



**EDINBURGH
INTERNATIONAL
FESTIVAL**

2017

REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 OCTOBER 2017

Edinburgh International Festival Society

A charitable company limited by guarantee

Supported by

City of Edinburgh Council

Creative Scotland

Scottish Government's Edinburgh Festivals Expo Fund

Event Scotland

Report and Financial Statements

for the year ended 31 October 2017

Registered Charity Number SC004694

Company Registration Number SC024766

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BOARD OF TRUSTEES REPORT

REFERENCE AND ADMINISTRATIVE DETAILS

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

Patron

His Royal Highness the Earl of Wessex KG GCVO

Board of Trustees

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(Chairman)

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Terry Brotherstone
Dr Jamie Coleman
Sir John Elvidge*
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Gavin McEwan**
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Councillor Iain Whyte
Councillor Donald Wilson

* 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 Board of
Trustees can be found on page 20.

Honorary President

Valery Gergiev

Honorary Vice President

Carol Colburn Grigor CBE

Honorary Secretary

Andrew Kerr, Chief Executive, City of Edinburgh Council

Management and Advisers

Festival Director & Chief Executive Fergus Linehan
Managing Director & Company Secretary Joanna Baker
Finance Director Rob Conner
Programme Director Roy Luxford
Marketing & Communications Director Jackie Westbrook
Sponsorship & Development Director Christopher Wynn

Lawyers

Dentons UK and Middle East LLP
Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

Auditors

Henderson Loggie
34 Melville Street
Edinburgh EH3 7HA

Bankers

Royal Bank of Scotland PLC
30 Nicolson Street
Edinburgh EH8 9DL

Registered Office

The Hub, Castlehill
Edinburgh EH1 2NE

BOARD OF TRUSTEES REPORT

OBJECTIVES AND ACTIVITIES

Background

The **Edinburgh International Festival** is the world's leading multi-genre arts festival. Its foundation in 1947 was a bold act of optimism and reconciliation, promoting international cooperation and understanding through the presentation and production of art for audiences from all over the world. Over the past seventy years, the International Festival has become the template for hundreds of events in cities from Adelaide to Shanghai. While the International Festival strives to be resolutely international in its outlook it remains grounded in the city of Edinburgh and is committed to delivering extensive cultural, economic and social benefits to Edinburgh, Scotland and the UK.

Since its first edition, the International Festival has inspired and encouraged a group of parallel events, which have worked together to cement Edinburgh's reputation as the world's 'festival city'.

Mission

To produce the leading Festival of the performing arts in the world, which presents and promotes work at the highest level of excellence to a large and diverse audience, thus promoting the cultural, social, educational and economic well-being of the people of Edinburgh and Scotland.

Objectives

- 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 present the best Scottish artists and work to an international audience.
- To curate an artistic programme which cannot easily be achieved by any other UK arts organisation.
- To engage with students of all ages to encourage their participation in the arts.
- To offer equal opportunities for all sections of the community to experience and enjoy the Festival.
- To promote Edinburgh and Scotland as an international centre of culture and learning.
- To deliver economic benefits to the Scottish economy and to offer employment and professional development.
- To be excellent in every aspect of our activities, operation and governance.
- To ensure the Festival has adequate and long term funding and appropriate reserves to fulfill its mission and ensure business continuity and sustainability.

'EXHILARATING...IT WOULD BE A TRAGEDY TO MISS IT'
DAILY RECORD, *ORESTEIA: THIS RESTLESS HOUSE* ★ ★ ★ ★

'CLEMENTINE TAKES ON AN OTHERWORLDLY MAJESTY,
LEAVING THE AUDIENCE HYPNOTISED BY AN UTTERLY
TRANSFIXING TALENT'

INDEPENDENT, *BENJAMIN CLEMENTINE* ★ ★ ★ ★ ★

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

In the Business Plan for the period from 2017–2020 the Board of Trustees endorsed the Core Festival as having:

- a full programme of international quality music, theatre, opera, dance and other cultural presentations in the key Festival venues (Usher Hall, Queen's Hall, Festival Theatre, King's Theatre, Royal Lyceum Theatre, Edinburgh Playhouse, The Hub);
- placing the audience, programme development and innovation at the centre of the organisation through excellence in programming, an active commitment to access, equality and diversity, and innovative uses of digital technology;
- year-round community engagement, education and creative learning opportunities inspired by the annual Festival programme aimed at engaging with the widest possible range of people from schoolchildren to senior citizens;
- a programme of international partnerships and engagement which supports and enhances Scotland's reputation as a creative nation.

Over the same period, the Board of Trustees identified six 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. Audiences and audience development
4. Community engagement and Creative Learning
5. International, national and City partnerships and engagement
6. Leadership and governance, staff development, environmental sustainability, infrastructure



Standard Life Opening Event Bloom | © Neil Hanna

BOARD OF TRUSTEES REPORT

INTERNATIONAL FESTIVAL 2017 FACTS AND FIGURES

Where the money came from

- 58% (2016: 58%) of the Festival's income was generated through earned income
- 42% (2016: 42%) of the Festival's income came from public sector grants
- Earned income included 30% (2016: 30%) from ticket sales and 26% (2016: 25%) from fundraising, including corporate, individual giving, trusts, foundations and international partners. 2% (2016: 3%) was generated from sources such as trading and Festival publications

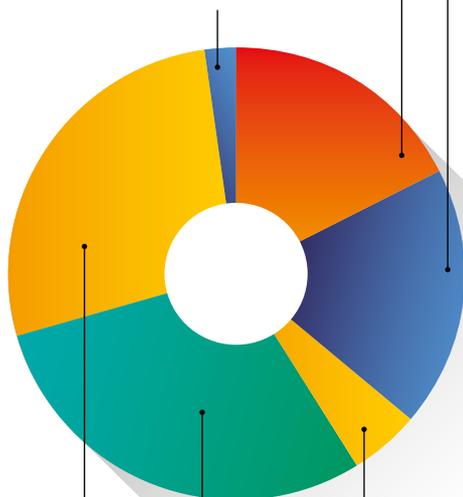
How the money was spent

- 75% (2016: 73%) of the Festival's budget was spent on productions and performances
- 13% (2016: 13%) was spent on marketing, website and ticketing
- 8% (2016: 10%) was spent on administration
- 4% (2016: 4%) was spent on fundraising

Income

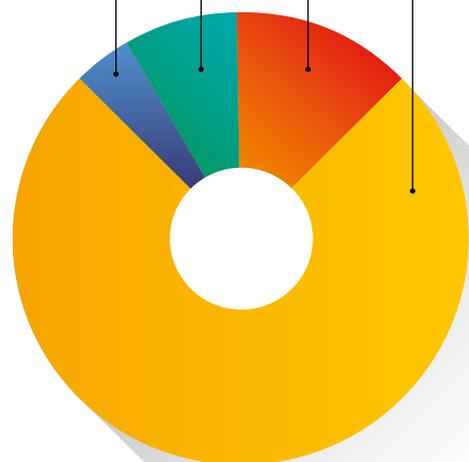
- 18%** City of Edinburgh Council core grant
- 19%** Creative Scotland core grant
- 5%** Scottish Government's Edinburgh Festivals Expo Fund and Project grants from Event Scotland and City of Edinburgh Council

- 30%** Ticket sales
- 26%** Fundraising
- 2%** Other



Expenditure

- 75%** Cost of productions and performances
- 13%** Marketing, website and ticketing
- 8%** Administration
- 4%** Fundraising



BOARD OF TRUSTEES REPORT

ABOUT INTERNATIONAL FESTIVAL 2017

The 2017 International Festival celebrated the 70th anniversary of Edinburgh as a Festival city. Throughout August, Festival-goers in their hundreds of thousands packed into theatres and concert halls to experience the work of some of the world's greatest artists and ensembles.

In all, over 2,020 world-class artists from 40 nations gave performances of outstanding quality and originality. The International Festival programme celebrated moments of repertoire from the first Festival (Verdi's *Macbeth*, Mendelssohn's *Lobgesang*), companies that played an important role in the Festival's history (Nederlands Dans Theatre, The Old Vic), and individual artists who have made a unique contribution to past Festivals (Alfred Brendel, Barry McGovern, Mitsuko Uchida). In scale the Festival ranged from the epic *Standard Life Opening Event: Bloom*, to the miniature sensation that was Vox Motus's *Flight*.

The entire city entered into the spirit of the anniversary, celebrating the ambition of the International Festival's founders and considering how those principles of generosity can be applied in today's world. The founders of the Festival were celebrated in film and music, with the First Minister unveiling a plaque to the first Festival Director Rudolph Bing and conductor Bruno Walter, both Jewish refugees. The principles of cultural cooperation and tolerance that they set out were revisited in *Spirit of '47*, a special programme of international collaboration, performance and discussion co-curated with the British Council.

