



**EDINBURGH
INTERNATIONAL
FESTIVAL**



Report and Financial Statements for the year ended 31 October 2012

Edinburgh International Festival Society
A charitable company limited by guarantee

Registered Charity Number SC004694
Company Registration Number SC024766

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Festival Council Report

Reference and administrative details

Registered Charity Number SC004694
Company Registration Number SC024766
VAT Registration Number GB 664 0731 41

Honorary Secretary

Sue Bruce, Chief Executive, City of Edinburgh Council

Patron Her Majesty The Queen

Management and Advisers

Festival Director & Chief Executive – Jonathan Mills
 Managing Director & Company Secretary – Joanna Baker
 Finance Director – Rob Conner
 Operations & Planning Director
 – Alison Riach to January 2013
 – Roy Luxford from February 2013
 Marketing & Communications Director – Jackie Westbrook
 Sponsorship & Development Director – Christopher Wynn

Honorary President Valery Gergiev

Members of Festival Council, who are the Board of Directors

The Rt Hon Donald Wilson (Chair)
 Ewan Brown CBE*** (Depute Chair)
 Cllr Norma Austin Hart
 Prof Simon Best OBE*
 Stewart Binnie**
 Cllr Deidre Brock*
 Paul Bush OBE
 Cllr Maggie Chapman
 Erick Davidson
 Carol Colburn Grigor CBE
 Frank Hitchman**
 Hilary Horrocks
 Michael Johnston
 Tari Lang
 Cllr Richard Lewis
 Prof Niall Lothian OBE*
 Gavin McEwan**
 Cllr Joanna Mowat
 Cllr Gordon Munro*
 Sir Brian Stewart CBE*
 Kirsty Wark

Lawyers

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

Auditors

Henderson Loggie
 34 Melville Street
 Edinburgh EH3 7HA

Bankers

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

Registered Office

The Hub
 Castlehill
 Edinburgh EH1 2NE

* Member of Executive Committee and Director of
 Edinburgh Festival Centre Limited

** Member of Audit Committee

*** Convenor of Executive Committee and Chair of
 Edinburgh Festival Centre Limited

Dates of appointments to and retirements from Festival Council
 can be found on page 20.



Festival Council Report Objectives and activities

‘to be the most exciting, innovative and accessible Festival of the performing arts in the world, and thus promote the cultural, educational and economic well-being of the people of Edinburgh and Scotland’

Edinburgh International Festival Society’s objectives are:

- ▶ to present arts of the highest possible international standard to the widest possible audience
- ▶ to reflect international culture to audiences from Scotland, the rest of the UK and the world
- ▶ to offer an international showcase for the best of Scottish culture
- ▶ to present events or series of events which cannot easily be achieved by any other UK arts organisation through innovative programming and commitment to new work
- ▶ to ensure equal opportunities for all sections of the Scottish and wider public to experience and enjoy the Festival
- ▶ to encourage public participation in the arts throughout the year by collaborating with other arts and festival organisations
- ▶ to ensure the Festival has adequate and predictable core funding to fulfil its mission and address its sustainability

There have been no changes to these objectives since the last Annual Report.

Festival Council continues to endorse the Core Festival as having:

- ▶ a full programme in the seven principal Festival venues (Usher Hall, Queen’s Hall, Festival Theatre, King’s Theatre, Royal Lyceum Theatre, Edinburgh Playhouse, The Hub)
- ▶ a curated visual arts programme at least every second year
- ▶ audience and programme development and innovation at the centre of the organisation through programming initiatives, an active commitment to equalities and use of technology with a particular focus on developing digital communications
- ▶ community engagement, education and professional development programmes inspired by the annual Festival programme aimed at engaging with the widest possible range of people from schoolchildren to emerging artists, and enriching the experience of current audiences
- ▶ a programme of international promotion and cultural dialogue
- ▶ ensuring a Reserves Fund at the appropriate level to ensure business continuity

Festival Council has identified seven strategic priorities and the strategic actions necessary to deliver these priorities. Each of these priorities is reported on in the achievements and performance section of this report.

1. International programming excellence
2. Financial stability and sustainability
3. Audience development and innovation
4. Community engagement, education and professional development
5. International promotion and cultural diplomacy
6. Governance, HR development, environmental sustainability, infrastructure
7. Collaborations and external relations

Festival Council Report

Festival 2012 facts and figures

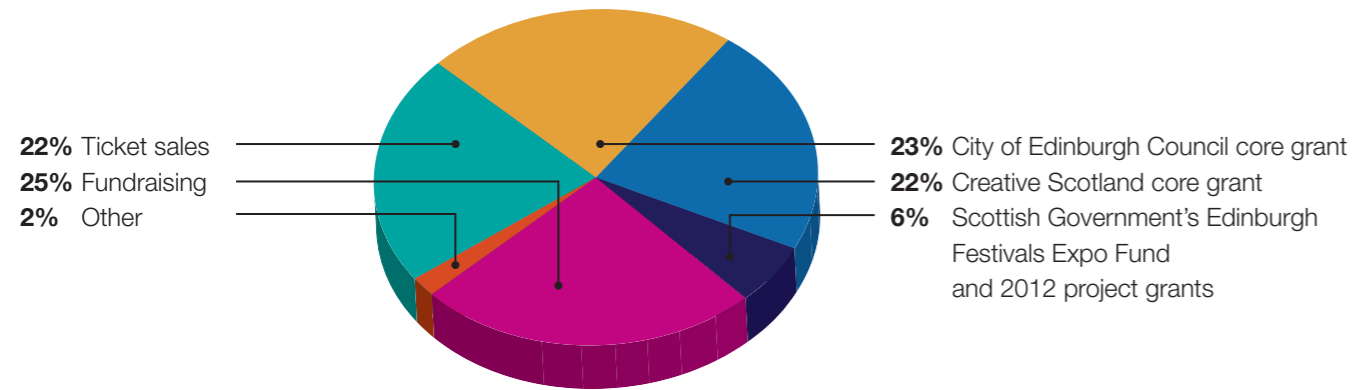
Where the money came from

- ▶ 49% of the Festival's income was generated through earned income
- ▶ 51% of the Festival's income came from public sector grants and 2012 project funds
- ▶ Earned income included 22% from ticket sales and 25% from fundraising, including corporate, individual giving, trusts, foundations and international partners. 2% was generated from sources such as Festival publications

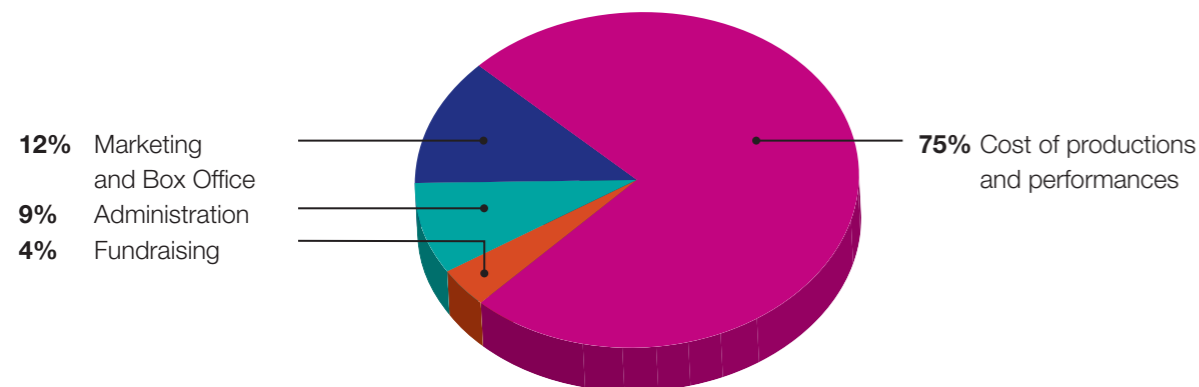
How the money was spent

- ▶ 75% of the Festival's budget was spent on productions and performances
- ▶ 12% was spent on marketing, website and ticketing
- ▶ 9% was spent on administration
- ▶ 4% was spent on fundraising

Income



Expenditure



About Festival 2012

- ▶ Over 3,000 artists took part from over 47 nations
 - ▶ Ticket buyers came from over 70 nations
 - ▶ Record box office takings of £2.84 million (£2.36 net of VAT)
 - ▶ Record fundraising income of £2.62 million
 - ▶ Total attendances of 391,544
 - ▶ The total promotional value generated through UK print and broadcast media coverage of Festival 2012 was estimated at £37,279,513* The promotional value of an additional 777 international, print and online items, and extensive international broadcast, is not included in this figure*
 - ▶ Over 1,330 Edinburgh school children took part in Festival education projects and workshops throughout the year
 - ▶ There was a 12% rise in tickets sold to customers with a disability
 - ▶ Six performances were audio described for sight impaired patrons, five of which were preceded by a Touch Tour
 - ▶ 15 talks were speech-to-text reported for hearing impaired patrons
- * Media analysis conducted in-house

About our audience

- ▶ 36% of the audience came from Edinburgh and the Lothians
 - ▶ 27% came from the rest of Scotland
 - ▶ 14% from elsewhere in the UK
 - ▶ 23% were international visitors
 - ▶ Visitors spent an average of 7 nights in Edinburgh
 - ▶ 27% of the audience were first-time attendees
 - ▶ 76% of visitors from outside Edinburgh said that the Edinburgh International Festival was the only or main reason for their visit to the city
 - ▶ 99% of attendees strongly agreed or agreed that the Festival showcases high quality performances from around the world
 - ▶ 97% of attendees were either very satisfied or satisfied with the overall Festival 2012 experience
 - ▶ 97% of attendees either strongly agreed or agreed that the Festival gave them the chance to see performances and performers they would not otherwise get the chance to see
- Audience research conducted by The Audience Business, Edinburgh

Festival Council Report

Achievements and performance

1. International programming excellence

The Edinburgh International Festival (EIF) presented a hugely ambitious programme in 2012, planned to ensure that the Festival, Edinburgh and Scotland contributed to and benefited from the UK's celebrations in the Olympic Year. There were more than 3,000 artists from 47 nations and audiences from over 70 nations. Festival 2012 was widely acclaimed and saw record fundraising and ticket sales income, a rise in international audiences and greatly increased media coverage.

