business model for the venue is similar to most other UK venues in that we operate around a break even and rely on support from the local public body. Clearly if venues could be more profitable they would attract private investors and usually they cannot. The Board's long term aim is to continue to cost effectively grow the business, and reduce the annual ACC funding to zero. Winning the contract for the venue operation is key to that as the new venue will attract a greater mix of high profile events that should generate a larger footfall and increased revenues.

AECC belongs to the trade body AIPC for conference and exhibition venue operators and owners. In 2016 AECC was listed in the last 15 finalists globally for the AIPC Apex award; an award based on the views of our customers. Our clients rated their overall experience at 70% compared to the benchmark of 61% however in one key driver, "Buildings and Amenities" AECC were rated 22% compared to the benchmark of 54%. Clearly the existing infrastructure is a limiting factor to the Board's ambitions for the venue, the City and the reduction in the ACC funding.

The age of some parts of the campus means that some reinvestment is required. Following the decision to move to Bucksburn this refurbishment of facilities will be prioritised to ensure the overall quality of the client experience is maintained. There is a concern that revenue will weaken in the lead up to the new venue opening as event organisers and sponsors may prefer to wait for the new facility.

Aberdeen City operates with a minimal conference subvention budget, managed by VisitAberdeenshire. Although AECC continues to have considerable success in attracting larger events, the competition has operated historically with greater resources. Although much is anticipated with the relaunch of VisitAberdeenshire the revenue delivered in 2015-16 for large conferences was secured and contracted two to three years ago under the old regime.

Buyers in some key sectors of the business, particularly conferences, make their decision on a wide range of criteria. Quality of the venue but also the strength of the overall destination sell. The creation in April 2016 of VisitAberdeenshire to manage the destination marketing for the region will help present a stronger proposition and although it will take time to make an impact, it is undoubtedly a great boost.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016 THE BUSINESS REVIEW

2015-16 is a year with Offshore Europe, the biennial oil show and historically, given the scale of this particular event, this has normally delivered an increase in the overall company annual turnover. However, in 2015-16 the company turnover has fallen by 6.2% to £7.346m. Although the AECC business is present in a variety of different sectors, our customer base is heavily focused on energy related clients and the effect of the collapsed oil price noted last year has grown. These corporate clients have seen significant decreases in revenues and two or three rounds of redundancies which has led them to cut back expenditure. This has significantly affected the conference, meeting, banqueting and exhibition market with events either cancelled completely or with reduced attendance and spend per head. There has also been a knock on to car park revenue and sponsorship leads.

This reduction in certain sectors has benefited the entertainment sector with music and comedy in particular increasing year on year as promoters can exploit the greater arena availability. The arena's capacity remains a limiting factor as promoters cannot bring higher profile acts to Aberdeen due to the lower seating capacity compared to the competition. AECC did collaborate with a promoter to bring Elton John to the region and although there were increased operating costs to build a temporary outside arena, the 14,000+ ticket sales demonstrated the demand exists for high profile acts. This ability to sell tickets was proved again with 42,000 tickets sold over 9 nights for Kevin Bridges.

Conferences had a weak year compared to 2014-15 but were buoyed up by Routes Europe, an event that was secured a number of years ago with a consortium of stakeholders successfully supporting the proposal. In addition, AECC hosted a major political conference with the Scottish National Party in October 2015.

The AECC continues to manage the service delivery with a reducing annual grant from ACC. This has enabled the annual grant received from the ACC to be reduced from £1.07m to £1.02m in 2015-16.

During 2015-16 the Remuneration Committee met once to consider the executive directors and senior managers' remuneration and then made their recommendations to the main Board.

FUTURE DEVELOPMENTS

The effect of the oil price in the Aberdeen economy during 2015-16 has continued into the current year 2016-17. Until there is a sustained pick up in the price of oil, energy companies will be nervous about recruiting or spending. It is likely that there will be a time lag in between, the first signs of the oil price improvement and that being noticed at the AECC with increased banqueting, meetings and exhibitions.