A special place was given to opera with a programme that ranged from what has already been described as a 'legendary' performance of Wagner's *Die Walküre* with the RSNO to a spectacular staging of *La bohème* by the Festival's resident company for 2017, Teatro Regio Torino.

The International Festival continued to widen its audience and its geographical reach – in the music programme artists as diverse as Jarvis Cocker, PJ Harvey, Stephin Merritt, Anoushka Shankar and Karine Polwart made unique contributions, while in dance Boy Blue Entertainment scored two great successes – with

Blak Whyte Gray at the Lyceum and *Project R.E.B.E.L* at Castlebrae Community High School.

The International Festival's core values of collaboration, cooperation and cultural exchange were evidenced in a large number of very successful partnerships, with the British Council, the BBC, the European Broadcasting Union, the Book Festival and the University of Edinburgh, to name but a few.

The International Festival's three-year partnership with Castlebrae Community High School saw young people at the school, who have been mentored by Festival staff over the past year or more, working as paid employees alongside the Festival team both front of house and backstage to present *Project R.E.B.E.L* at the school. This event was very significant for all involved, and attracted a visit from the First Minister.

The 2017 International Festival was once again bookended with large scale, outdoor events designed to bring the celebrations to a wider audience. The *Standard Life Opening Event: Bloom* built on the successes of 2015's *The Harmonium Project* and 2016's *Standard Life Opening Event: Deep Time*, with approximately 35,000 people gathering in St Andrew Square to watch the surrounding buildings brought to life by digitally animated projections over 2 nights of the opening weekend, while an estimated audience of 250,000 enjoyed watching the *Virgin Money Fireworks Concert* from across the city, bringing the International Festival to an explosive close.

A documentary film, *The World in One City*, was produced in collaboration with the Scottish Documentary Institute, directed by Anne Milne and produced by Professor Noe Mendelle. The film wove together archive footage with interviews with key people associated with the International Festival over the past 70 years and was shown as part of the *Spirit of '47* season.

The Scottish Government's Expo fund supported a special season of theatre work for the 70th festival anniversary. Four Scottish companies presented works which considered the origins of European drama and

the precarious state in which the continent finds itself today. The works provided an opportunity to reflect on the belief of the founders of the Edinburgh International Festival that great art could be used to heal divisions by focusing on our shared sense of humanity. This belief was particularly focused on Europe, which had recently emerged from the horrors of the Second World War. The season of work comprised the world premiere of a new version of Eugène Ionesco's *Rhinoceros* adapted by Zinnie Harris and directed by Murat Daltaban of DOT Theatre, Istanbul; a revival of Zinnie Harris's highly acclaimed adaptation of *Oresteia: This Restless House* directed by Dominic Hill for the Citizens Theatre, revised in a new single play version; the world premiere of *Flight* by Vox Motus, based on Caroline Brother's novel *Hinterland*; and the world premiere of a new play by Zinnie Harris, *Meet me at Dawn*, presented by the Traverse Theatre Company.

On 11 July 2017 it was announced that HRH The Earl of Wessex would become Royal Patron of the Edinburgh International Festival, taking on the patronage from Her Majesty The Queen. The Earl has a strong personal interest in the Arts and is already Patron of a number of cultural organisations, including the National Youth Theatre, the City of Birmingham Symphony Orchestra, the National Youth Jazz Orchestra, Northern Ballet and the National Youth Orchestras of Scotland. We were delighted to welcome His Royal Highness to the Opening Concert of the 2017 International Festival.

As part of the events planned to mark the 70th anniversary of the Festival, a commemorative plaque was installed at the entrance of the International Festival's home, The Hub, to honour Sir Rudolf Bing, the founding Edinburgh International Festival Director. Frank Harding, Trustee of the Association of Jewish Refugees, was joined by Festival Director Fergus Linehan, Lord Provost Frank Ross and the Austrian Ambassador, His Excellency Dr Martin Eichinger, at the unveiling.



BOARD OF TRUSTEES REPORT

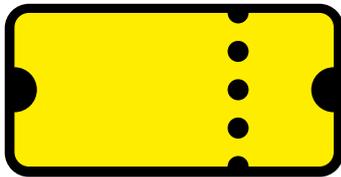
INTERNATIONAL FESTIVAL IN NUMBERS

Over **2,020**



artists from **40** nations

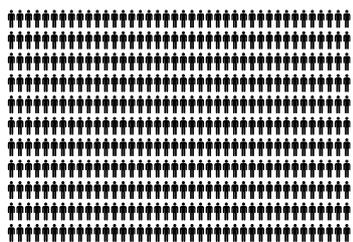
£4,396,738



total ticket income

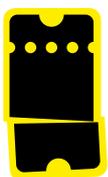
187,083 tickets issued

461,883



Estimated Attendance from **83** nations

Over **9,000**



discounted tickets issued to young people and students

Over **400,000**



fireworks choreographed to the music during Virgin Money Fireworks Concert

9 school projects reaching

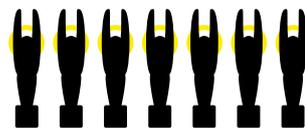
5,600

young people

284 performances



4 world premiers



7 Herald Angel awards received

15 venues



581,772

unique users of our website

1,379,941

views of our YouTube content

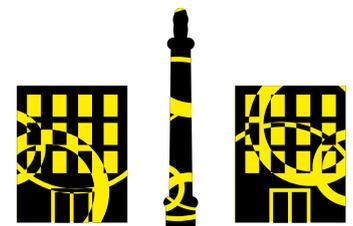


296,336

engagements across our social media channels

920,345

sessions on our website



35,000

people attending Standard Life Opening Event: Bloom

52

large scale projectors used to create Standard Life Opening Event: Bloom

STRATEGIC REPORT

ACHIEVEMENTS AND PERFORMANCE

1. International programming excellence

The 2017 International Festival continued to present a high quality programme of work whilst also delivering this work to wider and more diverse audiences. Earned income was maximised, driving growth whilst lightening the pressure on public funds.

Of particular note was the special place given to opera with a programme that ranged from a concert performance of Wagner's *Die Walküre* with the RSNO to staged productions of *Macbeth* and *La bohème* by the Festival's resident company for 2017, Teatro Regio Torino. We extended our programme and our reach in 2017 by working with new partners and introducing new venues such as the Church Hill Theatre and Studio and the Festival Theatre Studio.

International Festival commissions/co-commissions included *Greek* (with Opera Ventures and Scottish Opera) and *The Magnetic Fields: 50 Song Memoir* (with BAM, the Center for the Art of Performance at UCLA, The Barbican Centre and the Melbourne Festival).

World premieres included *Meet Me at Dawn*, *Rhinoceros*, *Flight* and *The Divide Part 1 & Part 2*. European premieres included *Meow Meow's Little Mermaid*.

International Festival productions included *Oresteia: This Restless House* in association with the National Theatre of Scotland (a revival of a Citizens Theatre production). Co-productions included *The Divide Part 1 & Part 2* with The Old Vic which transferred to London in February 2018, *Rhinoceros* with the Royal Lyceum Theatre Edinburgh in association with DOT Theatre Istanbul (returning to the Royal Lyceum Theatre in Spring 2018), *Meet Me at Dawn* with the Traverse Theatre and *Meow Meow's Little Mermaid* (an Edinburgh International Festival production of the original Malthouse Theatre and Sydney Festival production).

2. Financial stability and sustainability

A key strategic aim of the Edinburgh International Festival is to achieve financial sustainability. Investment from our core stakeholders, the City of Edinburgh Council and Creative Scotland, is essential in maintaining the International Festival's worldwide reputation for programming excellence and ensures that the International Festival has a solid base from which to raise income from other sources including international partners, fundraising and ticket sales. This core of public support is ever more important as the International Festival seeks to maximise earned income to drive growth in the context of standstill or decreasing public funds.

The Scottish Government's Edinburgh Festivals Expo Fund is also of critical importance. In 2017 it enabled the International Festival to invest in its acclaimed series of theatre work for the 70th festival anniversary and supported the enhanced opening event. 2017 also saw project support from Event Scotland for the Opening Event and Standard Life continue to support it as title sponsor. The City of Edinburgh Council provided additional support for the production of *Rhinoceros* to mark the 70th anniversary of Edinburgh as the Festival City.

2017 once again saw the International Festival break all previous box office records, with income from ticket sales reaching £4.39 million (£3.66 million net of VAT). It was a particularly successful year for fundraising from individual donors and corporate supporters, with a campaign using the occasion of the 70th anniversary raising a record £3.45 million from these sources. Overall, the past three years (since 2014) have seen an increase of over £2 million in earned income – primarily ticket sales and fundraising (once VAT has been deducted on ticket sales) – reducing the call on core public sector funds, which despite some very welcome additional support for the 70th festival, have decreased over the same period.

The continued generosity of the Dunard Fund provided a hugely important foundation for fundraising activities, setting an example for others and advocating for the International Festival's work both in Scotland and beyond.