The programme was enhanced with the addition of a specially created theatre space in the Lowland Hall at Ingliston which presented a season of large scale international theatre and a major public participation event on Arthur's Seat – NVA's *Speed of Light*. EIF was also the initiator and key partner of the first ever Edinburgh International Culture Summit, which brought Culture Ministers from around the world to Edinburgh. All of these events were of an international scale and ambition that could only be delivered by the Edinburgh International Festival, securing for Edinburgh and Scotland a prominent role in the promotion of the UK in the Olympic year.

'The Edinburgh festivals provide a tremendous opportunity to position not just Edinburgh but the whole of the country on a world stage in front of a global audience.' *The Herald*

'A theatre programme of dazzling quality.' *The Scotsman*

The Festival opened with a luminous performance of Delius's *A Mass of Life* with Andrew Davis and the Royal Scottish National Orchestra, and there were notable performances by Valery Gergiev and the London Symphony Orchestra, Franz Welser-Möst and the Cleveland Orchestra, Daniele Gatti and the Gustav Mahler Jugendorchester, and Iván Fisher and the Budapest Festival Orchestra.

The opera programme included the premiere of a new production of Janáček's *The Makropulos Case* from Opera North and Charpentier's *David et Jonathas* in a production from Aix en Provence Festival with Les Arts Florissants and William Christie. Scottish Opera presented four new works in the culmination of their five year project to explore what opera might look like in the 21st century.

The Festival Theatre hosted a performance of Gagaku – the world's oldest living orchestral tradition, by the musicians of the Imperial Household Agency, Tokyo, in a very rare appearance in the west, whilst highlights of the Queen's Hall Series of morning concerts included performances by Daniil Trifonov, Anne Schwanewilms, Leif Ove Andsnes, Leonidas Kavakos, Maria João Pires, amongst many others.

The dance programme included visits from companies from seven countries: the Deborah Colker Dance Company, Ballet Preljocaj, the Aditi Mangaldas Dance Company, Leigh Warren + Dancers, Juilliard Dance and Batsheva Dance Company. It concluded with a hugely popular presentation of *Cinderella* from the Mariinsky Ballet, choreographed by Alexi Ratmansky and set to Prokofiev's score conducted by Valery Gergiev with the Mariinsky Orchestra.

'The Edinburgh International Festival has arrived in luminous style all over Arthur's Seat in NVA's majestic Speed of Light... If the rest of the EIF programme is half as good, 2012 will be a year to remember.' Scotland on Sunday

'Especially joyous atmosphere on the cobbled streets this year.' The Stage

'For a month the city comes alive and feels like the centre of everything.' The Daily Record

'The cultural Olympics happen annually. And they are in Edinburgh, the greatest city in the world.' The Edinburgh Evening News

'Ever since he first thought of running his own company 30 years ago, it has been Preljocaj's dream to play the Edinburgh International Festival.' The Scotsman on Angelin Preljocaj

'Four magnificent evenings of culture, refinement and exquisite music. This evening is sold out, but catch another night if you can - you'll not regret it.' The Scotsman on London Symphony Orchestra

'From medieval Scotland to the modern-day Middle East, from ancient Greece to a Japanese mental hospital, the Edinburgh International Festival (EIF) is living up to a reputation for provocative theatre in its 65th year.' Chicago Tribune

'Everyone knows, the Capital's annual festival doesn't end until the skies have exploded in a kaleidoscope of colour, courtesy of the Edinburgh International Festival fireworks concert.' Edinburgh Evening News on the Virgin Money Fireworks Concert

'One of the most ambitious projects in Festival history.' The Scotsman on NVA's Speed of Light

'It was a chance to spread Scotland's cultural offerings before a wider audience.' The Economist

'I could have watched it all again from the beginning.' The Daily Telegraph on Les Naufrages du Fol Espoir (Aurores)

'The piece's full blown profundity has become clear in a vivid and unmissable portrait of humanity's capacity for invention against all the odds.' The Herald on Les Naufrages du Fol Espoir (Aurores)

The theatre programme included Ariane Mnouchkine's first ever visit to the Festival with an epic production, *Les Naufrages du Fol Espoir* (Aurores), presented by Theatre du Soleil. TR Warszawa's spectacular production of *2008: Macbeth* used pyrotechnics and immersive video effects to present a chilling version of Shakespeare's play set in a contemporary Middle East conflict, whilst iconic theatre maker Christoph Marthaler brought a decidedly eccentric version of *My Fair Lady*. All three productions were presented in a venue at Ingliston specially created to house these very large scale performances. Other notable events included Tadashi Suzuki and the Suzuki Company of Toga, Barry McGovern in a virtuosic one man performance of Beckett's *Watt*, Silviu Purcărete's production of *Gulliver's Travels* and Dmitry Krymov's version of *A Midsummer Night's Dream* (*As You Like It*). Camille O'Sullivan made her EIF debut in *The Rape of Lucrece*, and Matthew Lenton and Vanishing Point also made a debut with a hard hitting play *Wonderland*.

Edinburgh's iconic hill, Arthur's Seat, was the venue for a spectacular public art event for runners and walkers which ran every night throughout the Festival. NVA's *Speed of Light* was one of four UK projects funded by Legacy Trust UK's Community Celebrations programme aimed at ensuring a lasting legacy from London 2012.

Scottish performers received great acclaim on this international stage with four new works by Scottish Opera; the world premiere of a chamber work, co-commissioned by the Festival, by leading Scottish composer James MacMillan performed by the Hebrides Ensemble and Synergy Vocals; and the world premiere of *Wonderland* by Vanishing Point theatre company. All these performances were made possible with support from the Scottish Government's Edinburgh Festivals Expo Fund.

A wide range of partnerships enabled this ambition to be delivered, including with the City of Edinburgh Council, Creative Scotland, the Scottish Government, EventScotland, the British Council, the Legacy Trust UK and LOCOG/London 2012 Festival.

2. Financial stability and sustainability

A key strategic aim of Festival Council is to achieve financial sustainability. Investment from our core stakeholders, the City of Edinburgh Council and Creative Scotland, is essential in maintaining EIF's international reputation for programming excellence and ensures that EIF has a solid base from which to raise income from other sources including international partners and ticket sales. In 2012 these two funders formed an innovative partnership with the Scottish Government's Festivals Expo Fund and Event Scotland to take a strategic approach to funding 2012 ambitions across Edinburgh's Festivals. Additional project grants to EIF enabled the creation of the Ingliston venue and a strong season of premieres and new commissions from Scottish Opera, Vanishing Point and the Hebrides Ensemble.

This additional project funding in 2012 was a striking and welcome demonstration of the value placed on EIF's work by public sector stakeholders and helped to lever record-breaking earned income from both ticket sales and fundraising. However, the current challenging public sector finance environment has seen the real value of EIF's core grants decrease significantly in the past three years. At the same time this bedrock of public sector investment remains ever more critical in enabling the organisation to deliver on its objectives, secure new income streams and generate economic wealth, social and cultural benefits for Edinburgh and Scotland.

Stringent budget controls and success in generating earned income has produced modest surpluses for EIF over the past six years which has helped the organisation to gradually move from a deficit position into one where a small unrestricted general fund has been established. However, more progress needs to be made before this fund is at an appropriate level to offer the financial stability and security required for the business, which is vulnerable to a wide range of external factors including exchange rate fluctuations, above inflation pressure on artist fees and significant volatility in international travel.

Festival Council would like to express its gratitude to all of EIF's public and private sector sponsors, donors and supporters.

The Hub

Edinburgh International Festival Society (EIFS) has a wholly owned subsidiary company, Edinburgh Festival Centre Limited (EFC), which owns and operates The Hub. EFC also operates Hub Tickets and Cafe Hub. It manages the hiring of the Main Hall, Dunard Library and Glass Room to a wide range of public, private and commercial users and provides 'in-house' catering for functions at The Hub.

The Hub is the venue for much of EIF's education work with school children attending workshops in the Main Hall throughout the year as described in section 4. The Hub is also the home of the Edinburgh Festival Chorus, which uses the Main Hall as its rehearsal base year round.

During the Festival, The Hub accommodates a large programme of talks, lectures and performances, as well as providing a social focal point for Festival audiences with its ticket centre and cafe. The Festival media centre is also based at The Hub, providing facilities to several hundred accredited journalists.

Hub Tickets sells tickets for a wide range of other organisations in addition to the Edinburgh International Festival, including the Edinburgh International Jazz and Blues Festival, the Edinburgh Mela, Lammermuir and the East Neuk Festivals.