When the new venue is operational it is then that there will be a major change in event activity. The sales and promotion for the new facility has started and is pushing out to new sectors and markets to ensure that the opening sales pipeline is strong. There is significant interest with existing and potential clients in the new venue and the destination.

The new venue will undoubtedly have a major role in the City agenda of transformation with a diversification away from oil and gas. This journey will take a number of years but the new venue has a vital part to play to showcase world class industrial expertise, and leading academic research and knowledge. AECC with its existing teams and expertise are well placed to service this need and keenly awaiting the conclusion of the ACC procurement in September 2016.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2016 KEY PERFORMANCE INDICATORS

AECC uses a range of traditional measures around turnover, profitability, utilisation and the level of contracts signed against budget. These are reported in the company up to Board level.

The AECC's secondary objective is economic impact. The AECC has been working with IPSOS on an industry approved standardised methodology for calculating economic impact. This involves researching events and attendees in Aberdeen to find out accurate local spending patterns and this was conducted during 2015-16. The results indicate that the venue generates an economic impact of £128m from all its events, exhibitors and delegates with £79m being attributed solely to Offshore Europe.

AECC is now accredited for ISO20121 Sustainability in the Event Management. Employee engagement is measured through an independent biennial staff survey and the accreditation for Investors In People ("IIP").

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

Procurement

The procurement process for the appointment of a venue operator from 1st April 2017 is the greatest uncertainty in the current year. Although an ACC decision is expected to be made around September 2016 it will not be in time for the finalisation of the financial statements in order to meet the group reporting timetable of ACC. This uncertainty is described fully in Note 2.3.

Financial

Credit risk is minimal at the AECC as clients generally pay for the services prior to the event. There is no exposure to foreign currency or interest rate movements. A significant proportion of the AECC business is repeat and contracted in advance. The weak Aberdeen trading conditions also pose some uncertainty.

Operational

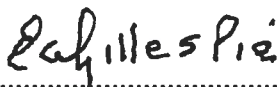
The business tourism approach relies on the integration of key stakeholders of which the principal ones are: venues in the region; the public authorities; VisitAberdeenshire; airport; local hotels; local Universities. Current public sector funding constraints often mean more has to be achieved with less. Although financial resources are important it is also an issue of in-kind support, co-ordination, co-operation and innovation. The creation of TeamAberdeen has led to successes and demonstrated the benefits of mutual cooperation.

Hotel bed stock continues to increase in the region. Accommodation is an issue for some clients and this is sometimes an issue of expectation rather than being Aberdeen specific. Most major cities will have hotel pressures when hosting major conferences.

CORPORATE AND SOCIAL RESPONSIBILITY

Each year AECC staff nominate a charity to support. Typically, these are locally based and where the AECC contribution can make a difference. In 2015-16 Somebody Cares (supporting vulnerable and marginalized people in the City and Shire) was chosen. AECC also contributed in kind to many local charity requests as well as supporting other fundraising activities.

This report was approved by the board and signed on its behalf.



.....
E A Gillespie
Director

Date: 24/8/16

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report and the financial statements for the year ended 31 March 2016.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £68,429 (2015 - loss £200,574).

No dividend was paid during the year (2015 - £NIL).

DIRECTORS

The directors who served during the year were:

C M Benzie
B Crockett
G A Cumming
J A Donnelly
E A Gillespie
B W Horsburgh (resigned 30 April 2015)
E Hulse
L Lonie (appointed 1 April 2015)
A Malone
F Mann
J Reynolds
G Runcie
Prof J Watson
W Young (resigned 17 December 2015)

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016**

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

The auditors, Anderson Anderson & Brown LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report has been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

This report was approved by the board and signed on its behalf.