The Board of Trustees would like to express its gratitude to all of the Edinburgh International Festival's public and private sector sponsors, donors and supporters.

The Hub

The International Festival 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 and Dunard Library to a wide range of public, private and commercial users, and provides catering for functions at The Hub.

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

During the 2017 Festival, The Hub became both a performance and social space, with the Main Hall transformed into a cabaret venue to host *Meow Meow's Little Mermaid*. The Dunard Library provided a social space for audiences, artists and invited guests to meet in the evening, as well as hosting the Festival's media centre during the day.

Hub Tickets sells tickets for a range of other organisations in addition to the Edinburgh International Festival. Over the course of 2017 Hub Tickets acted as a ticket agency for the Brunton Theatre, Edinburgh Jazz and Blues Festival, East Neuk Festival, Lammermuir Festival, Hopetoun House and Music at Paxton.

'ASTONISHINGLY MOVING, SENSITIVE AND HUMANE...
[A] REMARKABLE ACHIEVEMENT OF HEALING
AND COMPASSION'

TIME OUT, MINEFIELD ★★★★★

3. Audiences and audience development

2017 saw an estimated attendance at all Festival events of over 461,800 (2016: approximately 452,200).

The Festival aims to maximise earned income at the box office whilst at the same time extending and broadening its audience base through programming initiatives, increased digital and broadcast media presence and targeted concessions.

2017 was a successful year in each of these areas, with record box office income, programming strands such as *The Standard Life Opening Event: Bloom* and the contemporary music strand attracting new audiences and increased social and digital media presence. The Festival's successful introduction of work for young people continued this year with *Veulos*, a magical dance theatre work for children and families.

The International Festival continued to widen its audience and its geographical reach as well as increasing its provision of accessible performance services in 2017. Services include Audio Description, British Sign Language interpretation, Captioned performances and Touch Tours. All International Festival events are wheelchair accessible. For most international companies this work by the International Festival is their first experience of services such as Audio Description and they are enthusiastic about taking their learnings back to their home countries, spreading best practice internationally.

The International Festival's relationship with the BBC continues to develop with increased broadcast, radio and online coverage. To mark the 70th anniversary of the Festival City, an hour long documentary, *Festival Tales: Edinburgh at 70*, was broadcast on BBC Two. BBC Radio 3 broadcast fifteen concerts live from The Queen's Hall and recorded six at the Usher Hall. Radio 3 also featured some of the finest artists to appear at the International Festival over the years in twelve *Lunchtime Concerts* from the BBC archives. The BBC Arts Digital *Artists Conversations* series saw International Festival artists interviewed in front of a live audience and streamed across the world. Our partner BBC Arts Digital also made many of the events from the *Spirit of '47* season available live and on demand to a global audience online.

STV also increased its coverage of the International Festival and there was also significant coverage from a wide range of other UK and international broadcasters.

Almost 70% of ticket sales were made online, and the number of total followers on each social media channel (Facebook, Twitter and Instagram) increased, with the most significant change in Instagram where the number of followers almost doubled.

A new interactive storytelling website was launched to tell some of the 70 year story of the Edinburgh International Festival in a creative and energetic way using filmed interviews, archive footage, photography and more. Ten iPads were installed in venues across the city to allow visitors to International Festival events to explore the site whilst they were waiting for their performances to start. This also invited people to share their own memories from across the 70 years. The website has been designed to enable material to be added over time, creating a continually growing resource which captures the memories and responses of a wide range of people connected with the Edinburgh International Festival.

4. Community engagement and Creative Learning

The International Festival reaches thousands of young people every year, and we continue to strive to do more. We work throughout the year with local school children of all ages, taking artists and workshops into schools, as well as bringing pupils to Festival shows.

2017 was the final year of a three-year intensive arts residency partnership between the Edinburgh International Festival, Castlebrae Community High School and the City of Edinburgh Council. The objective of the project was to offer new opportunities for the young people, raising aspirations and confidence which

in turn would support improvements in attainment and attendance. It would also support the school's aim to increase roll numbers. The pupils and staff worked closely with the International Festival over the past three years and have participated in a range of projects including one to one mentoring by Festival staff and work experience opportunities as well as opera, drama and dance workshops, attendance at International Festival events and the creation of the film *From Castlebrae With Love*. In 2017, a group of senior pupils worked alongside the International Festival staff team, learning how to run a world class event in their own school. The gym hall was transformed into a venue and they presented 2 performances of *Project R.E.B.E.L.* by Olivier Award-winning hip-hop dance company Boy Blue Entertainment. Several of the senior pupils at the school worked as paid employees alongside the Festival team both front of house and backstage.

The Creative Learning department also carried out projects in schools across Edinburgh throughout the year, including a classical music programme. The *Art of Listening*, which worked with over 1,400 primary school pupils; a series of dance workshops deriving from the family show *Vuelos* which engaged around 400 children; and *Soul Boxes*, a visual arts programme which engaged 121 pupils over 7 schools. Over 1,600 Edinburgh school children attended the *Virgin Money Schools Concert* whilst *Blueprint for the Future*, a creative writing and visual art project, responded to the International Festival's 70th anniversary year to explore how young people see their futures. 650 senior pupils from 10 schools attended a workshop based on *La bohème* with 250 pupils going on to attend the performance. The *Young Critics* programme worked with 7 schools on critical thinking and analysis of selected performances in the 2017 programme, in conjunction with The Herald newspaper. 87 secondary pupils took part.

'IT'S PURE PHYSICAL POETRY – A JOY TO WATCH.'
THE STAGE, BLAK WHYTE GRAY ★★★★★

'RAVISHINGLY BEAUTIFUL MUSIC...THE GENIUS OF MONTEVERDI COULD NOT BE BETTER HONOURED.'
THE GUARDIAN, MONTEVERDI 450 ★★★★★

The Young Musician's Passport scheme saw 426 new sign-ups bringing the total number of active memberships to 1,700. A total of 1,065 complimentary tickets and 653 half price accompanying adult tickets were issued.

5. International, national and City partnerships and engagement

The *Spirit of '47* programme was an excellent example of partnership working. The programme paid tribute to the extraordinary courage and optimism asserted by Rudolf Bing, founding Festival Director, and Henry Harvey Wood, the then Head of the British Council in Scotland, that art and culture could act as a beacon of hope and reconciliation in a divided continent. *Spirit of '47* celebrated the depth and quality of international cultural collaboration in today's world. Artists from Scotland, England, USA, Ukraine, Lebanon, Cuba, China, Jamaica, Palestine, Chile, Argentina, Portugal, Germany, Iran, Pakistan, India and many more came together for eleven days of electrifying performance and discussion. BBC Arts Digital collaborated with us, making many of the events from *Spirit of '47* available live and on demand to a global audience online.

The *Standard Life Opening Event: Bloom* brought together a wide range of partners; created by video and projection design wizards 59 Productions in association with The University of Edinburgh, it was supported by Standard Life, Event Scotland and the Scottish Government's Edinburgh Festivals Expo Fund. Other partners involved in this project included Blue-i Theatre Technology in partnership with mclcreate.

The International Festival worked with the following international partners in 2017 - the Australian High Commission, Austrian Embassy, Canadian High Commission, Consulate General of the Federal Republic of Germany, Consulate General of the Republic of Poland, Consulate of the Kingdom of The Netherlands, Culture Ireland, the Embassy of Italy, the Embassy of the Kingdom of The Netherlands, Italian Cultural Institute, Institut français d'Ecosse, Norwegian Consulate General and the Québec Government Office.

'THE DANCING IS MARVELLOUS, TECHNICALLY ACUTE BUT BUOYANT, WARM AND WONDERFULLY HUMAN.'

THE TIMES, RAIN ★★★★★

The Hub played host to Visiting Arts' International Producers' Breakfast, bringing together over 200 international arts professionals, and Culture Ireland's annual Edinburgh networking event. The International Festival also collaborated with the Creative Industries Federation to co-host a reception attended by representatives from the creative industries with speakers including Fiona Hyslop MSP, Cabinet Secretary for Culture, Tourism and External Affairs and John Kampfner, Chief Executive of the Creative Industries Federation.

The International Festival took part in the European Festival Association's Festival Production Management Training programme, hosting two participants from this project. A partnership with the University of Edinburgh and the Royal Conservatoire of Scotland delivered the fourth International Festival Encounters Summer School in August 2017, with speakers from the International Festival, Barbican Centre, Old Vic theatre, Vox Motus and Nederlands Dans Theatre.

An International Festival Mentor Project was established in 2017 to mark the 70th anniversary. The project is a professional development initiative designed to give an emerging cultural leader, from or based in Scotland, first-hand experience of the skills required to run an international performing arts event. Jen White was appointed to the role of Festival Programme Associate in June 2017.

A photographic exhibition comprising images of artists and productions from the last seventy years of the Festival was launched in Scotland House in Brussels in November 2016.