EFC had a successful year in 2012, with a trading profit of £89,000, enabling continuing reduction of a historic deficit and investment in a maintenance and repair programme to ensure continuing commercial viability.

3. Audience development and innovation

The reach of the Festival was extended by the live streaming online of 2008: Macbeth on 13 August in association with The Guardian. The live stream attracted an audience of 7,000 unique viewers proving a great success. Partnerships with LOCOG, the London 2012 Festival and the World Shakespeare Festival ensured huge additional exposure and reach for EIF's brand in 2012.

The total audience figure for Festival 2012 was 391,544. Overall, Festival performances achieved 71% of total capacity. 49% of all bookings were made online, either directly through EIF's website or through affiliated external sites, making this the highest income channel.

Work undertaken to make the Festival as accessible to as many people as possible continued to pay off as the Festival welcomed more diverse audiences this year with an 11% rise in the take up of discounts for people with disabilities, whilst tickets sold to people under 18 also rose by just over 30% on 2011 figures.

Performances of *Tatyana*, *The Makropulos Case*, *Watt*, *The Rape of Lucrece*, *Clemency* and *Cinderella* were made accessible through the use of audio description and touch tours.

Speech-to-Text reported events for deaf and hard of hearing audience members were first introduced to the Festival in 2011. The number of Speech-to-Text reported events increased in 2012 with all the talks in the *Encounters* series and four of the talks in the *Reflections on Song* being Speech-to-Text reported.

Events for members of EIF's INsider scheme, an audience development initiative aimed at those in their 20s and 30s, were very well received. Among the events that proved particularly popular were: a talk from the stage by Guillermo Calderón, the Director of Teatro Playa's *Villa+Discurso*; an Artist Reception with the cast and crew from *Wonderland*; and a backstage tour of the Lowland Hall, Royal Highland Centre, Inghliston.

4. Community engagement, education and professional development

EIF continued to extend its year round education and outreach programme aimed at introducing young people to cultural experiences, encouraging them to be successful learners, confident individuals, effective contributors and responsible citizens, as well as creating a public programme of work for adults during August.

Schools

The schools' programme worked with primary and secondary schools in Edinburgh, exploring the overarching themes of Festival 2012. The *Enchanted* project encouraged primary school pupils to write stories and create sculptures inspired by a personal consideration of the things in life that they find enchanting. Secondary school art students participated in workshops designed to develop their work and assist them with the preparation of their examination portfolios. Following on from their Festival performances of *Tatyana*, all 18 dancers from the Deborah Colker Dance Company ran workshops in Edinburgh's primary and secondary schools. Activities which encourage concert going for secondary school pupils were also explored.

Two other long-running projects continued in 2012. The *Art of Listening* ran throughout the year working with 11 and 12 year olds in The Hub. With the aid of a full team of recital performers and staff, the workshops introduced the idea that music affects our inner personal world and that, through 'focused listening' exercises which engage the imagination and sense of self, stronger listening skills can be developed. The Herald Young Critics programme, in its ninth year, explored the 2012 Festival programme with pupils from five schools being mentored by professional critics, attending performances and writing reviews, the best of which were printed in The Herald newspaper.

Community engagement

EIF's community engagement programmes aim to bring a flavour of the Festival into the locality and to develop relationships with harder-to-reach groups. In 2012 EIF introduced *Love in a Library*, a pilot 'guerrilla opera' project exploring live performance in unexpected locations. The project took place in June 2012, presenting a total of eight performances in Edinburgh's city libraries.

Continuing education and professional development

There was further engagement with the Festival on a level beyond performances with over 3,200 attendances at talks, conversations and masterclasses.

Encounters, in collaboration with the British Council, presented a series of eleven talks and lectures exploring the themes in the 2012 programme.

A series of Conversations with Artists, Reflections on Song, Masterclasses and Study Events allowed audiences and professionals to gain access to the artists and creators of the programme.

The winners of the Fringe Prize 2011, the TEAM, presented two performances of their work in progress, *Primer for a Failed Superpower*.

EIF also presented three events in collaboration with the University of Edinburgh: a workshop, a lecture and a panel discussion.

5. International promotion and cultural diplomacy

Edinburgh International Culture Summit

The Edinburgh International Culture Summit was initiated by EIF and was a collaboration with the British Council and the Scottish and UK governments, hosted at the Scottish Parliament. Representatives from over 30 nations gathered with prominent artists, thinkers and others to debate the power and profile of culture in forging and fostering international relationships.

The Summit was extremely well received by delegates. Countries which sent delegations to Edinburgh included Brazil, Bangladesh, Germany, Iraq, Japan, Malawi, Netherlands, New Zealand, Pakistan, Poland, South Africa, Tanzania, Russia, Saudi Arabia and the USA.

International launches

International launches continue to be a successful tool for increasing awareness and profile for the Festival and for Edinburgh. In 2012, launches were held in eight cities around the world in addition to Edinburgh and London – Berlin, Brussels, Paris, Tokyo, St Petersburg, Moscow, Sibiu and Warsaw. The Festival worked on these events in partnership primarily with the British Council, the Foreign and Commonwealth Office and VisitBritain.

In addition to consolidating valuable relationships with international partners and governments, the launches resulted directly in journalists travelling to attend the Festival and cover it more fully from Berlin, Paris, Moscow, Sibiu and Warsaw.

Coverage of the Festival programme in the months of April to June was achieved in print and broadcast across each launch destination including in depth interviews with the Festival Director on the prime television culture shows in Russia and Poland. Other outlets which reported in this period as a result of the launch events included Frankfurter Allgemeine Zeitung, Süddeutsche Zeitung, Le Figaro, Valeurs Actuelle, Asahi Shimbun, Japan Times, St Petersburg Times, Vesti 24hr news channel, Radio Kommersant FM, Rzeczpospolita, Tygodnik Powszechny and Radio TOK FM.

Memorandum of Understanding

EIF signed a Memorandum of Understanding with The Abu Dhabi Music and Arts Foundation. The signing ceremony was held in August 2012, presided over by the Lord Provost of Edinburgh.

International Advisory Board

In 2012 a number of distinguished individuals, who combine a strong record of support for the artistic life of the UK with a global perspective in their professional and personal activities, were invited to become inaugural members of the International Advisory Board of the Edinburgh International Festival. The Festival is deeply grateful to the following people, who gave freely of their expertise and advice over the year:

Sir Timothy Clifford FBA FRSE,
former director, National Galleries of Scotland;
Lady (Linda) Davies,
Founder and Chairman of the KT Wong
Foundation London and Singapore;
Her Excellency Hoda Al Khamis Kanoo,
Founder, Abu Dhabi Music and Arts Foundation;
Harold Mitchell AC,
Founder, Harold Mitchell Foundation,
Executive Chairman, Aegis Media Pacific;
The Rt Hon Dowager Viscountess Rothermere,
Founder, The Lady R Foundation;
Mark Tucker,
Executive Chairman and Chief Executive Officer,
American International Assurance;
Lord Wilson of Tillyorn KT GCMG,
Chancellor, University of Aberdeen,
former Governor of Hong Kong.

'Stuart Macrae's three-hander about the scars of war, to a libretto by Louise Welsh, does everything modern opera is supposed to do: it asks questions, stirs the imagination, challenges complacency, grabs the heart.' The Financial Times on Ghost Patrol

6. Governance, HR development, environmental sustainability, infrastructure

A new Business Plan for the period through 2014 was adopted by Festival Council in June 2012.

The process of recruiting a new Festival Director to programme the Festival from 2015 onwards was launched in October 2012.

EIF is working on a Carbon Management Plan with support from the Carbon Trust.

EIF worked with Creative Carbon Scotland and the other Festivals in Edinburgh to develop a series of benchmarks for monitoring environmental impacts into the future. EIF is now benchmarking electricity and gas usage (in kWh), water usage (in m³) as well as recording annual volumes of recycled waste (paper, plastic, aluminium & cardboard). Work also continued on encouraging all EIF core venues to sign up to the Green Venue scheme. The Festival's own venue, The Hub, is now using the Green Venue Guide as a tool to improve energy efficiency and environmental practice.

7. Collaborations and external relations

A wide range of significant partnerships were formed in 2012.

EIF was delighted to showcase seven events as part of the London 2012 Festival: *The Rape of Lucrece*, *2008: Macbeth*, *Gulliver's Travels*, *Meine faire Dame – ein Sprachlabor*, *A Midsummer Night's Dream (As You Like It)*, *Les Naufragés du Fol Espoir (Aurores)* and *NVA's Speed of Light*. The London 2012 Festival was the culmination of the London 2012 Cultural Olympiad, the largest cultural celebration in the history of the modern Olympic and Paralympic movements.

EIF's work with London 2012 ensured a high profile at its media conferences and in its online and print marketing collateral. The Festival also secured significant additional media opportunities and profile on the VisitBritain global

media portal as well as the London 2012 media site.

The World Shakespeare Festival was a celebration of Shakespeare as the world's playwright. Produced by the Royal Shakespeare Company in collaboration with leading UK and international arts organisations, it was a cornerstone of the London 2012 Festival. EIF was proud to be a partner of the World Shakespeare Festival, presenting three exciting and contrasting Shakespeare productions: *2008: Macbeth*, *A Midsummer Night's Dream (As You Like It)* and *The Rape of Lucrece*.

As described earlier, EIF presented the Edinburgh International Culture Summit in collaboration with the British Council, the Scottish and UK governments and the Scottish Parliament.