.....
E A Gillespie
Director

Date: 24/8/16

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

The directors are responsible for preparing the Strategic report, 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 elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

We have audited the financial statements of Aberdeen Exhibition & Conference Centre Limited for the year ended 31 March 2016, set out on pages 9 to 29. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 explained more fully in the Directors' responsibilities statement, 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 Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in Notes 2.2 and 2.3 of the financial statements concerning the renewal of contract to operate the AECC venue by Aberdeen City Council. The financial statements have been prepared on a going concern basis, the validity of which depends on the renewal of the contract. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern. Details of the circumstances relating to this fundamental uncertainty are described in Notes 2.2 and 2.3.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED**

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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 directors' report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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.

Anderson Anderson & Brown LLP

Christopher Masson (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown LLP

Statutory Auditor

Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

Date: *25 August 2016*

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 £	2015 £
Turnover	4	7,346,952	7,835,695
Other operating income		1,051,956	1,105,509
Other operating charges		(4,927,099)	(5,188,659)
Staff cost		(3,304,708)	(3,731,337)
Depreciation and amortisation		(231,451)	(215,034)
Operating loss		(64,350)	(193,826)
Interest receivable and similar income	10	5,817	6,179
Interest payable and expenses	11	(9,896)	(12,927)
Loss before tax		(68,429)	(200,574)
Tax on loss	12	-	-
Loss for the year		(68,429)	(200,574)

The notes on pages 12 to 29 form part of these financial statements.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED
REGISTERED NUMBER:01858349

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	714,599	838,695
Investments	14	101	101
		<u>714,700</u>	<u>838,796</u>
Current assets			
Stocks	15	71,083	493,097
Debtors: amounts falling due within one year	16	624,451	844,249
Cash at bank and in hand	17	2,226,925	3,134,024
		<u>2,922,459</u>	<u>4,471,370</u>
Creditors: amounts falling due within one year	18	(1,775,835)	(3,307,205)
Net current assets		<u>1,146,624</u>	<u>1,164,165</u>
Total assets less current liabilities		<u>1,861,324</u>	<u>2,002,961</u>
Net assets		<u><u>1,861,324</u></u>	<u><u>2,002,961</u></u>
Capital and reserves			
Called up share capital	23	28,064,999	28,064,999
Other reserves		2,295,000	2,295,000
Profit and loss account		(30,781,382)	(30,712,953)
		<u>(421,383)</u>	<u>(352,954)</u>
Financing liabilities	19	2,055,872	2,098,672
Accruals and deferred Income	22	226,835	257,243
		<u>1,861,324</u>	<u>2,002,961</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
24/8/16

E A Gillespie

.....
E A Gillespie
Director

The notes on pages 12 to 29 form part of these financial statements.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 April 2015	28,064,999	2,295,000	(30,712,953)	(352,954)
Loss for the year	-	-	(68,429)	(68,429)
At 31 March 2016	28,064,999	2,295,000	(30,781,382)	(421,383)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015**

	Share capital £	Other reserves £	Retained earnings £	Total equity £
At 1 April 2014	28,064,999	2,295,000	(30,512,379)	(152,380)
Loss for the year	-	-	(200,574)	(200,574)
At 31 March 2015	28,064,999	2,295,000	(30,712,953)	(352,954)

The notes on pages 12 to 29 form part of these financial statements.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. GENERAL INFORMATION

Aberdeen Exhibition & Conference Centre Limited is a limited liability company incorporated and registered in England (01858349). The registered office is Citypoint, 1 Ropemaker Street, London, EC2Y 9SS.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

This is the first year in which the financial statements have been prepared under FRS102. Information on the impact of first-time adoption of FRS 102 is given in note 24.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The company has net liabilities of £421,383. The company has issued preference shares of £2m which in the opinion of the directors are highly unlikely to be repaid. For the financial statements these are treated as liabilities however if they were included in capital and reserves it would make the capital and reserves balance positive £1,578,617.