The 70th edition of the Festival also attracted great interest from politicians and we were delighted to welcome the First Minister and the Cabinet Secretary for Culture, Tourism and External Affairs to several events and performances this year as well as other MSPs including Ash Denham and Jackson Carlaw. We were pleased that several representatives from Westminster were in attendance at this year's Festival including: Damian Green, First Secretary of State; Karen Bradley, the Secretary of State for Digital, Culture, Media and Sport; Matt Hancock, Minister of State for Digital; and John Glen, Parliamentary Under Secretary of State for the Department for Culture, Media and Sport. The Prime Minister hosted a reception to celebrate the 70th anniversaries of the International, Fringe, and Film Festivals in October at 10 Downing Street.

'HILARIOUS, WOUNDING AND TRULY DELIGHTFUL, MEOW MEOW'S THE LITTLE MERMAID IS BREATHTAKINGLY GOOD.'

HERALD SUN, MEOW MEOW'S LITTLE MERMAID ★★★★★

The International Festival received two awards during the course of 2017. A Fair Saturday Award was presented at the opening gala of Fair Saturday 2017 which took place at the Guggenheim Museum Bilbao in October and acknowledged the International Festival's 'vision, commitment to virtuosity and originality' since it was founded in 1947 and recognised its 'capacity to turn the city of Edinburgh into an annual meeting point for peoples of all nations'. A special award From Europe for Festivals, Festivals for Europe (EFFE) recognised the International Festival's continued reinvention and inspiration to the arts and festivals world, as it celebrates its 70th anniversary. The EFFE International Jury said the International Festival is 'one of the festivals proving strongly the enriching impact of arts activities on our society and their powerful message towards European integration.'

6. Leadership and governance, staff development, environmental sustainability, infrastructure

The Festival's current Business Plan covers the period 2017 – 2020. It is reviewed and revised on an ongoing basis, as required.

The Board of Trustees embarked on a review of its governance structure in June 2016. As a result amendments to the Articles of Association were adopted at the AGM on 24 April 2017 (see page 19).

The Trustees have reviewed their governance cycle and committee structure under the new constitution, creating a Finance and Resources Committee which will meet 3 times a year. Remits for the previously constituted Audit and Risk Committee and Nominations Committee have also been revised, with the former meeting 3 times a year and the latter meeting as required.

The Board of Trustees formally adopted a Sustainability policy in June 2014. The Festival is working to implement a Carbon Management Plan which was developed with support from The Carbon Trust. In addition to an already established programme of monitoring of electricity, gas, water, waste and recycling volumes, the International Festival has developed an expenses tool in association with Creative Carbon Scotland to monitor staff business travel and increase knowledge of the Festival's carbon footprint. Developments in 2017 included the increased engagement of employees through the staff environment working group; fuel efficient training for Festival drivers; reduction of paper usage, with the main brochure print run reduced by 28% compared with 2015; and detailed recording of recycling versus trade waste continuing to be monitored. The Festival is now working in partnership with Changeworks recycling for all major recycling and waste streams generated by the organisation. This will enable us to quantify, monitor and reduce the organisation's carbon footprint. Through related organisation Home Energy Scotland, staff have the opportunity for free impartial advice on home energy saving, with this advice translating into the workplace environment as well.

The International Festival continues to work to develop its equality, diversity and inclusion monitoring and practice. A database programme captures diversity information across all temporary and permanent staff to enable better monitoring and benchmarking.



STRATEGIC REPORT

FINANCIAL REVIEW

Net income for Edinburgh International Festival was a surplus of £31,000 (2016: deficit movement of £6,000) before accounting for the following items:

The Festival utilised legacies receivable of £313,000 from 2016 which had been designated for future Festival productions. The net income deficit of £343,000 included the expenditure of these designated legacies of £313,000. Additionally, as required by FRS 102 pensions requirements, £61,000 was deducted from net income. The group's result for the year includes a loss on ordinary activities from EFC of £169,000 (2016: profit of £34,000).

Three main factors – an unexpected masonry repair bill (£53,000), lower than projected August trading and higher than anticipated costs - resulted in EFC Ltd returning a loss of £169,000 on the year. A business strategy has been put in place to trade out of the deficit position. Robust targets and rigorous monitoring systems have been established, with surpluses planned in each of the next three years to reduce the level of deficit to zero within that timescale.

At the end of the financial year, the cost of funding payments to the defined benefit pension scheme in the future was calculated by actuaries to be £691,000 (2016: £901,000). This has resulted in £210,000 being deducted from the accounting provision and to the designated reserve for pension fund liabilities. In accordance with FRS 102 pensions requirements £61,000 of the provision has been deducted from net income and £271,000 has been recognised as an actuarial gain.

Reserves

The Board of Trustees has adopted a Reserves policy to build up adequate cash reserves in line with its objectives on financial sustainability. A level of cash reserves of £500,000 was identified by the Board of Trustees as being adequate for the needs of the business. The Board has an action plan to increase cash reserves in line with the stated policy over a period of five to seven years. The consolidated unrestricted general fund shows

a balance of £753,000 at 31 October 2016 (2016: £925,000), mainly represented by fixed assets (see note 20). After accounting for the designated pension reserve (deficit balance of £691,000, 2016: deficit balance of £901,000) and the designated legacies receivable reserve (balance of £nil, 2016: balance of £313,000) the unrestricted reserve balance is £62,000 (2016: balance of £24,000).

The restricted funds comprise unspent grant income of £nil (2016: £12,000) and the capital grants fund of £4,954,000 (2016: £5,015,000).

Investment powers and policy

The International Festival places funds on term deposit when such funds are available. Foreign currency is purchased when required on forward contracts to mitigate exchange risk. There were no open contracts at the year end.

Financial outlook

Trustees welcome initiatives from City of Edinburgh Council and Scottish Government to secure additional financial support in the future, and the recent confirmation of three-year standstill funding from Creative Scotland. The International Festival continues to focus on generating increased earned income in order to sustain its current activities and drive growth. The proportion of total revenue from earned income (tickets sales and fundraising) has increased from 51% of total revenue in 2014 to 58% of total revenue in 2017. Additional investment in income generation is required to maintain and support this growth. The 2018 programme has been planned to support increased income from fundraising and other sources of earned income. The weak position of sterling places strong pressure on the cost of artists' fees, which may be partly balanced by an increased number of international visitors.

STRATEGIC REPORT

PLANS FOR FUTURE PERIODS

The Festival's success is built on an uncompromising commitment to virtuosity and originality. The meeting, each year, of many of the greatest artists and ensembles of our time in one of the world's most beautiful cities, creates a uniquely fertile atmosphere, nurturing ambition and innovation on a grand scale. This will remain the foundation on which all of our achievements are based.

The future success of Edinburgh and Scotland depends on the talents of its people, and we will ensure that the festival plays an important role in bringing ideas and innovation from around the world that will attract and retain those talents in the city and stimulate their contributions to the future of our society and its global success.

We will focus further on making the festival accessible to everyone regardless of location or background. This could be through broadening the range of genres that we present, using new venues and digital engagement, offering

free events and affordable access to certain groups, and through learning and engagement programmes with schools and communities across the city.

We will continue to collaborate with partners across the cultural sector, including individual artists, companies, venues, educational institutions and government bodies, combining our strengths and abilities to create a better festival, and helping realise a dynamic and prosperous cultural sector across Scotland recognised globally for its talent.

As custodians of the Edinburgh International Festival, we are charged with ensuring the Festival will continue to be enjoyed by future generations. We place great emphasis on fiscal discipline in budgeting, operational best practice in staffing and systems and entrepreneurial flair in fundraising and marketing.



STRATEGIC REPORT

Risk management

The Board of Trustees reviews the major strategic, business and operational risks that the business faces on a regular basis. The risk analysis is structured against the strategic priorities set out in the business plan, and considers likelihood of occurrence, impact and mitigating actions in order to identify key risks.

The analysis is considered in detail by the Audit and Risk Committee before presentation to the Board of Trustees. Actions are monitored and updated over the course of each year.

A detailed examination of the financial risks associated with delivering the annual programme is considered by both the Executive Committee (Finance and Resource Committee from 2018) and the Board of Trustees as part of the scrutiny and approval process for the annual budget.

Principal risks and uncertainties

The International Festival's brand and reputation is dependent on securing the necessary financial resources to present and promote the world's leading artists and ensembles. Maintaining this international programming excellence in turn secures the positive economic, social and cultural impacts delivered by the International Festival to the city of Edinburgh, Scotland and the rest of the UK. Maintaining the excellence of the programme is also critical to our ability to secure high level support from individual philanthropic donors and to generate ticket sales income.

Pressure on public sector finances has already resulted in significant erosion in the value of income received from core grants in recent years and the Board of Trustees and management liaise regularly with public sector grant givers and government to manage this as far as possible. At the same time there is a business focus on driving additional revenue through ticket sales and fundraising. As noted elsewhere in this report, this strategy has been highly successful over the past three years, but investment from the public sector remains critical to leveraging these earned income streams and thus securing the success of the International Festival.

