

**Edinburgh
Festival
Centre
Limited**

**Report and Financial
Statements**

For the year ended
31 October 2011

Company Registration Number
SC171133

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Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011

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Directors

Ewan Brown CBE (Chair)
Joanna Baker
Prof Simon Best OBE
Cllr Steve Cardownie
Cllr Jenny Dawe
Prof Niall Lothian OBE (appointed 22 November 2011)
Jonathan Mills
Sir Brian Stewart CBE

Company Secretary

Joanna Baker

Auditors

Henderson Loggie
34 Melville Street
Edinburgh EH3 7HA

Bankers

Royal Bank of Scotland plc
31 North Bridge
Edinburgh EH1 1SF

Solicitors

Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

Registered office

The Hub, Castlehill
Edinburgh EH1 2NE

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Directors' report

The directors submit their annual report and the audited financial statements for the year ended 31 October 2011.

Results and dividends

The trading profit for the year was £76,000 (2010: £53,000). No dividend is proposed (2010: £nil).

Principal activities and review of the business

The company operates The Hub, which includes the offices of the Edinburgh International Festival and a ticketing service for the International Festival and other event promoters. The company lets space in the building for functions and events, providing catering services for those events as required, and also operates a public restaurant, Café Hub.

Whilst trading conditions remained challenging in 2011, the business produced robust profits due to a combination of good cost controls and a continued focus on profit margins and improving yield management. This favourable result enabled the Board to reduce the accumulated deficit on the business by £76,000.

Outlook

The economic climate is expected to remain very difficult in 2012. However, the directors are confident that Edinburgh Festival Centre can continue to compete successfully in its target markets, producing profits which are expected to pay off the previously accumulated deficit over a ten year period and using any funds over this profit target towards the costs of maintaining the building over the longer term.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company include those relating to competition from both national and independent retailers, employee retention, product availability, the maintenance of a historic building and the current economic climate.

Key performance indicators

The directors regularly review a range of detailed key performance indicators to assist with the development and performance of the business.

Directors

The directors of the company during the year were:

Ewan Brown CBE (Chair)
Joanna Baker
Prof Simon Best OBE
Cllr Steve Cardownie
Cllr Jenny Dawe
Jonathan Mills
Sir Brian Stewart CBE

No director had an interest in the company's share capital during the year.

No director had an interest in any contract of significance in relation to the company's business during or at the end of the year.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Directors' report - continued

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information of which the company's auditors are unaware. Additionally the directors have taken all the necessary steps that they ought to have taken in order to make themselves aware of all relevant information and to establish that the auditors are aware of that information.

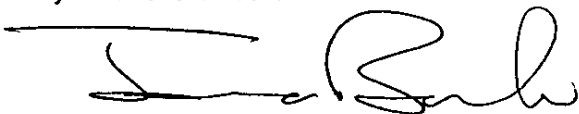
Auditors

Pursuant to a shareholders' resolution the company is not obliged to re-appoint its auditors annually and Henderson Loggie will therefore continue in office.

Elective resolutions

Elective resolutions were passed by written resolution of the sole member of the company on 9 February 1998 to dispense with the requirement to: (1) lay accounts and reports before the company in general meeting; and (2) hold annual general meetings.

By order of the board



Joanna Baker
Company Secretary
Edinburgh
20 February 2012

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Independent Auditors' report to the shareholders
of Edinburgh Festival Centre Limited

We have audited the financial statements of Edinburgh Festival Centre Limited for the year ended 31 October 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the directors' responsibilities statement (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors

Scope of the audit of the financial statements

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 misstatements, 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 directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material 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 October 2011 and of the profit 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.

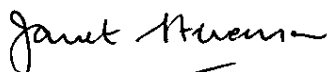
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Janet Stevenson (Senior Statutory Auditor)
For and on behalf of Henderson Loggie Statutory Auditors
Edinburgh
20 February 2012

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Profit and loss account
for the year ended 31 October 2011

	Notes	Year ended 31 October 2011 £000s	Year ended 31 October 2010 £000s
Turnover		1,828	1,824
Operating costs		<u>(1,750)</u>	<u>(1,761)</u>
Operating profit	2	78	63
Bank interest receivable		-	1
Interest payable	3	<u>(1)</u>	<u>(10)</u>
Profit on ordinary activities		77	54
Donation to parent company		<u>(1)</u>	<u>(1)</u>
Profit on ordinary activities before taxation		76	53
Tax on profit on ordinary activities	5	-	-
Profit for the year	13	<u>76</u>	<u>53</u>

All the results of the company relate to continuing operations.