EIF also worked in collaboration with the Edinburgh International Film Festival, Scottish Documentary Institute and Creative Scotland to commission three young film makers to each produce a short film to be premiered at the Culture Summit as part of the official programme.

Other significant collaborations included the **Encounters** series of talks and lectures with the British Council, a day of public workshops and discussion presented in association with Edinburgh University, and the continuation of a project to create backstage films with Edinburgh Napier University and Standard Life.

EIF continues to play a key role in Festivals Edinburgh, which was established by Edinburgh's 12 major festivals in order to work on shared strategic objectives. Festivals Edinburgh has a board of twelve directors, each of whom is a senior staff member of its member festivals. Its business plan objectives are focused on four key areas of work: effective strategic planning, joint marketing, programme development and infrastructure. It is funded by subscriptions from its member Festivals and receives public sector support in order to develop collaborative projects. Key areas of work in 2012 included a collaborative global marketing campaign, work on a joint approach to maximizing the benefits of London 2012 and Glasgow 2014, support for international delegations attending the summer festivals, a cross-festivals staff training and professional development programme, joint approaches to the use of technologies and development of innovative working practices and work on developing environmental policies.

Festival Council Report

Structure, governance and management

Edinburgh International Festival Society (EIFS) is a charitable company limited by guarantee of its members and is the legal entity responsible for the Edinburgh International Festival.

The affairs of EIFS are administered by Festival Council whose members are the directors of the Company and are drawn from a wide representation of local interests. Its twenty-one places are made up as follows:

- ▶ seven nominated by the City of Edinburgh Council, including the Lord Provost as Chair
- ▶ seven elected by members of the Edinburgh International Festival Society
- ▶ one nominated by the Edinburgh Chamber of Commerce and Enterprise
- ▶ one nominated by the Edinburgh Trades Union Council
- ▶ five co-opted by Festival Council

EIFS neither remunerates Festival Council members nor distributes profits.

The Festival Director and Chief Executive, Jonathan Mills, who is appointed by Festival Council, is responsible for planning and executing the programme of each year's Festival and for the management of the financial and administrative affairs of EIFS. He is assisted by Joanna Baker, Managing Director, and an executive team of four directors.

Festival Council conducts its affairs consistent with the principles of good corporate governance. Its key responsibilities are: appointing the Festival Director; approving EIFS's Mission Statement and objectives and all forward strategies, including producing, reviewing and updating the Business Plan; approving the annual budget; ensuring compliance with all relevant statutory requirements and the Company's Memorandum and Articles of Association; preparing and approving the Report and Financial Statements; appointing the Auditors; acting as ambassador for EIFS including soliciting support for EIFS, finding and encouraging others who could support EIFS's work, including Ministers, officials, potential donors and opinion-formers; assisting with the fundraising strategy and targets, including Council members' support and help in seeking donations and promoting events.

Festival Council also receives reports from the Board of EFC on the performance and financial position of the trading subsidiary. A second subsidiary, Edinburgh International Festival Limited, was dormant during this period.

Festival Council has delegated certain responsibilities to an Executive Committee which reports to Council on a regular basis on the business of the Festival including business plans and management accounts, annual budgets, medium term financial strategies and projections and cash flow forecasts; risk analysis, stakeholder relations, marketing, sales and audience development. The Convener of the Executive Committee, Ewan Brown, is the Depute Chair of Festival Council.

Festival Council has delegated responsibility for overseeing the preparation of the Annual Report and Financial Statements and recommending them to Council to an Audit Committee, chaired by Frank Hitchman. This committee also assesses, generally at a high level of review, the integrity of the Society's financial recording and reporting systems and the effectiveness of its internal controls.

During 2012 there were three formal meetings of Festival Council and one half day strategy meeting. The Executive Committee met five times. The members of Festival Council who served on the Executive Committee also discharged the functions of a Remuneration Committee.

The Audit Committee, whose members are drawn from Festival Council, but not those who are also members of the Executive Committee, met three times.

Festival Council Members

Members of Festival Council are the Board of Directors of the company and are its Trustees for the purposes of charity law. Throughout this report they are collectively referred to as Festival Council members. Those who served during the year are listed in the next column.

Festival Council is extremely grateful to all those who served on Council and its committees for their important contribution to its work.

Chair

The Rt Hon Donald Wilson,
Lord Provost of the City of Edinburgh (appointed May 2012)
The Rt Hon George Grubb,
Lord Provost of the City of Edinburgh (retired May 2012)

Depute Chair

Ewan Brown CBE***

Cllr Norma Austin Hart (appointed May 2012)
Prof Simon Best OBE*
Stewart Binnie**
Cllr Deidre Brock* (appointed May 2012)
Paul Bush OBE
Cllr Steve Cardownie (retired May 2012)
Cllr Maggie Chapman
Erick Davidson
Cllr Jenny Dawe (retired May 2012)
Carol Colburn Grigor CBE
Frank Hitchman**
Hilary Horrocks
Michael Johnston
Tari Lang (appointed May 2012)
Cllr Richard Lewis (appointed May 2012)
Prof Niall Lothian OBE*
Gavin McEwan** (appointed May 2012)
Cllr Joanna Mowat
Cllr Gordon Munro*
Donald Rennie OBE (retired May 2012)
Christine Richard OBE (retired May 2012)
Sir Brian Stewart CBE*
Cllr Marjorie Thomas (retired May 2012)
Kirsty Wark

* Member of Executive Committee and Director of Edinburgh Festival Centre Limited

** Member of Audit Committee

*** Convenor of Executive Committee and Chair of Edinburgh Festival Centre Limited

Ewan Brown is also a director of Edinburgh International Festival Limited.

Jonathan Mills and Joanna Baker are directors of Edinburgh Festival Centre Limited and Edinburgh International Festival Limited.

Governance arrangements

Members of Festival Council, with the exception of the Chair and Depute Chair, serve a maximum of six years (two terms of three years). Two co-opted members, Professor Simon Best and Carol Grigor, are due to retire in June 2013 and both will have served for the maximum two terms of three years. New candidates will be co-opted by the Festival Council. Frank Hitchman, an elected member, is due to retire at the Annual General Meeting in 2013 having served the maximum term. A new candidate will need to be elected to this vacancy and Members of the Edinburgh International Festival Society will be invited to nominate candidates. If necessary, an election will be conducted in accordance with the Company's Article 28. Hilary Horrocks, Edinburgh Trades Union Council nominee, and Cllr Maggie Chapman, City of Edinburgh Council nominee, will both have served for the maximum term by the Annual General Meeting in 2013. Two new candidates will be put forward by the respective organisations.

Festival Council members' induction and training

New Festival Council members receive an induction pack and detailed briefing on their role and responsibilities as trustees under company law as well as on the organisational structure, the key financial issues facing the Festival and the current Business Plan. They also meet key employees.

Festival Council requires an appropriate mix of skills and experience on the Board. A skills audit exercise is undertaken with new members.

The strategy meeting held in the autumn of each year is an occasion for Festival Council members to contribute to strategic discussions about the opportunities and challenges facing the Festival over the following three years.

Risk management

Festival Council reviews the major strategic, business and operational risks that the business faces on an annual basis. The analysis includes a detailed examination of the financial risks associated with delivering the annual programme. The risk analysis is considered in detail by the Executive Committee before presentation to Festival Council. It is reviewed and updated by management and the Executive Committee over the course of each year.

Subsidiary companies

The Hub, Edinburgh's Festival Centre, is operated by EFC, the Board of which is the Executive Committee of EIFS, together with the Festival Director and Managing Director. The directors will continue to oversee a business plan which aims to deliver annual profits in future, enabling the company to continue to reduce its deficit accumulated in previous years.



Festival Council Report

Financial review

The group's result for the year includes an operating profit from EFC of £89,000 and a surplus of £31,000 for the Festival itself. After required accounting adjustments relating to the Lothian Pension Fund defined benefit scheme (see note 8), the net movement in unrestricted general funds for the year is a decrease of £88,000, as shown in the consolidated statement of financial activities.

Subsidiary companies

EFC achieved a profit of £89,000 for the year ended 31 October 2012.

Edinburgh International Festival Limited was dormant during the period.

Reserves

Festival Council agreed in 2007 that it would adopt a Reserves policy in order to build up adequate reserves in line with best practice. The target for this reserve fund is £750,000.

The consolidated unrestricted general fund shows a balance of £727,000 at 31 October 2012 (2011: £607,000), represented by fixed assets (see note 21). At the same date, the restricted capital grants fund shows a balance of £5,257,000 (2011: £5,318,000) and the restricted Dunard Library fund shows a balance of £32,000 (2011: £62,000).

The capital grants restricted fund represents grants received by the trading subsidiary in respect of the development of the EFC's historic building, The Hub. The Dunard Library restricted fund was created in 2004 with a gift made for the purpose of refurbishing and re-equipping the Dunard Library in The Hub.

Investment powers and policy

EIFS places funds on term deposit when such funds are available. EIFS buys foreign currency when required on forward contracts to mitigate exchange risk. There were no open contracts at the year end.

Financial outlook

Festival 2013 is being planned in a period of economic and financial uncertainty and with significant restrictions on public sector finance. Income from core grants is expected to remain at standstill at best. EIFS continues to generate significant contributions from fundraising – approximately 25% of total income – and will need to invest further in this area to maintain and support this success. Income from ticket sales is projected to remain stable, but is vulnerable to recessionary pressures. Whilst reduced resources may result in fewer performances, there will be no compromise in artistic standards.