The current low value of sterling is eroding the International Festival's budget for artist fees paid in other currencies. Exposure to budget variations is mitigated as far as possible by putting foreign exchange contracts in place as soon as funds are available.

The Society's liability as a member of the Lothian Pension Fund is increasing as employees in this pension scheme leave the organisation. An independent advisor has been appointed to support the organisation's strategy to plan for and manage this liability.

BOARD OF TRUSTEES REPORT

STRUCTURE, GOVERNANCE AND MANAGEMENT

The 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.

Following changes to the Articles of Association approved at the AGM on 24 April 2017, appointments to the Board of Trustees will be based on the skills and experience required to support the current and future business needs of the International Festival and with the objective of ensuring a wide diversity of backgrounds and experience.

Under the new Articles, the Board of Trustees will number no less than 9 and no more than 14 members, including 3 members nominated by the City of Edinburgh Council. All appointments, other than the Chair, are for three years, renewable for a further three years after which the member must retire by rotation. The Chair is appointed for 4 years, and may serve a maximum of 8 years.

The changes to the Articles includes an enabling clause to ensure a smooth transition from the previous membership of up to 21 members and which included a number of nominations from outside bodies.

Six members are due to step down at the AGM in May 2018, after which the Board will reduce to a membership of 10.

The Board of Trustees is deeply grateful to Cllr Donald Wilson, who retired as Chair of the Society in April 2017.

Professor Niall Lothian was appointed by the Trustees in June 2017 to serve as Chairman for a period of 4 years.

The Trustees have reviewed their governance cycle and committee structure under the new constitution, creating a Finance and Resources Committee which will meet 3 times a year. Remits for the previously constituted Audit and Risk Committee and Nominations Committee have also been revised, with the former meeting 3 times a year and the latter meeting as required.

The International Festival neither remunerates Trustees nor distributes profits.

Fergus Linehan, Festival Director and Chief Executive, is appointed by the Board of Trustees and is responsible for planning and executing the programme of each year's Festival and for overseeing the management of the financial and administrative affairs of the International Festival. His contract as Festival Director was recently extended for a further three years, until September 2022. He is assisted by Joanna Baker, Managing Director, and an executive team of four directors.

Senior management team remuneration is benchmarked at time of appointment against comparable roles in peer organisations in the UK. These benchmarks are reviewed against the same criteria as required (last review 2013). The International Festival does not operate a system of performance related pay or automatic increments above CPI inflation.

The Board of Trustees conducts its affairs consistent with the principles of good corporate governance. Its key responsibilities are: appointing the Festival Director; approving the International Festival'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 the International Festival including soliciting support for the Festival, identifying and encouraging others who could support the Festival's work, including Ministers, officials, potential donors and influencers; assisting with the fundraising strategy and targets, including Council members' support and help in seeking donations and promoting events.

The Board of Trustees 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.

The Board of Trustees delegates certain responsibilities to an Executive Committee (Finance and Resource Committee from June 2018) which reports to the Board on a regular basis on the business of the Festival including review of management accounts, medium term financial strategies and projections and cash flow forecasts, risk analysis, stakeholder relations, marketing, sales and audience development.

The Board of Trustees delegates responsibility for overseeing the preparation of the Annual Report and Financial Statements and recommending them to the Board of Trustees, to the Audit and Risk Committee. This committee also assesses, generally at a high level of review, the integrity of the Society's financial recording, reporting and risk systems and the effectiveness of its internal controls.

During 2017 there were three formal meetings of the Board of Trustees and one half day strategy meeting. The Executive Committee met four times. The Trustees who served on the Executive Committee also discharge the functions of a Remuneration Committee. The Audit Committee includes members drawn from the Board of Trustees. The members of the Audit Committee met three times during the year.

Board of Trustees

The members of the Board of Trustees are the Directors of the company for the purposes of charity law. Throughout this report they are collectively referred to as the Board of Trustees. Those who served during the year are listed below.

The Board of Trustees is extremely grateful to all those who serve on the Board and its committees for their important contribution to its work.

Chair

Councillor Donald Wilson, the Rt. Hon. the Lord Provost of Edinburgh (retired 24 April 2017)
Professor Niall Lothian OBE*** (appointed 12 June 2017)

Deputy Chairman

Professor Niall Lothian OBE*** (retired 12 June 2017)
Position currently vacant

Scott Black
Councillor Chas Booth (retired 4 May 2017)
Terry Brotherstone
Dr Jamie Coleman
Councillor Karen Doran (retired 4 May 2017)
Sir John Elvidge*
Sir Paul Grice**
Councillor Sandy Howat* (retired 4 May 2017)
Tari Lang*
Councillor Richard Lewis (retired 4 May 2017)
Gavin McEwan**
Councillor Amy McNeese-Mechan (appointed 29 June 2017)
Professor Dorothy Miell
Andrea Miller
Keith Miller CBE*
Hans Rissmann OBE
Caroline Roxburgh**
Councillor Iain Whyte
Councillor Donald Wilson (appointed 29 June 2017)

* 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

Fergus Linehan and Joanna Baker are directors of Edinburgh Festival Centre Limited and Edinburgh International Festival Limited.

Governance arrangements

Members of the Board of Trustees, with the exception of the Chair serve a maximum of six years (two terms of three years). The Chair serves a maximum of eight years (two terms of four years).

The following Trustees will retire from the Board following the AGM on 23 May 2018: Scott Black, Dr Jamie Coleman, Sir John Elvidge, Tari Lang, Gavin McEwan and Hans Rissmann.

Trustees' induction and training

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

The Board of Trustees seeks to achieve an appropriate mix of skills and experience on the Board. A skills audit exercise is undertaken with new members.

A half day strategy meeting held each year is an occasion for Trustees to contribute to strategic discussions about the opportunities and challenges facing the Festival.

Subsidiary companies

The Hub, Edinburgh's Festival Centre, is operated by EFC, the Board of which is the Executive Committee of the International Festival, together with the Festival Director and Managing Director. The directors oversee a business plan which aims to deliver annual profits which are donated under gift aid to the parent charity, and/or invested in maintaining the fabric of the building.



BOARD OF TRUSTEES 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

The Board of Trustees recommends re-appointment of Henderson Loggie as auditors.

By order of the Board of Trustees



Professor Niall Lothian OBE
Chairman
Edinburgh, 16 April 2018

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES AND MEMBERS OF EDINBURGH INTERNATIONAL FESTIVAL SOCIETY

Opinion

We have audited the financial statements of Edinburgh International Festival Society (the 'company') for the year ended 31 October 2017 which comprise the group and parent charitable company statements of financial activities, the group and parent charitable company balance sheets, the group and parent charitable company statements of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2017 and of its 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 requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Trustees' Report which includes the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Report which includes the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Trustees' Report which includes the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors (who are also the trustees of the charitable company for the purposes of charitable law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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 the Acts and relevant regulations made or having effect thereunder

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

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

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's directors, 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 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's directors 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 charity, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.



James Davidson (Senior Statutory Auditor)
For and on behalf of Henderson Loggie
Chartered Accountants & Statutory Auditors
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

34 Melville Street
Edinburgh EH3 7HA

16 April 2018



Marlinsky & RSNO | © Beth Chalmers

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES & INCOME AND EXPENDITURE ACCOUNT

	Notes	Year ended 31 October 2017			Year ended 31 October 2016		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£000s	£000s	£000s	£000s	£000s	£000s
Income and endowments from:							
Donations	2	2,802	-	2,802	2,310	-	2,310
Legacies receivable*	2	-	-	-	313	-	313
Charitable activities				-			
• ticket sales		3,664	-	3,664	3,583	-	3,583
• grant income	3	5,146		5,146	4,884	20	4,904
Other trading activities							
• sponsorship	2	337	-	337	361	-	361
• trading subsidiary sales		1,447		1,447	1,533	-	1,533
• publications and other earned income		227	-	227	247	-	247
Investments	6	3	-	3	6	-	6
Total income		13,626	-	13,626	13,237	20	13,257
Expenditure on:							
Raising funds							
• fundraising		(515)	-	(515)	(477)	-	(477)
• trading subsidiary costs		(2,172)		(2,172)	(2,057)	-	(2,057)
• support costs	9	(247)	(15)	(262)	(234)	(17)	(251)
Charitable activities							
• productions and performances*		(9,263)	-	(9,263)	(8,371)	-	(8,371)
• marketing and communications		(1,232)	(12)	(1,244)	(1,151)	-	(1,151)
• support costs	9	(743)	(46)	(789)	(703)	(51)	(754)
Total expenditure		(14,172)	(73)	(14,245)	(12,993)	(68)	(13,061)
Net income/(expenditure)		(546)	(73)	(619)	244	(48)	196
Defined benefit scheme							
actuarial gains/ (losses)	8	271	-	271	(250)	-	(250)
Net movement in funds	17	(275)	(73)	(348)	(6)	(48)	(54)
Total funds brought forward							
at 1 November 2016	17	337	5,027	5,364	343	5,075	5,418
Total funds carried forward							
at 31 October 2017	17	62	4,954	5,016	337	5,027	5,364

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.