The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

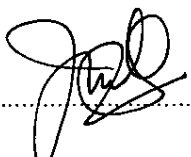
There is no difference between the profit on ordinary activities for the year stated above and its historical cost equivalent.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Balance sheet
as at 31 October 2011

	Notes	2011 £000s	2011 £000s	2010 £000s	2010 £000s
Fixed assets					
Tangible assets	6		6,319		6,152
Current assets					
Stock	7	12		13	
Debtors	8	118		132	
Bank and cash in hand		<u>45</u>		<u>116</u>	
		175		261	
Creditors: amounts falling due within one year	9	(965)		(721)	
Net current liabilities			(790)		(460)
Total assets less current liabilities			5,529		5,692
Creditors: amounts falling due after more than one year	10		(316)		(464)
Deferred income	11		<u>(5,377)</u>		<u>(5,468)</u>
Net liabilities			<u>(164)</u>		<u>(240)</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		<u>(164)</u>		<u>(240)</u>
Equity shareholder's funds	14		<u>(164)</u>		<u>(240)</u>

The financial statements on pages 6 to 16 were approved by the board of Directors on 20 February 2012 and were signed on its behalf by:


..... Ewan Brown CBE, Chair


..... Jonathan Mills

Company Registration Number SC171133

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Notes to the Financial Statements

1. Accounting policies

Basis of accounting

The financial statements have been prepared on an historical cost basis in accordance with applicable accounting standards in the United Kingdom. They have been prepared on a going concern basis which assumes that the company will continue to trade. The validity of this assumption is dependent on the continued financial support of the parent company. The parent company has indicated that it will continue its support which is required to cover early losses. If the company was unable to trade, adjustments would have to be made for future liabilities that may arise and to restate assets at their realisable amounts.

A summary of the more important accounting policies is set out below.

Cash flow statement

The company qualifies as a small company under the terms of Financial Reporting Standard 1 (revised 1996) Cash Flow Statements (FRS1) and section 382 of the Companies Act 2006 and is therefore exempt from the requirement to publish a cash flow statement.

Capital grants and donations

Capital grants and donations received in respect of the development of the Edinburgh Festival Centre are included within deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Fixed assets and depreciation

Fixed assets are included in the balance sheet at cost. Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land & buildings	100 years
Furniture & fittings	5-20 years
Computer equipment	3 years

Directly attributable finance costs are included in the costs of land & buildings.

It is the company's policy to treat as fixed assets only items with a net cost of £2,000 or greater.

Stock

Stock is valued at the lower of cost and net realisable value after making allowance for slow and obsolete stock.

Turnover

Turnover represents the amounts received from sponsorship, rental income, catering and ticket agency sales exclusive of Value Added Tax.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Notes to the Financial Statements (continued)

Pension scheme arrangements

A number of the company's former employees are members of the Lothian Pension Fund which is a defined benefit scheme that was funded by contributions partly from the employees and partly from the company at rates determined by an independent actuary. The assets of the scheme are held separately from those of the company. Entry to the Lothian Pension Fund for employees of the company was closed to new members on 31st October 2001.

The company is unable to separately identify its share of underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard 17 Retirement Benefits (FRS17), accounts for the scheme as if it were a defined contribution scheme.

For employees who are not members of the Lothian Pension Fund, the company makes a contribution to their personal money purchase pension scheme. The contributions are taken to the profit and loss account as they fall due.

Further information about pension schemes is disclosed in note 15.

Deferred taxation

Deferred taxation is provided at current rates of corporation tax on all timing differences, which have originated, but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. The company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by Financial Reporting Standard 19 Deferred Tax (FRS19).

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Notes to the Financial Statements (continued)

2. Operating profit on ordinary activities

	Year ended 31 October 2011 £000s	Year ended 31 October 2010 £000s
Operating profit on ordinary activities is stated after charging/(crediting):		
Depreciation	99	84
Release of capital grants	(91)	(91)
Operating leases	17	17

Auditors' remuneration is borne by the parent company, Edinburgh International Festival Society.

3. Interest payable

	Year ended 31 October 2011 £000s	Year ended 31 October 2010 £000s
Other interest payable	1	10
	<u>1</u>	<u>10</u>

4. Staff numbers and costs

	Year ended 31 October 2011	Year ended 31 October 2010
The average number of employees, including seasonal staff, during the year was:		
Administration	1	1
Operations	57	61
	<u>58</u>	<u>62</u>
The average remuneration and associated costs of the employees were:	£000s	£000s
Salaries	850	885
Social security costs	66	71
Pension costs (note 15)	10	10
	<u>926</u>	<u>966</u>

No remuneration or reimbursement of expenditure was paid to any directors of the company.

Edinburgh Festival Centre Limited
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Notes to the Financial Statements (continued)

5. Taxation

There was no current or deferred taxation charge (2010: £nil) for the year.

	Year ended 31 October 2011 £000s	Year ended 31 October 2010 £000s
Profit on ordinary activities before tax	76	53
Profit on ordinary activities multiplied by the small companies' rate of corporation tax in the UK 20.4% (2010: 21%)	16	11
Effects of:		
Capital allowances and other timing differences	(16)	(11)
Tax charge for the period	-	-

The total amount of the deferred tax asset not recognised is £89,399 (2010: £104,339).

This asset has not been recognised as the directors are not confident of its eventual recovery.