Festival Council Report

Plans for future periods

The directors will work to consolidate the achievements of the past years in implementing the artistic priorities established by the Festival Director. These are to deliver a programme of international excellence with events which offer a full programme in the key Festival venues as well as audience development, community engagement and education programmes. Strategic international partnerships and a programme of international marketing and brand development are of continuing importance, enabling EIFS to identify new income streams from international partners and others as well as to enhance its reach and reputation.

Priorities for 2013 and 2014 include working with partners and stakeholders to enable enhanced programming and marketing to build on the success of 2012 and to maximise the potential of the Glasgow Commonwealth Games 2014.

Festival Council Report

Statement of trustees' responsibilities

Law applicable to incorporated charities in Scotland requires the directors to prepare an annual report and financial statements for each financial year in accordance with applicable law and regulations. 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 charity and of the group at the end of the year and of its financial activities including its income and expenditure during the year then ended. 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 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 charity and the group will continue in operation.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for the maintenance and integrity of the charity and financial information included on the charity's website.

At the time of approving this report, the directors are aware of no relevant audit information of which the charity's auditors are unaware and have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

The Society has charity trustees' indemnity insurance on behalf of the directors.

Auditors

Festival Council recommends re-appointment of Henderson Loggie as auditors.

By order of Festival Council

Donald Wilson

.....
 Rt Hon Donald Wilson, Lord Provost
 Chair
 Edinburgh, 20 February 2013

Independent auditors' report to the trustees and members of Edinburgh International Festival Society

We have audited the financial statements of Edinburgh International Festival Society for the year ended 31 October 2012 which comprise the group and company statements of financial activities, the group and company balance sheets, the group cash flow statement 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, and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charity's trustees 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 charity, its members as a body and its trustees as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations under those Acts.

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 Festival Council's annual 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 group's and the parent charitable company's affairs as at 31 October 2012 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent's income and expenditure, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

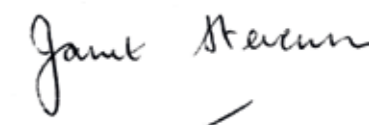
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Festival Council's annual 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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you, if in our opinion:

- ▶ the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- ▶ certain disclosures of trustees' 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
Edinburgh, 20 February 2013

For and on behalf of Henderson Loggie Statutory Auditors.
Henderson Loggie is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities

| | Notes | Unrestricted general funds | Restricted funds | Total funds year ended 31 October 2012 | Total funds year ended 31 October 2011 |
|---|-----------|----------------------------|------------------|--|--|
| | | £000s | £000s | £000s | £000s |
| Incoming resources | | | | | |
| Incoming resources from generated funds | | | | | |
| ▶ grant income | 2 | 5,396 | - | 5,396 | 4,806 |
| ▶ sponsorship and donations | 3 | 2,623 | - | 2,623 | 2,379 |
| ▶ activities for generating funds | | | | | |
| ▶▶ trading subsidiary sales | 5 | 1,398 | - | 1,398 | 1,302 |
| ▶ investment income | 6 | 19 | - | 19 | 14 |
| Incoming resources from charitable activities | | | | | |
| ▶ ticket sales | | 2,360 | - | 2,360 | 2,197 |
| ▶ publications and other earned income | | 168 | - | 168 | 169 |
| Total incoming resources | | 11,964 | - | 11,964 | 10,867 |
| Resources expended | | | | | |
| Costs of generating funds | | | | | |
| ▶ fundraising | | (428) | - | (428) | (378) |
| ▶ trading subsidiary costs | 5 | (1,831) | - | (1,831) | (1,742) |
| ▶ support costs | 9 | (192) | (23) | (215) | (202) |
| Charitable expenditure | | | | | |
| ▶ productions and performances | | (7,796) | - | (7,796) | (6,998) |
| ▶ marketing & communications | | (955) | - | (955) | (899) |
| ▶ support costs | 9 | (576) | (68) | (644) | (606) |
| Governance costs | 9 | (43) | - | (43) | (36) |
| Total outgoing resources | | (11,821) | (91) | (11,912) | (10,861) |
| Net incoming/(outgoing) resources | | 143 | (91) | 52 | 6 |
| Defined benefit scheme actuarial (losses)/gains | 8 | (231) | - | (231) | 63 |
| Net (decrease)/increase in funds | 20 | (88) | (91) | (179) | 69 |
| Total funds brought forward at 1 November 2011 | 20 | 233 | 5,380 | 5,613 | 5,544 |
| Total funds carried forward at 31 October 2012 | 20 | 145 | 5,289 | 5,434 | 5,613 |

All the results of the charity relate to continuing operations. There is no difference between the net movement in funds for the year stated above and its historical cost equivalent.

Statement of financial activities Edinburgh International Festival


| | Notes | Unrestricted general funds | Restricted funds | Total funds year ended 31 October 2012 | Total funds year ended 31 October 2011 |
|---|-----------|----------------------------|------------------|--|--|
| | | £000s | £000s | £000s | £000s |
| Incoming resources | | | | | |
| Incoming resources from generated funds | | | | | |
| ▶ grant income | 2 | 5,396 | - | 5,396 | 4,806 |
| ▶ sponsorship and donations | 3 | 2,623 | - | 2,623 | 2,389 |
| ▶ activities for generating funds | | | | | |
| ▶ investment income | 6 | 19 | - | 19 | 14 |
| Incoming resources from charitable activities | | | | | |
| ▶ ticket sales | | 2,360 | - | 2,360 | 2,197 |
| ▶ publications and other earned income | | 168 | - | 168 | 169 |
| Total incoming resources | | 10,566 | - | 10,566 | 9,575 |
| Resources expended | | | | | |
| Costs of generating funds | | | | | |
| ▶ fundraising | | (429) | - | (429) | (382) |
| ▶ support costs | 9 | (227) | (7) | (234) | (222) |
| Charitable expenditure | | | | | |
| ▶ productions and performances | | (7,868) | - | (7,868) | (7,066) |
| ▶ marketing & communications | | (1,263) | - | (1,263) | (1,209) |
| ▶ support costs | 9 | (681) | (23) | (704) | (670) |
| Governance costs | 9 | (43) | - | (43) | (36) |
| Total outgoing resources | | (10,511) | (30) | (10,541) | (9,585) |
| Net incoming/(outgoing) resources | | 55 | (30) | 25 | (10) |
| Defined benefit scheme actuarial (losses)/gains | 8 | (231) | - | (231) | 63 |
| Net (decrease)/increase in funds | 20 | (176) | (30) | (206) | 53 |
| Total funds brought forward at 1 November 2011 | 20 | 396 | 62 | 458 | 405 |
| Total funds carried forward at 31 October 2012 | 20 | 220 | 32 | 252 | 458 |

All the results of the charity relate to continuing operations. There is no difference between the net movement in funds for the year stated above and its historical cost equivalent.

Consolidated balance sheet at 31 October 2012

| | Notes | 2012 | 2012 | 2011 | 2011 |
|--|---------|---------|--------------|---------|--------------|
| | | £000s | £000s | £000s | £000s |
| Fixed assets | | | | | |
| Tangible assets | 12 | | 6,297 | | 6,319 |
| Current assets | | | | | |
| Stock | 13 | 12 | | 12 | |
| Debtors | 14 | 700 | | 866 | |
| Cash at bank and in hand | | 866 | | 617 | |
| | | 1,578 | | 1,495 | |
| Creditors: amounts falling due within one year | 16 | (1,622) | | (1,511) | |
| Net current liabilities | | | (44) | | (16) |
| Total assets less current liabilities | | | 6,253 | | 6,303 |
| Creditors: amounts falling due after one year | 17 | | (237) | | (316) |
| Net assets excluding pension | | | 6,016 | | 5,987 |
| Pension liability | 8 | | (582) | | (374) |
| Net assets including pension | | | 5,434 | | 5,613 |
| Unrestricted funds | | | | | |
| General fund | 20 | 727 | | 607 | |
| Designated pension reserve fund | 20 | (582) | | (374) | |
| | | | 145 | | 233 |
| Restricted funds | | | | | |
| Dunard Library fund | 20 | 32 | | 62 | |
| Capital grants fund | 19 & 20 | 5,257 | | 5,318 | |
| | | | 5,289 | | 5,380 |
| | | | 5,434 | | 5,613 |

The financial statements on pages 30 to 52 were approved by the board of directors on 20 February 2013 and were signed on its behalf by:



Rt Hon Donald Wilson, Lord Provost, Chair



Ewan Brown, CBE, Depute Chair

Balance sheet at 31 October 2012 Edinburgh International Festival

| | Notes | 2012 | 2012 | 2011 | 2011 |
|--|---------|---------|------------|---------|------------|
| | | £000s | £000s | £000s | £000s |
| Fixed assets | | | | | |
| Tangible assets | 12 (a) | 14 | | - | |
| Investments | 12 (b) | - | | - | |
| | | | 14 | | - |
| Current assets | | | | | |
| Debtors | 14 & 15 | 1,572 | | 1,732 | |
| Cash at bank and in hand | | 799 | | 572 | |
| | | 2,371 | | 2,304 | |
| Creditors: amounts falling due within one year | 16 | (1,314) | | (1,156) | |
| Net current assets | | | 1,057 | | 1,148 |
| Total assets less current liabilities | | | 1,071 | | 1,148 |
| Creditors: amounts falling due after one year | 17 | | (237) | | (316) |
| Net assets excluding pension | | | 834 | | 832 |
| Pension liability | 8 | | (582) | | (374) |
| Net assets including pension | | | 252 | | 458 |
| Unrestricted funds | | | | | |
| General fund | 20 | 802 | | 770 | |
| Designated pension reserve fund | 20 | (582) | | (374) | |
| | | | 220 | | 396 |
| Restricted funds | | | | | |
| Dunard Library fund | 20 | | 32 | | 62 |
| | | | 252 | | 458 |