* The legacies receivable in 2016 were utilised in 2017 in recognition of the 70th anniversary of the Edinburgh International Festival. This expenditure is included within 2017 productions and performances.

STATEMENT OF FINANCIAL ACTIVITIES & INCOME AND EXPENDITURE ACCOUNT - EDINBURGH INTERNATIONAL FESTIVAL

	Notes	Year ended 31 October 2017			Year ended 31 October 2016		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£000s	£000s	£000s	£000s	£000s	£000s
Income and endowments from:							
Donations	2	2,802	-	2,802	2,310	-	2,310
Legacies receivable*	2	-	-	-	313	-	313
Charitable activities							
• ticket sales		3,664	-	3,664	3,583	-	3,583
• grant income	3	5,146	-	5,146	4,884	20	4,904
Other trading activities							
• sponsorship	2	337	-	337	361	-	361
• publications and other earned income		227	-	227	247	-	247
Investments	6	37	-	37	67	-	67
Total income		12,213	-	12,213	11,765	20	11,785
Expenditure on:							
Raising funds							
• fundraising		(518)	-	(518)	(489)	-	(489)
• support costs	9	(284)	-	(284)	(278)	(2)	(280)
Charitable activities							
• productions and performances*		(9,345)	-	(9,345)	(8,436)	-	(8,436)
• marketing and communications		(1,556)	(12)	(1,568)	(1,457)	-	(1,457)
• support costs	9	(853)	-	(853)	(834)	(6)	(840)
Total expenditure		(12,556)	(12)	(12,568)	(11,494)	(8)	(11,502)
Net income/(expenditure)		(343)	(12)	(355)	271	12	283
Defined benefit scheme							
actuarial gains/ (losses)	8	271	-	271	(250)	-	(250)
Net movement in funds	17	(72)	(12)	(84)	21	12	33
Total funds brought forward							
at 1 November 2016	17	303	12	315	282	-	282
Total funds carried forward at 31 October 2017	17	231	-	231	303	12	315

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.

* The legacies receivable in 2016 were utilised in 2017 in recognition of the 70th anniversary of the Edinburgh International Festival. This expenditure is included within 2017 productions and performances.

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2017

	Notes	2017	2017	2016	2016
		£000s	£000s	£000s	£000s
Fixed assets					
Tangible assets	11		6,121		6,212
Current assets					
Stock	12	15		17	
Debtors	13	1,547		1,427	
Cash at bank and in hand		595		1,101	
		2,157		2,545	
Creditors: amounts falling due within one year	15	(2,571)		(2,492)	
Net current (liabilities) /assets			(414)		53
Total assets less current assets			5,707		6,265
Net assets excluding pension					
Pension liability	8		(691)		(901)
Net assets including pension			5,016		5,364
Unrestricted funds					
General fund	17	753		925	
Designated legacies receivable fund	17	-		313	
Designated pension reserve fund	17	(691)		(901)	
			62		337
Restricted funds					
Grant income	17	-		12	
Capital grants fund	16 & 17	4,954		5,015	
			4,954		5,027
			5,016		5,364

The financial statements on pages 26 to 49 were approved by the Board of Trustees on 16 April 2018 and were signed on its behalf by:



Gavin McEwan

Trustee



Professor Niall Lothian OBE

Chairman

Company Registration Number SC024766

BALANCE SHEET – EDINBURGH INTERNATIONAL FESTIVAL AT 31 OCTOBER 2017

	Notes	2017	2017	2016	2016
		£000s	£000s	£000s	£000s
Fixed assets					
Tangible assets	11a	27		33	
Investments	11b	-		-	
			27		33
Current assets					
Debtors	13 & 14	2,682		2,521	
Cash at bank and in hand		384		817	
		3,066		3,338	
Creditors: amounts falling due within one year	15	(2,171)		(2,155)	
Net current assets			895		1,183
Total assets less current liabilities			922		1,216
Net assets excluding pension			922		1,216
Pension liability	8		(691)		(901)
Net assets including pension			231		315
Unrestricted funds					
General fund	17	922		891	
Designated legacies receivable fund	17	-		313	
Designated pension reserve fund	17	(691)		(901)	
			231		303
Restricted fund					
Grant income	17		-		12
			231		315

The financial statements on pages 26 to 49 were approved by the Board of Trustees on 16 April 2018 and were signed on its behalf by:



Gavin McEwan

Trustee



Professor Niall Lothian OBE

Chairman

Company Registration Number SC024766

STATEMENT OF CASH FLOWS

		Group	Company	Group	Company
Year ended 31 October		2017	2017	2016	2016
	Notes	£000s	£000s	£000s	£000s
Cash flows from operating activities:					
Net cash provided by operating activities	21	(457)	(468)	360	58
Cash flows from investing activities					
Dividends, interest and returns from investments		3	37	6	67
Purchase of property, plant and equipment		(52)	(2)	(144)	(41)
Net cash provided by investing activities		(49)	35	(138)	26
Change in cash and cash equivalents in the reporting period		(506)	(433)	222	84
Cash and cash equivalents at the beginning of the reporting period	22	1,101	817	879	733
Cash and cash equivalents at the end of the reporting period	22	595	384	1,101	817



NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

Basis of accounting

The financial statements are prepared in £ Sterling, the functional currency of the charity rounded to the nearest thousand.

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost convention. The charity is a Public Benefit Entity and a company limited by guarantee, incorporated in Scotland with the registered office as noted on page 4. The financial statements are compliant with the charity's constitution, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Statement of Recommended Practice (SORP) FRS 102 "Accounting and Reporting by Charities" (revised 2015), and in accordance with Financial Reporting Standard 102 (FRS 102).

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

Going concern

The Board of Trustees have considered the future cash requirements and have reviewed the budget for the next twelve months, together with the funding sources available to EIF. They have concluded the use of the going concern basis of accounting is appropriate.

Basis of consolidation

The consolidated statement of financial activities and consolidated balance sheet include the financial statements of EIF and its wholly owned subsidiary companies EFC and Edinburgh International Festival Limited made up to 31 October 2017.

Income recognition

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred. All grants, other than those in respect of the development of Edinburgh's Festival Centre, The Hub (see funds note below), relate to revenue and are credited on an accruals basis once the conditions for their recognition have been complied with.

For legacies, entitlement is taken as the earlier of the date on which either the charity is aware that confirmation or probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Sponsorship and donations are recognised when receivable. Such revenue is deferred only when EIF have to fulfil conditions before entitlement, or where timing of expenditure is specified by the donor. Gift aid on donations is recognised when claims are made. Ticket sales are recognised in the period in which the performances have been delivered. Revenue received through the trading activities of EFC is recognised in the period in which they are generated.

Investment income

Income from investments is credited to the statement of financial activities in the year in which it is receivable.

Income from interest

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise costs of fundraising and their associated support costs.
- Expenditure on charitable activities consist of costs of productions and performances, including venue and technical costs, costs of marketing and communications and their associated support costs.

Redundancy and termination payments are recognised in the year to which they relate.

It is a strategic objective that the Edinburgh International Festival remains competitive through securing early commitment to new and high quality work. Commissioning and co-producing both small and large-scale, multi-partner, events often requires a financial commitment before the year in which the presentation takes place, both to secure the project from competition, and to create exclusivity clauses around its performance. These are sunk costs and hence are accrued as incurred contractually.

Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, HR, payroll, IT and governance costs which support the charitable activities of the charity.

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.

These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 9.

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure. All expenditure is accounted for on an accruals basis and is allocated directly to expense headings.

Pensions

Certain employees are members of the Lothian Pension Fund, a defined benefit pension scheme. In accordance with FRS 102, 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, the Society offers to make a contribution either to their own or to one of the Society's workplace money purchase pension schemes. The contributions are treated as expenditure in the financial year in which they fall due.

Where the fair value of employer assets is greater than the present value of the funded liabilities, FRS 102 imposes a limit on the maximum amount of surplus which can be recognised on the employer's balance sheet. The surplus can only be recognised to the extent that it is no greater than the present value of the liability expected to arise from future service by current and future scheme members less the value of future employee contributions.

Taxation & deferred 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 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 102 (FRS 102).

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.

Gifts in-kind and donated services and facilities

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

Funds

Unrestricted funds are available to spend on activities that further any of the purposes of the charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the charity's work or for specific projects being undertaken by the charity.

An unrestricted designated fund – pension reserve – is included within reserves. This reserve represents the organisation's share of the liabilities of the Lothian Pension Fund as valued at 31 October 2017 by the Fund's actuaries, Hymans Robertson LLP. From 31 October 2016 a designated reserve – legacies receivable was included within reserves. This represents legacies receivable but not received at the year end and has been designated to future Festival productions.