6. Fixed assets

	Land & buildings £000s	Furniture & fittings £000s	Computer equipment £000s	Total £000s
Cost				
As at 1st November 2010	6,917	288	3	7,208
Additions during period	-	266	-	266
Disposals during period	-	(199)	-	(199)
As at 31st October 2011	6,917	355	3	7,275
Depreciation				
As at 1st November 2010	776	277	3	1,056
Depreciation for period	69	30	-	99
Eliminated on disposal	-	(199)	-	(199)
As at 31st October 2011	845	108	3	956
Net book value				
As at 31st October 2011	<u>6,072</u>	<u>247</u>	-	<u>6,319</u>
As at 31st October 2010	6,141	11	-	6,152

Included within land & buildings is £20,691 (2010: £20,691) of finance costs.

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Notes to the Financial Statements (continued)

7. Stock

	2011	2010
	£000s	£000s
Goods for retail sale	<u>12</u>	<u>13</u>

8. Debtors

	2011	2010
	£000s	£000s
Trade debtors	75	95
Other debtors	13	12
Prepayments	30	25
	<u>118</u>	<u>132</u>

9. Creditors: amounts falling due within one year

	2011	2010
	£000s	£000s
Trading balance due to parent company	531	411
Trade creditors	72	87
Other creditors	12	10
Other taxes and social security costs	76	76
Accruals	40	22
Deferred income	155	110
Loan due to parent company (note 10)	79	-
Loan (note 10)	-	5
	<u>965</u>	<u>721</u>

Edinburgh Festival Centre Limited
Report and Financial Statements
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Notes to the Financial Statements (continued)

10. Creditors: amounts falling due after more than one year

	2011	2010
	£000s	£000s
Loan due to parent company	316	-
Loan	-	464
	<u>316</u>	<u>464</u>

Analysis of debt:

Debt can be analysed as falling due:

Repayable in one year or less, or on demand	79	5
Repayable between one and two years	79	5
Repayable between two and five years	237	21
Repayable outwith five years	-	438
	<u>395</u>	<u>469</u>

A £500,000 loan was received in the year ended 30 November 1999 from Edinburgh International Festival Capital Fund, an independent trust. The balance outstanding of this loan was repaid during the year from a loan of £474,000 from the parent company, Edinburgh International Festival Society. This loan is repayable in six annual instalments of £79,000 which commenced on 31 March 2011.

Royal Bank of Scotland holds a floating charge over the assets of the group. This charge ranks after the security detailed in note 11.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Notes to the Financial Statements (continued)

11. Deferred income – capital grants received

	2011 £000s	2010 £000s
Total received	6,576	6,576
Released in previous years	(1,108)	(1,017)
Released in year	(91)	(91)
	<u>5,377</u>	<u>5,468</u>

Capital grants received of £5,377,000 (2010: £5,468,000) represents grants received by Edinburgh Festival Centre Limited in respect of the development of The Hub, less amounts released to date.

The Scottish Arts Council Lottery grant of £3,700,000 included within this fund may be repayable to Creative Scotland in certain circumstances and is secured by a standard security over the assets of Edinburgh Festival Centre Limited.

12. Share capital

	2011 £	2010 £
Allotted, called up and fully paid 2 ordinary shares at £1 each	<u>2</u>	<u>2</u>

13. Profit and loss account

	2011 £000s	2010 £000s
Retained loss brought forward	(240)	(293)
Retained profit for the year	76	53
Retained loss carried forward	<u>(164)</u>	<u>(240)</u>

Edinburgh Festival Centre Limited
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for the year ended 31 October 2011

14. Equity shareholders' deficit

	2011 £000s	2010 £000s
Opening equity shareholders' deficit	(240)	(293)
Profit for the year	76	53
Closing equity shareholders' deficit	<u>(164)</u>	<u>(240)</u>

15. Pension obligations

The company offers to contribute on behalf of staff to their own personal money purchase schemes.

A number of the company's former employees are members of the Lothian Pension Fund which is a defined benefit scheme that was funded by contributions partly from the employees and partly from the company at rates determined by an independent actuary. The assets of the scheme are held separately from those of the company. Entry to the Lothian Pension Fund for employees of the company was closed to new members on 31 October 2001.

The company is unable to separately identify its share of underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17, accounts for the scheme as if it were a defined contribution scheme.

The total costs to Edinburgh Festival Centre Limited of contributions to the above schemes during the year were £9,804 (2010: £10,248). This included a year end accrual of £464 (2010: £151).

16. Operating leases

At 31st October 2011, the company has annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

	2011 £000s	2010 £000s
Operating leases can be analysed as falling due:		
Within two to five years	<u>17</u>	<u>17</u>

All operating leases are for storage premises used by the company.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2011
Notes to the Financial Statements (continued)

17. Ultimate controlling party

The company is a wholly owned subsidiary of Edinburgh International Festival Society, incorporated in Scotland and considers Edinburgh International Festival Society to be its ultimate controlling party.

The company's results are consolidated within the financial statements of Edinburgh International Festival Society, copies of which can be obtained from the Company Secretary, The Hub, Castlehill, Edinburgh EH1 2NE. Hence, under Financial Reporting Standard 8 Related Party Disclosures (FRS8), it is exempt from disclosure of transactions with that company.