The directors have prepared financial projections and a business plan for the next five years which assumes the renewal of the contract referred to in note 2.3 below. These projections demonstrate that with continuing annual funding from the Council, the parent entity, the company has adequate funding to meet the working capital requirement of the business for the foreseeable future. The Council has provided a letter of support indicating its intention to continue to provide financial support.

Based on the financial projections prepared, assuming the renewal of the contract referred to in note 2.3 and the ongoing support from the Council the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

2. ACCOUNTING POLICIES (continued)

2.3 Venue Operator Procurement

In February 2016, as part of ensuring best value for the public pound, the parent company Aberdeen City Council, put the contract to operate the venue, currently held by the company, out to tender. This contract is expected to start in April 2017 and will cover the operation of the old and new venue until 2029 and support the developer with the design of the new facility. At the date of approving these financial statements the Council is in the latter stages of the procurement process and the Board do not know if we have been successful with our tender proposal. A decision is expected around 20 September 2016.

If the company is unsuccessful in the procurement the entire business and the employees will transfer as a going concern to a third party organisation. It is likely, if unsuccessful, that the company will then cease to trade but this is a decision for the Council. As this process is still ongoing the outcome is uncertain and the Board is not able to say what affect this may have on the financial statements. It is possible that there may be adjustments to the asset values and additional costs that will arise in connection with any cessation. The financial statements for the year ended 31 March 2016 do not include any adjustments that may arise from this possible event due to the level of uncertainty.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

2. ACCOUNTING POLICIES (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

Amounts invoiced in advance of events taking place are deferred and included within creditors until the above conditions have been satisfied.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income statement during the period in which they are incurred.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

2. ACCOUNTING POLICIES (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	- 25%
Fixtures & fittings	- 6.67 - 20%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Income statement.

2.6 Operating leases

Rentals paid under operating leases are charged to the Income statement on a straight line basis over the period of the lease.

2.7 Valuation of investments

Investments held as fixed assets are shown at cost less provision for impairment.

2.8 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowances for obsolete and slow-moving stocks. Cost includes all direct costs incurred in acquiring the stock item or for work in progress the costs incurred in relation to an event that is to take place after the period end.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

2. ACCOUNTING POLICIES (continued)

2.11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- i) at fair value with changes recognised in the Income statement if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

2. ACCOUNTING POLICIES (continued)

2.13 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Income statement at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Income statement in the same period as the related expenditure.

2.14 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Pensions

The company operates and contributes to two defined contribution pension schemes (Aviva & NEST). Contributions are charged to the Income statement as they become payable in accordance with the rules of the scheme.

2.16 Interest income

Interest income is recognised in the Income statement using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.18 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

2. ACCOUNTING POLICIES (continued)

2.19 Taxation

Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES 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 as at the Statement of financial position date and the amounts reported during the year for revenue and costs. However, the nature of estimation means that actual outcomes could differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following judgements and estimates have had the most significant impact on amounts recognised in the financial statements.

Impairment of debtors

The company makes an assessment of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider various factors including the ageing profile of debtors and historical experience.

Useful economic lives and carrying value of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the useful economic lives and residual values of the assets. Useful lives, residual values and carrying value of assets are reassessed annually. They are assessed where necessary to reflect current estimates based on economic utilisation and physical condition.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

4. ANALYSIS OF TURNOVER

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Rendering of services	4,926,814	4,728,666
Sale of goods	2,420,138	3,107,029
	<u>7,346,952</u>	<u>7,835,695</u>

All turnover arose within the United Kingdom.