Restricted funds are those funds which are subject to restrictions on their expenditure imposed by the funder. A restricted fund is included within reserves. The capital grants fund represents grants received by the trading subsidiary in respect of the development of Edinburgh's Festival Centre, The Hub.

Where funds are provided for a specific production in that year any restriction is treated as discharged and the income and expenditure is shown in the unrestricted column. Where it is not possible to spend restricted funding in full in year of receipt, the income and expenditure is shown in the restricted column.

Fixed assets and depreciation

Fixed assets are included in the balance sheet at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the costs less estimated residual value on each asset, by equal annual instalments, over their expected useful lives which are considered to be:

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

Included within land & buildings is £20,691 (2016: £20,691) of finance costs. 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.

The charity is responsible for keeping all buildings, fixtures and fittings in fit and useful condition. The costs for doing so are written off as and when incurred.

Stock

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

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discounts offered. Prepayments are valued at the amount prepaid after taking account of any trade discounts due.

Cash and cash equivalents

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Leases and hire purchase contracts

Rentals paid under operating leases are charged to the income and expenditure account evenly over the period of the lease.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the group as a lessor are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Tangible fixed assets are depreciated over a period to reflect their estimated useful lives. The applicability of the assumed lives is reviewed annually, taking into account factors such as physical condition, maintenance and obsolescence.
- Fixed assets are also assessed as to whether there are indicators of Impairment. This assessment involves consideration of the economic viability of the purpose for which the asset is used.

The following are the group's key sources of estimation uncertainty:

- The value of the deficit in the defined benefit pension fund is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of the liabilities, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future pension increases are based on expected future inflation rates.

2. Income from donations and legacies, sponsorship and other income

Donations, sponsorship 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.

	2017	2016
	£000s	£000s
Donations and legacies received	2,802	2,310
Legacies receivable	-	313
Sponsorship	337	361
Total	3,139	2,984

During the year unconditional donations were received from trustees of £11,000 (2016: £10,000).

3. Income from charitable activities – government grants

	2017	2016
	£000s	£000s
City of Edinburgh Council	2,222	2,317
Creative Scotland	2,318	2,317
Scottish Government's Edinburgh Festivals Expo Fund	200	200
Scottish Government's 70th Anniversary Edinburgh Festivals Expo Fund	100	-
City of Edinburgh Council project funding	20	20
Event Scotland project funding	50	50
British Council Funding	190	-
Theatre Tax Relief	46	-
Total	5,146	4,904



4. Investment in subsidiaries

EIF has two wholly owned subsidiaries, Edinburgh International Festival Limited (company registration number SC138633), now dormant, and Edinburgh Festival Centre Limited (EFC - company registration number SC171133), both of which share their registered office with the Society.

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

Its sales, (loss)/profit and net assets were as follows:

	Year ended 31 October 2017			Year ended 31 October 2016		
	Sales	Loss	Net liabilities	Sales	Profit	Net assets
	£000s	£000s	£000s	£000s	£000s	£000s
Edinburgh Festival Centre Limited	2,003	(169)	(169)	2,090	34	34

5. Consolidation

The consolidation of EFC into EIF involves the removal of all inter-company trading balances and transactions. This consolidation adjustment reduces EFC's income and EIF'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

Group	Year ended	Year ended
	31 October 2017	31 October 2016
	£000s	£000s
Bank interest receivable	3	6
Total	3	6

Company	Year ended	Year ended
	31 October 2017	31 October 2016
	£000s	£000s
Bank interest receivable	3	5
Gift aid from trading subsidiary	34	62
	37	67

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 2017	Year ended 31 October 2016
Edinburgh International Festival Society		
Productions	26	25
Marketing & communications	12	12
Administration	8	7
Fundraising	8	8
Finance	5	5
	59	57
Edinburgh Festival Centre Limited		
Administration	1	1
Operations	60	60
	61	61
Total	120	118

As employee numbers are calculated through average headcount, they are therefore liable to fluctuate. Total employee numbers for the year were 293 (173: International Festival, 120: Edinburgh Festival Centre).

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

	Year ended 31 October 2017	Year ended 31 October 2016
	£000s	£000s
Wages and salaries	3,174	2,950
Social security costs	289	292
Pension costs (note 8)	207	215
Total	3,670	3,457
Key management remuneration	620	614

The above costs for 2017 include fixed term contracts in specific income generating areas of the business and also reflect the number of temporary staff required to deliver the 2017 Festival.

No remuneration or reimbursement of expenditure was paid to any member of the Board of Trustees, who are the directors of the company (2016: nil).

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

Six employees (2016: four) received remuneration over £60,000 per annum: four (2016: two) fell into the band £60,000-£70,000; one into the band £70,000-£80,000 (2016: one) and one into the band £140,000-£150,000 (2016: one). The number of employees in these bands to whom retirement benefits are accruing under money purchase and defined benefit schemes is six (2016: six). The company made payments on their behalf to secure money purchase benefits of £83,894 (2016: £56,355) and defined benefit contributions of £nil (2016: £nil).

8. Pension obligations

The group contributes on behalf of staff to either their own personal money purchase schemes, or to one of the Society's workplace money purchase pension 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 the Society 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 £207,934 (2016: £215,131). The total cost includes a period end accrual of £22,791 (2016: £27,378).

The provision under Financial Reporting Standard 102 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 FRS 102 pension 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 FRS 102 disclosures has been based on the most recent valuation at 31 October 2017 and updated by Hymans Robertson LLP as actuaries to the Lothian Pension Fund. The valuation takes account of the requirements of FRS 102 in order to assess the liabilities of the scheme at 31 October 2017.

The amounts recognised in the balance sheet and statement of financial activities in relation to the defined benefit scheme are as follows:

Period ended 31 October 2017	Assets	Obligations	Net (liability)/ asset
	£000	£000	£000
Fair value of plan assets	2,652		2,652
Present value of funded liabilities		3,553	(3,553)
Opening position as at 31 October 2016	2,652	3,553	(901)
Service cost			
Current service cost		92	(92)
Total service cost	-	92	(92)
Net interest			
Interest income on plan assets	74		74
Interest cost on defined benefit obligation		100	(100)
Total net interest	74	100	(26)
Total defined benefit cost recognised in Profit or (Loss)	74	192	(118)
Cashflows			
Plan participants contributions	19	19	-
Employer contributions	57		57
Benefits paid	(62)	(62)	-
Total cashflows	14	43	57
Expected closing position	2,740	3,702	(962)
Remeasurements			
Changes in demographic assumptions		1	(1)
Changes in financial assumptions		(140)	140
Other experience		-	-
Return on assets excluding amounts included in net interest	132	(139)	271
Total remeasurements recognised in Other Comprehensive Income (OCI)	132	(139)	271
Fair value of plan assets	2,872		2,872
Present value of funded liabilities		3,563	(3,563)
Closing position as at 31 October 2017	2,872	3,563	(691)

Period ended 31 October 2016	Assets	Obligations	Net (liability) / asset
	£000	£000	£000
Fair value of plan assets	2,133		2,133
Present value of funded liabilities		2,748	(2,748)
Opening position as at 31 October 2015	2,133	2,748	(615)
Service cost			
Current service cost		63	(63)
Total service cost	-	63	(63)
Net interest			
Interest income on plan assets	81		81
Interest cost on defined benefit obligation		105	(105)
Total net interest	81	105	(24)
Total defined benefit cost recognised in Profit or (Loss)	81	168	(87)
Cashflows			
Plan participants contributions	18	18	-
Employer contributions	51		51
Benefits paid	(62)	(62)	-
Total cashflows	7	(44)	51
Expected closing position	2,221	2,872	(651)
Remeasurements			
Changes in demographic assumptions		-	-
Changes in financial assumptions		713	(713)
Other experience		(32)	32
Return on assets excluding amounts included in net interest	431		431
Total remeasurements recognised in Other Comprehensive Income (OCI)	431	681	(250)
Fair value of plan assets	2,652		2,652
Present value of funded liabilities		3,553	(3,553)
Closing position as at 31 October 2016	2,652	3,553	(901)

The current service cost figures include an allowance for administrative expenses of 0.3% of payroll (2016: 0.3%). Actuarial calculations with regard to future pension increases are linked to the Consumer Prices Index (CPI).

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

	2017	2016
	% per annum	% per annum
Future pension increases	2.40%	2.60%
Future salary increases	4.20%	4.60%
Discount rate	2.70%	2.80%

Consistent with prior year, the discount rate is based on the annualised yield on an AA-rated sterling corporate bond index.