The financial statements on pages 30 to 52 were approved by the board of directors on 20 February 2013 and were signed on its behalf by:



Rt Hon Donald Wilson, Lord Provost, Chair



Ewan Brown, CBE, Depute Chair

Consolidated cash flow statement

| | Notes | 2012 | 2011 |
|--|-------|------------|------------|
| | | £000s | £000s |
| Net cash inflow/(outflow) from operating activities | 24 | 373 | 977 |
| Returns on investments and operating activities | | | |
| Interest received | | 19 | 14 |
| Interest paid | | - | (1) |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | | (88) | (266) |
| Net cash inflow/(outflow) before financing | | 304 | 724 |
| Financing | | | |
| Loan repayments | | (55) | (469) |
| Increase/(decrease) in cash | | 249 | 255 |
| Reconciliation of net cash flow to movement in net funds/(debt) | | | |
| Increase/(decrease) in cash | | 249 | 255 |
| Cash outflow from repayment of debt | | 55 | 469 |
| Movement in net funds | 25 | 304 | 724 |
| Net funds/(debt) as at 1 November 2011 | 25 | 562 | (162) |
| Net funds as at 31 October 2012 | 25 | 866 | 562 |



Notes to the Financial Statements

1. Principal accounting policies

The financial statements have been prepared in accordance with the historical cost convention and with applicable accounting standards in the United Kingdom and comply with the Statement of Recommended Practice Accounting and Reporting by Charities ("the Charities SORP") approved by the Accounting Standards Board in 2005 and the Companies Act 2006.

A summary of the more important accounting policies, which have been applied consistently, is set out below:

Going concern

Festival Council have considered the position for the next twelve months and concluded the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that cast doubt on the ability of EIFS to meet its debts as they fall due.

Basis of consolidation

The consolidated statement of financial activities and consolidated balance sheet include the financial statements of EIFS and its wholly owned subsidiary companies EFC and Edinburgh International Festival Limited made up to 31 October 2012.

Revenue grants

All grants, other than those in respect of the development of Edinburgh's Festival Centre, The Hub (see restricted funds note below), relate to revenue and are credited on an accruals basis once the conditions for their receipt have been complied with and there is reasonable assurance that the grant will be received.

Designated funds

Included within reserves is an unrestricted designated fund – pension reserve. This reserve represents the organisation's share of the Lothian Pension Fund as valued at 31 October 2012 by the Fund's actuaries, Hymans Robertson LLP.

Restricted funds

Included within reserves are two restricted funds. The capital grants fund represents grants received by the trading subsidiary in respect of the development of Edinburgh's Festival Centre, The Hub. The Dunard Library fund was created in 2004 with a gift made for the purpose of refurbishing and re-equipping the Dunard Library in The Hub.

Fixed assets and depreciation

Fixed assets are included in the balance sheet at cost less accumulated depreciation. 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 cost of £5,000 or greater. For EFC this threshold is lowered to items with a cost of £2,000 or greater.

Operating leases

Operating lease rentals are charged to the statement of financial activities in the year in which they are incurred.

Taxation

The company is recognised by the Office of the Scottish Charity Regulator as a charity and is approved as such by HM Revenue & Customs for taxation purposes. As a result there is no liability to taxation on any of its income. The charity's trading subsidiaries are subject to taxation. Any profits of the trading subsidiaries are paid by way of Gift Aid to the parent charity.

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).

Allocation of expenditure

Expenditure is allocated to the function to which it relates - costs of generating funds, charitable expenditure or governance costs (see note 9).

Pension costs

Certain employees are members of the Lothian Pension Fund, a defined benefit pension scheme. In accordance with Financial Reporting Standard 17 Retirement Benefits (FRS17), the operating and financing costs of pensions are charged to the statement of financial activities in the period in which they arise and are recognised separately. The costs of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in actuarial assumptions, is recognised in the statement of total recognised gains and losses, which forms part of the statement of financial activities. Pension costs are assessed in accordance with the advice of a qualified actuary.

For employees who are not members of the Lothian Pension Fund, EIFS offers to make a contribution to their own personal money purchase pension scheme. The contributions are treated as expenditure in the financial year in which they fall due.

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the exchange rate in operation on the date the transaction occurred. Where a forward exchange contract is used the transactions are translated into sterling at the exchange rate specified in the related forward contract.

Monetary assets and liabilities denominated in foreign currencies are converted to sterling at rates of exchange ruling at the balance sheet date or rates of exchange fixed under forward contracts.

Stock

Stock is stated at the lower of cost and net realisable value.

Gifts in-kind and donated services and facilities

When EIFS receives goods or services in-kind, a valuation based on replacement cost is used for accounting purposes. This valuation appears in sponsorship & donations income and an equal amount is allocated to the relevant expenditure line (see also note 3).

2. Grant income

| | 2012 | 2011 |
|---|--------------|--------------|
| | £000s | £000s |
| City of Edinburgh Council | 2,389 | 2,389 |
| Creative Scotland | 2,317 | 2,317 |
| Scottish Government's Edinburgh Festivals Expo Fund | 200 | 100 |
| 2012 project funding | 490 | - |
| Total | 5,396 | 4,806 |

2012 project funding was received from City of Edinburgh Council, Creative Scotland and EventScotland.

3. Sponsorship, donations and other income

Sponsorship, donations and other income are included in the period to which they relate. Major components of in-kind sponsorship include provision of goods and services such as web hosting, mobile phones and catering facilities.

4. Investment in subsidiaries

EIFS has two wholly owned subsidiaries, Edinburgh International Festival Limited, now dormant, and EFC, both of which share their registered office with EIFS.

EFC purchased, developed and now operates The Hub, Edinburgh's Festival Centre.

Its sales, profit and net liabilities were as follows:

| | 31 October 2012 | | | 31 October 2011 | | |
|-----|-----------------|--------|-----------------|-----------------|--------|-----------------|
| | Sales | Profit | Net liabilities | Sales | Profit | Net liabilities |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| EFC | 1,920 | 89 | (75) | 1,828 | 76 | (164) |

5. Consolidation

The consolidation of EFC into EIFS involves the removal of all inter-company trading balances and transactions. This consolidation adjustment reduces EFC's income and EIFS's expenditure, meaning that it is not possible to make a comparison on a like-for-like basis between the subsidiary's income and expenditure in the consolidated financial statements.

6. Interest receivable & payable

| Group | Year ended 31 October 2012 | Year ended 31 October 2011 |
|---------------------------|-------------------------------|-------------------------------|
| | £000s | £000s |
| Bank interest receivable | 16 | 12 |
| Other interest receivable | 3 | 2 |
| Total | 19 | 14 |

| Company | Year ended 31 October 2012 | Year ended 31 October 2011 |
|---------------------------|-------------------------------|-------------------------------|
| | £000s | £000s |
| Bank interest receivable | 16 | 12 |
| Other interest receivable | 3 | 2 |
| Total | 19 | 14 |

| Group | Year ended 31 October 2012 | Year ended 31 October 2011 |
|------------------------|-------------------------------|-------------------------------|
| | £000s | £000s |
| Bank interest payable | - | - |
| Other interest payable | - | 1 |
| Total | - | 1 |

| Company | Year ended 31 October 2012 | Year ended 31 October 2011 |
|------------------------|-------------------------------|-------------------------------|
| | £000s | £000s |
| Bank interest payable | - | - |
| Other interest payable | - | - |
| Total | - | - |

7. Staff numbers and costs

The average number of employees, including seasonal staff and maternity cover, of the group during the period was:

| | Year ended 31 October 2012 | Year ended 31 October 2011 |
|----------------------------|-------------------------------|-------------------------------|
| EIFS | | |
| Productions | 23 | 19 |
| Marketing & communications | 8 | 7 |
| Administration | 6 | 7 |
| Fundraising | 6 | 6 |
| Finance | 5 | 6 |
| | 48 | 45 |
| EFC | | |
| Administration | 1 | 1 |
| Operations | 60 | 57 |
| | 61 | 58 |
| Total | 109 | 103 |

The aggregate remuneration and associated costs of the group's employees were:

| | Year ended 31 October 2012 | Year ended 31 October 2011 |
|------------------------|-------------------------------|-------------------------------|
| | £000s | £000s |
| Wages and salaries | 2,371 | 2,259 |
| Social security costs | 217 | 212 |
| Pension costs (note 8) | 114 | 118 |
| Total | 2,702 | 2,589 |

No remuneration or reimbursement of expenditure was paid to any member of Festival Council, who are the directors of the company (2011: nil).

The Society has Charity Trustees' indemnity insurance on behalf of its directors.

Three employees (2011: three) received remuneration over £60,000 per annum. One fell into the band £60,000-£70,000 (2011: one), one into the band £80,000-£90,000 (2011: one) and one into the band £140,000-£150,000 (2011: one). These employees performed duties over all the companies consolidated into these accounts. The number of employees in these bands to whom retirement benefits are accruing under money purchase and defined benefit schemes is three (2011: three). The contributions made by the company on their behalf to secure money purchase benefits were £32,073 (2011: £32,073).