5. OTHER OPERATING INCOME

	2016 £	2015 £
Amortisation of grant income	30,408	30,408
Local Authority grants receivable	1,021,548	1,075,101
	<u>1,051,956</u>	<u>1,105,509</u>

6. OPERATING LOSS

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	231,451	215,034
Operating lease rentals	93,298	72,220
	<u>324,749</u>	<u>287,254</u>

7. AUDITORS' REMUNERATION

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>10,750</u>	<u>11,650</u>

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	2,874,726	3,246,430
Social security costs	246,082	268,893
Other pension costs	183,900	216,014
	<u>3,304,708</u>	<u>3,731,337</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Directors	13	13
Management	4	3
Operations - full time	53	56
Operations - part time	35	46
Administration and sales	15	16
	<u>120</u>	<u>134</u>

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

9. DIRECTORS' REMUNERATION

	2016 £	2015 £
Directors' emoluments	305,220	367,872
Company contributions to defined contribution pension schemes	23,542	38,676
Compensation for loss of office	-	122,342
	<u>328,762</u>	<u>528,890</u>

During the year retirement benefits were accruing to 2 directors (2015 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £114,066 (2015 - £263,344).

The value of the company's contributions paid to a defined benefit pension scheme in respect of the highest paid director amounted to £13,846 (2015 - £16,943).

10. INTEREST RECEIVABLE

	2016 £	2015 £
Other interest receivable	<u>5,817</u>	<u>6,179</u>

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Finance leases and hire purchase contracts	9,896	8,062
Other interest payable	-	4,865
	<u>9,896</u>	<u>12,927</u>

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

12. TAXATION

	2016 £	2015 £
TOTAL CURRENT TAX	<u> -</u>	<u> -</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

There is no corporation tax charge for the year as a consequence of the losses made in the year.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The company has significant losses carried forward from previous years available for set-off against future trading profits. The deferred tax asset in relation to these losses amounts to £2,729,550 (2015 - £3,033,329) and has not been recognised as the timing of it's reversal is uncertain in the short to medium term.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

13. TANGIBLE FIXED ASSETS

	Motor vehicles £	Fixtures, fittings & equipment £	Total £
COST OR VALUATION			
At 1 April 2015	85,040	2,252,436	2,337,476
Additions	20,250	88,703	108,953
Disposals	-	(14,172)	(14,172)
At 31 March 2016	<u>105,290</u>	<u>2,326,967</u>	<u>2,432,257</u>
DEPRECIATION			
At 1 April 2015	82,125	1,416,656	1,498,781
Charge - owned	-	162,597	162,597
Charge - financed	4,604	64,250	68,854
Disposals	-	(12,574)	(12,574)
At 31 March 2016	<u>86,729</u>	<u>1,630,929</u>	<u>1,717,658</u>
NET BOOK VALUE			
At 31 March 2016	<u>18,561</u>	<u>696,038</u>	<u>714,599</u>
At 31 March 2015	<u>2,915</u>	<u>835,780</u>	<u>838,695</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £	2015 £
Motor vehicles	18,562	2,916
Furniture, fittings and equipment	165,113	229,363
	<u>183,675</u>	<u>232,279</u>

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

14. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST OR VALUATION	
At 1 April 2015	101
At 31 March 2016	<u>101</u>
 NET BOOK VALUE	
At 31 March 2016	<u>101</u>
At 31 March 2015	<u><u>101</u></u>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
AECC (Management) Limited	Scotland	Ordinary	100 %	The company has remained dormant throughout the year.
Mountwest 343 Limited	Scotland	Ordinary	100 %	The company has remained dormant throughout the year.

15. STOCKS

	2016 £	2015 £
Goods for resale	52,463	86,020
Work in progress	18,620	407,077
	<u>71,083</u>	<u>493,097</u>

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

16. DEBTORS

	2016 £	2015 £
Trade debtors	532,031	539,254
Amounts owed by group undertakings	-	226,965
Other debtors	15,079	16,077
Prepayments and accrued income	77,341	61,953
	<u>624,451</u>	<u>844,249</u>

17. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank and in hand	<u>2,226,925</u>	<u>3,134,024</u>

18. CREDITORS: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	433,867	539,500
Amounts owed to group undertakings	101	-
Taxation and social security	129,505	320,790
Obligations under finance lease and hire purchase contracts	59,523	79,072
Other creditors	105,424	105,558
Accruals and deferred income	1,047,415	2,262,285
	<u>1,775,835</u>	<u>3,307,205</u>

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

19. CREDITORS: Amounts falling due after more than one year

	2016 £	2015 £
Net obligations under finance leases and hire purchase contracts	55,872	98,672
Share capital treated as debt	2,000,000	2,000,000
	<u>2,055,872</u>	<u>2,098,672</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 23.