8. Pension obligations

The group contributes on behalf of staff to either their own personal money purchase schemes or to the Lothian Pension Fund of the City of Edinburgh Council, which is a defined benefit scheme, providing benefits based on final pensionable salary. The assets of the schemes are held separately from those of the company. Entry to the Lothian Pension Fund for employees of EIFS and its subsidiaries was closed to new members on 31 October 2001.

The total costs to the group of contributions to the above schemes during the year were £114,318 (2011: £118,054). The total cost includes a period end accrual of £14,091 (2011: £12,379).

The provision under Financial Reporting Standard 17 Retirement Benefits (FRS17) reflects the shortfall of the fair value of scheme assets compared to scheme liabilities based on specific assumptions at a point in time which differ from those adopted by the trustees on an ongoing basis. Accordingly, the reported FRS17 provision does not represent a cash liability, but interaction of company contributions and the capital and income growth from the scheme assets compared with the obligation to settle scheme liabilities as they arise in the future.

The valuation used for FRS17 disclosures has been based on the most recent valuation at 31 March 2011 and updated by Hymans Robertson LLP as actuaries to the Lothian Pension Fund. The valuation takes account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31 October 2012.

The amounts recognised in the balance sheet in relation to the defined benefit scheme are as follows:

| | 2012 | 2011 |
|---|--------------|--------------|
| | £000s | £000s |
| Fair value of employer assets | 1,585 | 1,844 |
| Present value of funded obligations | (2,167) | (2,218) |
| Net retirement benefit liability | (582) | (374) |

The above asset values are stated at bid value.

The amounts recognised in the consolidated statement of financial activities are as follows:

| | 2012 | 2011 |
|------------------------------------|-----------|-----------|
| | £000s | £000s |
| Current service cost | 33 | 38 |
| Interest cost | 108 | 117 |
| Expected return on employer assets | (111) | (119) |
| Total | 30 | 36 |

The current service cost figures include an allowance for administrative expenses of 0.3% of payroll (2011: 0.3%). Actuarial calculations with regard to future pension increases are linked to the Consumer Prices Index (CPI). The actual return on plan assets net of expenses was a gain of £114,000 (2011: gain of £34,000).

The amounts recognised in the statement of total recognised gains and losses are as follows:

| | 2012 | 2011 |
|--|-------|-------|
| | £000s | £000s |
| Actuarial (losses) / gains | (231) | 63 |
| Cumulative actuarial losses recognised | (583) | (352) |

The movements in the fair value of employer assets are as follows:

| | 2012 | 2011 |
|--|--------------|--------------|
| | £000s | £000s |
| Opening fair value of employer assets | 1,844 | 1,793 |
| Expected return on assets | 111 | 119 |
| Contributions by members | 15 | 16 |
| Contributions by employer | 53 | 52 |
| Actuarial (losses)/gains | (370) | (86) |
| Benefits paid | (68) | (50) |
| Closing fair value of employer assets | 1,585 | 1,844 |

The movements in the present value of funded obligations are as follows:

| | 2012 | 2011 |
|---|--------------|--------------|
| | £000s | £000s |
| Opening defined benefit obligation | 2,218 | 2,246 |
| Current service cost | 33 | 38 |
| Interest cost | 108 | 117 |
| Contributions by members | 15 | 16 |
| Actuarial (gains)/losses | (139) | (149) |
| Past service costs | - | - |
| Estimated benefits paid | (68) | (50) |
| Closing defined benefit obligation | 2,167 | 2,218 |

The principal actuarial assumptions used at the balance sheet date are as follows:

| | 2012 | 2011 |
|--------------------------------|-------------|-------------|
| | % per annum | % per annum |
| Future pension increases | 2.20% | 2.20% |
| Future salary increases | 4.50% | 4.50% |
| Expected return on plan assets | 5.20% | 6.00% |
| Discount rate | 4.20% | 4.90% |

The salary increase assumption is 1% p.a. until 31 March 2015, thereafter reverting to the long term assumption shown above. Consistent with prior year, the discount rate is based on the annualized yield on an AA-rated sterling corporate bond index.

Life expectancy is based on the Lothian Pension Fund's VitaCurves with the application of medium cohort improvements and a 1% underpin from 2008. Based on these assumptions, average future life expectancies at age 65 are as follows:

| | Males | Females |
|--------------------|------------|------------|
| Current pensioners | 20.4 years | 22.8 years |
| Future pensioners | 22.6 years | 25.4 years |

The major categories of plan assets as a percentage of total plan assets are as follows:

| | 2012 | 2011 |
|----------|------|------|
| | % | % |
| Equities | 75 | 78 |
| Bonds | 10 | 9 |
| Property | 13 | 11 |
| Cash | 2 | 2 |

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes. The expected return for each asset class reflects a combination of historical analysis, the forward-looking view of the financial markets (as suggested by the yield available) and the views of investment organisations.

The history of experience adjustments on the plan for the current and previous financial years is as follows:

| | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------------------------------------|--------------|--------------|--------------|--------------|-----------|
| | £000s | £000s | £000s | £000s | £000s |
| Fair value of employer assets | 1,585 | 1,844 | 1,793 | 1,518 | 1,492 |
| Present value of funded obligations | (2,167) | (2,218) | (2,246) | (2,216) | (1,452) |
| (Deficit)/surplus | (582) | (374) | (453) | (698) | 40 |
| Experience (losses)/gains on assets | (370) | (86) | 157 | (74) | (656) |
| Experience gains on liabilities | 344 | - | - | 79 | 1 |

The estimated employer contributions to the defined benefit scheme for the next financial year beginning 1 November 2012 are £52,000.

9. Support and governance costs

Support costs have been split in the ratio 25:75 between costs of generating funds and charitable expenditure. This split is based on headcount. Total support costs are disclosed below and comprise administration, depreciation, interest payable and FRS17 accounting adjustments.

Governance costs consist of management and administration costs. These costs comprise the allocated cost of Company Secretary, cost of audit and cost of statutory legal expenses.

| Group | Administration | Depreciation | Interest payable | Pension fund | Total |
|-----------------------------------|----------------|--------------|------------------|--------------|------------|
| | £000s | £000s | £000s | £000s | £000s |
| Year ended 31 October 2012 | | | | | |
| Unrestricted general funds | | | | | |
| Support costs: | | | | | |
| Costs of generating funds | 195 | 2 | - | (5) | 192 |
| Charitable expenditure | 586 | 5 | - | (15) | 576 |
| Governance | 43 | - | - | - | 43 |
| Restricted funds | 91 | - | - | - | 91 |
| Total | 915 | 7 | - | (20) | 902 |
| Year ended 31 October 2011 | | | | | |
| Unrestricted general funds | | | | | |
| Support costs: | | | | | |
| Costs of generating funds | 180 | 2 | - | (3) | 179 |
| Charitable expenditure | 543 | 5 | 1 | (11) | 538 |
| Governance | 36 | - | - | - | 36 |
| Restricted funds | 91 | - | - | - | 91 |
| Total | 850 | 7 | 1 | (14) | 844 |

| Company | Administration | Depreciation | Interest payable | Pension fund | Total |
|-----------------------------------|----------------|--------------|------------------|--------------|------------|
| | £000s | £000s | £000s | £000s | £000s |
| Year ended 31 October 2012 | | | | | |
| Unrestricted general funds | | | | | |
| Support costs: | | | | | |
| Costs of generating funds | 230 | 2 | - | (5) | 227 |
| Charitable expenditure | 691 | 5 | - | (15) | 681 |
| Governance | 43 | - | - | - | 43 |
| Restricted funds | 30 | - | - | - | 30 |
| Total | 994 | 7 | - | (20) | 981 |
| Year ended 31 October 2011 | | | | | |
| Unrestricted general funds | | | | | |
| Support costs: | | | | | |
| Costs of generating funds | 216 | 2 | - | (3) | 215 |
| Charitable expenditure | 653 | 5 | - | (11) | 647 |
| Governance | 36 | - | - | - | 36 |
| Restricted funds | 30 | - | - | - | 30 |
| Total | 935 | 7 | - | (14) | 928 |

10. Net incoming resources

| | Year ended 31 October 2012 | Year ended 31 October 2011 |
|---|-------------------------------|-------------------------------|
| | £000s | £000s |
| The net incoming resources for the period are stated after charging/(crediting): | | |
| Auditors' remuneration in respect of the audit | 13 | 13 |
| Depreciation on owned assets | 110 | 108 |
| Operating leases on land and buildings | 65 | 59 |
| Release of Capital Grants | (61) | (61) |
| Foreign exchange gains | (9) | - |

11. Taxation

The amounts below relate to the activities of the trading subsidiaries of EIFS:

| | Year ended 31 October 2012 | Year ended 31 October 2011 |
|--|-------------------------------|-------------------------------|
| | £000s | £000s |
| Profit on ordinary activities before tax | 89 | 76 |
| Profit on ordinary activities multiplied by the small companies' rate of corporation tax in the UK 20.0% (2011: 20.4%) | 18 | 16 |
| Effects of: | | |
| Capital allowances and other timing differences | (18) | (16) |
| Tax charge for the period | - | - |

The total amount of the deferred tax asset not recognised is £69,657 (2011: £89,399).

This asset has not been recognised as Festival Council is not sufficiently confident of its eventual recovery.

The above note relates to the activities of EFC.

12. Fixed assets – (a) Tangible assets

| Group | Land & buildings | Furniture & fittings | Computer equipment | Total |
|------------------------------|------------------|----------------------|--------------------|--------------|
| | £000s | £000s | £000s | £000s |
| Cost | | | | |
| As at 1 November 2011 | 6,917 | 1,143 | 422 | 8,482 |
| Additions during period | - | 67 | 21 | 88 |
| Disposals during period | - | (12) | (3) | (15) |
| As at 31 October 2012 | 6,917 | 1,198 | 440 | 8,555 |
| Depreciation | | | | |
| As at 1 November 2011 | 845 | 896 | 422 | 2,163 |
| Depreciation for period | 69 | 34 | 7 | 110 |
| Eliminated on disposal | - | (12) | (3) | (15) |
| As at 31 October 2012 | 914 | 918 | 426 | 2,258 |
| Net book value | | | | |
| As at 31 October 2012 | 6,003 | 280 | 14 | 6,297 |
| As at 31 October 2011 | 6,072 | 247 | - | 6,319 |

| Company | Furniture & fittings | Computer equipment | Total |
|------------------------------|----------------------|--------------------|-----------|
| | £000s | £000s | £000s |
| Cost | | | |
| As at 1 November 2011 | 788 | 419 | 1,207 |
| Additions during period | - | 21 | 21 |
| As at 31 October 2012 | 788 | 440 | 1,228 |
| Depreciation | | | |
| As at 1 November 2011 | 788 | 419 | 1,207 |
| Depreciation for period | - | 7 | 7 |
| As at 31 October 2012 | 788 | 426 | 1,214 |
| Net book value | | | |
| As at 31 October 2012 | - | 14 | 14 |
| As at 31 October 2011 | - | - | - |

Fixed assets - (b) Investments

| | Shares in group undertakings |
|----------------------------------|------------------------------|
| | £s |
| Cost & net book value | |
| As at 31 October 2012 | 4 |
| As at 31 October 2011 | 4 |

The shares in subsidiary undertakings are in respect of EFC and Edinburgh International Festival Limited.

13. Stock

| | 2012 | 2011 |
|-----------------------|-------|-------|
| | £000s | £000s |
| Goods for retail sale | 12 | 12 |

14. Debtors

| | Group 2012 | Company 2012 | Group 2011 | Company 2011 |
|--|------------|--------------|------------|--------------|
| | £000s | £000s | £000s | £000s |
| Amounts falling due within one year | | | | |
| Trade debtors | 134 | 85 | 238 | 163 |
| Trading balance owed by subsidiaries | - | 607 | - | 531 |
| VAT recoverable | 128 | 128 | 454 | 454 |
| Other debtors | 5 | 1 | 13 | - |
| Prepayments | 71 | 73 | 99 | 127 |
| Accrued income | 362 | 362 | 62 | 62 |
| Loan owed by subsidiary (see note 15) | - | 79 | - | 79 |
| | 700 | 1,335 | 866 | 1,416 |
| Amounts falling due after one year | | | | |
| Loan owed by subsidiary (see note 15) | - | 237 | - | 316 |
| Total | 700 | 1,572 | 866 | 1,732 |

15. Transactions with subsidiary companies

EIFS purchases goods and services from and provides services to EFC, a subsidiary company. The value of transactions exclusive of Value Added Tax for the period resulted in net income to EFC of £522,000 (2011: £514,000).

A £474,000 loan was received in the year ended 31 October 2011 from the company's parent. This loan is repayable in six annual instalments of £79,000 which commenced on 31 March 2011. No interest was payable on the loan in the period.

No trading took place with Edinburgh International Festival Limited, a dormant company.

Both of the above subsidiaries are 100% owned by EIFS.

16. Creditors: amounts falling due within one year

| | Group 2012 | Company 2012 | Group 2011 | Company 2011 |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | £000s | £000s | £000s | £000s |
| Trade creditors | 556 | 470 | 504 | 432 |
| Other creditors | 31 | 22 | 24 | 12 |
| Other taxes and social security costs | 133 | 57 | 135 | 59 |
| Accruals | 699 | 660 | 511 | 471 |
| Deferred income | 203 | 105 | 282 | 127 |
| Loans | - | - | 55 | 55 |
| Total | 1,622 | 1,314 | 1,511 | 1,156 |

17. Creditors: amounts falling due after one year

| | Group 2012 | Company 2012 | Group 2011 | Company 2011 |
|-----------------|------------|--------------|------------|--------------|
| | £000s | £000s | £000s | £000s |
| Deferred income | 237 | 237 | 316 | 316 |
| Total | 237 | 237 | 316 | 316 |

18. Analysis of loan and overdraft

| | Group 2012 | Company 2012 | Group 2011 | Company 2011 |
|---|------------|--------------|------------|--------------|
| | £000s | £000s | £000s | £000s |
| Loan can be analysed as falling due: | | | | |
| Repayable in one year or less, or on demand | - | - | 55 | 55 |
| Repayable between one and two years | - | - | - | - |
| Repayable between two and five years | - | - | - | - |
| Repayable outwith five years | - | - | - | - |
| Total | - | - | 55 | 55 |

During the period the company received an unsecured loan of £100,000 (2011: £55,000) from the Edinburgh International Festival Endowment Fund to cover short-term cashflow requirements in connection with fundraising. This loan was interest free and was repaid during the period.

Royal Bank of Scotland holds a floating charge over the assets of the group. This charge ranks after the security detailed in note 19.

19. Capital grants fund

| | 2012 | 2011 |
|------------------------------|--------------|--------------|
| | £000s | £000s |
| Total received | 6,276 | 6,276 |
| Released in previous periods | (958) | (897) |
| Released in period | (61) | (61) |
| Total | 5,257 | 5,318 |

The capital grants fund of £5,257,000 (2011: £5,318,000) represents grants received by the trading subsidiary 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 EFC.

20. Funds

| | Balance at 1 November 2011 | Income | Expenditure & transfers | Balance at 31 October 2012 |
|---------------------------------|----------------------------|---------------|-------------------------|----------------------------|
| | £000s | £000s | £000s | £000s |
| Group | | | | |
| Unrestricted funds | | | | |
| General fund | 607 | 11,961 | (11,841) | 727 |
| Designated pension reserve fund | (374) | 23 | (231) | (582) |
| Restricted funds | | | | |
| Dunard Library fund | 62 | - | (30) | 32 |
| Capital grants fund | 5,318 | - | (61) | 5,257 |
| Total | 5,613 | 11,984 | (12,163) | 5,434 |
| Company | | | | |
| Unrestricted funds | | | | |
| General fund | 770 | 10,563 | (10,531) | 802 |
| Designated pension reserve fund | (374) | 23 | (231) | (582) |
| Restricted funds | | | | |
| Dunard Library fund | 62 | - | (30) | 32 |
| Total | 458 | 10,586 | (10,792) | 252 |

The restricted funds are for use by the Society in connection with The Hub.

21. Analysis of group net assets between funds

| | Unrestricted Funds | Restricted Funds | Total Funds |
|--|--------------------|------------------|--------------|
| | £000s | £000s | £000s |
| Fund balances at 31 October 2012 are represented by: | | | |
| Tangible fixed assets | 1,008 | 5,289 | 6,297 |
| Net current liabilities | (44) | | (44) |
| Creditors: amounts falling due after one year | (237) | | (237) |
| Pension liability | (582) | | (582) |
| Total | 145 | 5,289 | 5,434 |

22. Operating leases

At 31 October 2012, there were annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

| | Group 2012 | Company 2012 | Group 2011 | Company 2011 |
|--|------------|--------------|------------|--------------|
| | £000s | £000s | £000s | £000s |
| Operating leases can be analysed as falling due: | | | | |
| Within one year | - | - | - | - |
| Within two to five years | 65 | 48 | 17 | - |
| After five years | - | - | 42 | 42 |
| Total | 65 | 48 | 59 | 42 |

All operating leases are for storage premises used by EIFS and its subsidiaries.

23. Capital commitments

Capital expenditure commitments contracted for as at 31 October 2012 but not provided for in these financial statements total £27,000 (2011: £nil).

24. Reconciliation of operating deficit to net cash flow from operating activities

| | 2012 | 2011 |
|---|------------|------------|
| | £000s | £000s |
| Net incoming resources | 52 | 6 |
| Interest received | (19) | (14) |
| Interest paid | - | 1 |
| Operating surplus/(deficit) | 33 | (7) |
| Depreciation charges | 110 | 108 |
| FRS17 pension charge for defined benefit scheme | 30 | 36 |
| Pension contributions to the defined benefit scheme | (53) | (52) |
| Decrease in debtors | 166 | 542 |
| Decrease in stock | - | 1 |
| Increase in creditors | 87 | 349 |
| Net cash inflow from operating activities | 373 | 977 |

25. Analysis of net funds

| | As at 31 October 2011 | Cash movement | Non-cash movement | Balance at 31 October 2012 |
|--------------------------|-----------------------------|------------------|----------------------|----------------------------------|
| | £000s | £000s | £000s | £000s |
| Cash at bank and in hand | 617 | 249 | - | 866 |
| Debt due within one year | (55) | 55 | - | - |
| Net funds | 562 | 304 | - | 866 |

26. Members' guarantee

EIFS is a company limited by guarantee of its Members and does not have a share capital. Each Member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up.

Membership as at 31 October 2012 totalled 118 (2011: 127).



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