20. HIRE PURCHASE & FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	59,523	79,072
Between 1-5 years	55,872	98,672
	<u>115,395</u>	<u>177,744</u>

Liabilities under finance leases and hire purchase contracts are secured against the relevant assets.

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

21. FINANCIAL INSTRUMENTS

	2016 £	2015 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	2,226,925	3,134,024
Financial assets that are debt instruments measured at amortised cost	547,110	782,296
	<u>2,774,035</u>	<u>3,916,320</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(2,956,067)	(3,214,307)
	<u>(2,956,067)</u>	<u>(3,214,307)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank balances.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial Liabilities measured at amortised cost comprise trade creditors, accruals, obligations under finance leases and hire purchase contracts and share capital treated as debt.

22. ACCRUALS AND DEFERRED INCOME

	2016 £	2015 £
Deferred grant income	<u>226,835</u>	<u>257,243</u>

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

23. SHARE CAPITAL

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
1,515,000 A Ordinary shares shares of £1 each	1,515,000	1,515,000
350,000 B Ordinary shares shares of £1 each	350,000	350,000
26,199,999 C Ordinary shares shares of £1 each	26,199,999	26,199,999
	<u>28,064,999</u>	<u>28,064,999</u>
	2016 £	2015 £
Shares classified as debt		
Allotted, called up and fully paid		
2,000,000 Preference Shares shares of £1 each	2,000,000	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>

Included within creditors is 2,000,000 preference shares of £1 each. The key rights attaching to the preference shares include:

- entitlement to attend and vote at all general meetings
- entitlement to dividend at rate of 4% (or alternative rate if required to comply with European legislation)
- dividend entitlement lapses if company have insufficient distributable funds
- holder has right to redeem preference shares giving six months' notice, if the company has sufficient distributable funds
- holder has right to convert preference shares into "A" Ordinary shares of £1 each
- priority in payment on return of assets in the case of liquidation or capital reduction

24. PENSION COMMITMENTS

The company operates two voluntary defined contribution schemes based on personal pension plans. The assets of the scheme are held separately from those of the company in an independently administered fund. The company contribution during the year amounted to £183,900 (2015 - £216,014), including salary sacrifice conversion. Pension contributions outstanding at the year end amount to £21,861 (2015 - £27,274).

ABERDEEN EXHIBITION & CONFERENCE CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

25. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2016 the Company had future minimum lease payments under non-cancelable operating leases as follows:

	2016 £	2015 £
Other		
Not later than 1 year	49,116	61,294
Later than 1 year and not later than 5 years	56,180	55,520
TOTAL	<u>105,296</u>	<u>116,814</u>
	2016 £	2015 £
Land and buildings		
Not later than 1 year	32,004	32,004
Later than 1 year and not later than 5 years	-	32,004
TOTAL	<u>32,004</u>	<u>64,008</u>

26. CAPITAL CONTRIBUTION

In 1994 the company received a capital contribution from Grampian Regional Council of £2,295,000. The directors resolved that this should be a non distributable reserve.

27. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available in FRS 102 section 33.1A "Related Party Disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the group which it is a member.

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

During the year and at 31 March 2016, the company's ultimate parent undertaking was Aberdeen City Council. The results of the company are included within the consolidated financial statements of Aberdeen City Council which represents both the smallest and largest level of consolidation in the group. A copy of the financial statements may be obtained from <http://www.aberdeencity.gov.uk>.

29. FIRST TIME ADOPTION OF FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or Income statement.