Life expectancy is based on the Lothian Pension Fund's VitaCurves with improvements in line with the CMI 2012 model assuming current rates of improvement have peaked and will converge to a long term rate 1.25% p.a. Based on these assumptions, average future life expectancies at age 65 are as follows:

	Males	Females
Current pensioners	21.7 years	24.3 years
Future pensioners	24.7 years	27.5 years

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

	2017	2016
	%	%
Equities	76	69
Bonds	10	22
Property	7	7
Cash	7	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:

	2017	2016	2015	2014	2013
	£000s	£000s	£000s	£000s	£000s
Fair value of employer assets	2,872	2,652	2,133	2,071	1,900
Present value of funded obligations	(3,563)	(3,553)	(2,748)	(2,909)	(2,457)
Deficit	(691)	(901)	(615)	(838)	(557)
Experience gains/(losses) on assets	74	81	(58)	53	220
Experience gains on liabilities	-	32	192	8	-

The estimated employer contributions to the defined benefit scheme for the next financial year beginning 1 November 2017 are £54,000.



9. Support and governance costs

Support costs have been split in the ratio 25:75 between costs of raising funds and charitable expenditure. This split is based on head count. Total support costs are disclosed below and comprise administration, depreciation, governance costs and FRS 102 pension adjustments.

Group	Administration	Governance costs	Pension fund	Total
	£000s	£000s	£000s	£000s
Year ended 31 October 2017				
Support costs				
Unrestricted funds				
Costs of raising funds	220	12	15	247
Charitable expenditure	662	35	46	743
Restricted funds				
Costs of raising funds	15	-	-	15
Charitable expenditure	46	-	-	46
Total	943	47	61	1,051
Year ended 31 October 2016				
Support costs				
Unrestricted funds				
Costs of raising funds	213	12	9	234
Charitable expenditure	641	35	27	703
Restricted funds				
Costs of raising funds	17	-	-	17
Charitable expenditure	51	-	-	51
Total	922	47	36	1,005

Company	Administration	Governance costs	Pension fund	Total
	£000s	£000s	£000s	£000s
Year ended 31 October 2017				
Support costs				
Unrestricted funds				
Costs of raising funds	256	13	15	284
Charitable expenditure	767	40	46	853
Restricted funds				
Costs of raising funds	-	-	-	-
Charitable expenditure	-	-	-	-
Total	1,023	53	61	1,137
Year ended 31 October 2016				
Support costs				
Unrestricted funds				
Costs of raising funds	257	12	9	278
Charitable expenditure	772	35	27	834
Restricted funds				
Costs of raising funds	2	-	-	2
Charitable expenditure	6	-	-	6
Total	1,037	47	36	1,120

10. Net income/(expenditure)

	Year ended	Year ended
	31 October 2017	31 October 2016
	£000s	£000s
The net income/(expenditure) for the period are stated after charging/(crediting):		
Auditors' remuneration in respect of the audit	15	14
Depreciation on owned assets	143	140
Operating leases on land and buildings	76	64
Release of capital grants	(61)	(60)
Foreign exchange gains	-	2
	173	160

11. Fixed assets

a) Tangible assets

Group	Land & buildings	Furniture & fittings	Computer equipment	Total
	£000s	£000s	£000s	£000s
Cost				
As at 1 November 2016	6,917	1,497	488	8,902
Additions during period	-	43	9	52
Transfers during period	-	-	-	-
As at 31 October 2017	6,917	1,540	497	8,954
Depreciation				
As at 1 November 2016	1,190	1,085	415	2,690
Depreciation for period	69	46	28	143
As at 31 October 2017	1,259	1,131	443	2,833
Net book value				
As at 31 October 2017	5,658	409	54	6,121
As at 31 October 2016	5,727	412	73	6,212

Included within land & buildings is £20,691 (2016: £20,691) of finance costs.

Company	Furniture & fittings	Computer equipment	Total
	£000s	£000s	£000s
Cost			
As at 1 November 2016	788	391	1,179
Additions during period	-	2	2
As at 31 October 2017	788	393	1,181
Depreciation			
As at 1 November 2016	788	358	1,146
Depreciation for period	-	8	8
As at 31 October 2017	788	366	1,154
Net book value			
As at 31 October 2017	-	27	27
As at 31 October 2016	-	33	33

b) Investments

Company	Shares in group undertakings
	£s
Cost & net book value	
As at 31 October 2017	4
As at 31 October 2016	4

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

12. Stock

	2017	2016
	£000s	£000s
Goods for retail sale	15	17
Total	15	17

13. Debtors

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000s	£000s	£000s	£000s
Trade debtors	260	210	199	168
Trading balance owed by subsidiaries	-	1,234	-	1,183
VAT recoverable	548	548	373	373
Other debtors	25	13	30	7
Prepayments	159	125	123	88
Accrued income	555	552	702	702
Total	1,547	2,682	1,427	2,521

14. 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 Edinburgh Festival Centre Limited of £522,000 (2016: £495,000).

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

Both of the above subsidiaries are wholly owned by EIFS.

15. Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000s	£000s	£000s	£000s
Trade creditors	441	375	1,182	1,125
Other creditors	150	64	152	78
Other taxes and social security costs	123	48	135	52
Accruals	1,362	1,343	799	791
Deferred income	495	341	224	109
Total	2,571	2,171	2,492	2,155



16. Capital grants fund

	2017	2016
	£000s	£000s
Total received	6,276	6,276
Released in previous periods	(1,261)	(1,201)
Released in period	(61)	(60)
Total	4,954	5,015

The capital grants fund of £4,954,000 (2016: £5,015,000) 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.

Royal Bank of Scotland holds a bond and floating charge over the assets of the group. This charge ranks after the security detailed above.

17. Funds

	Balance at 1 November 2016	Income & gains	Expenditure & transfers	Balance at 31 October 2017
	£000s	£000s	£000s	£000s
Group				
Unrestricted funds				
General fund	925	13,687	(13,859)	753
Designated legacies receivable fund	313	-	(313)	-
Designated pension reserve fund	(901)	210	-	(691)
Restricted funds				
Grant income	12	-	(12)	-
Capital grants fund	5,015	-	(61)	4,954
Total	5,364	13,897	(14,245)	5,016
Company				
Unrestricted funds				
General fund	891	12,274	(12,243)	922
Designated legacies receivable fund	313	-	(313)	-
Designated pension reserve fund	(901)	210	-	(691)
Restricted fund				
Grant income	12	-	(12)	-
Total	315	12,484	(12,568)	231

An unrestricted designated fund – pension reserve – is included within reserves. This reserve represents the organisation's share of the liabilities of the Lothian Pension Fund as valued at 31 October 2017 by the Fund's actuaries, Hymans Robertson LLP. An unrestricted designated fund – legacies receivable is also included within reserves. This represents legacies receivable but not received at the year end and have been designated to future Festival productions.

A restricted fund is included within reserves. The capital grants fund represents grants received by the trading subsidiary in respect of the development of Edinburgh's Festival Centre, The Hub.

	Balance at 1 November 2015	Income & gains	Expenditure & transfers	Balance at 31 October 2016
	£000s	£000s	£000s	£000s
Group				
Unrestricted funds				
General fund	958	12,924	(12,957)	925
Designated legacies receivable fund	-	313	-	313
Designated pension reserve fund	(615)	-	(286)	(901)
Restricted funds				
Grant income	-	20	(8)	12
Capital grants fund	5,075	-	(60)	5,015
Total	5,418	13,257	(13,311)	5,364
Company				
Unrestricted funds				
General fund	897	11,452	(11,458)	891
Designated legacies receivable fund	-	313	-	313
Designated pension reserve fund	(615)	-	(286)	(901)
Restricted fund				
Grant income	-	20	(8)	12
Total	282	11,785	(11,752)	315

An unrestricted designated fund – pension reserve – is included within reserves. This reserve represents the organisation's share of the liabilities of the Lothian Pension Fund as valued at 31 October 2017 by the Fund's actuaries, Hymans Robertson LLP. An unrestricted designated fund – legacies receivable is also included within reserves. This represents legacies receivable but not received at the year end and will be designated to future Festival productions.

A restricted fund is included within reserves. The capital grants fund represents grants received by the trading subsidiary in respect of the development of Edinburgh's Festival Centre, The Hub.

18. Analysis of group net assets between funds

	Unrestricted Funds	Restricted Funds	Total Funds
	£000s	£000s	£000s
Fund balances at 31 October 2017 are represented by:			
Tangible fixed assets	1,167	4,954	6,121
Net current liabilities	(414)	-	(414)
Pension liability	(691)	-	(691)
Total	62	4,954	5,016
Fund balances at 31 October 2016 are represented by:			
Tangible fixed assets	1,197	5,015	6,212
Net current liabilities	41	12	53
Pension liability	(901)	-	(901)
Total	337	5,027	5,364

19. Operating leases

At 31 October 2017, there were total commitments under non-cancellable operating leases as follows:

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000s	£000s	£000s	£000s
Total operating lease payments due:				
Within one year	76	59	54	43
Within two to five years	119	108	8	8
After five years	-	-	-	-
Total	195	167	62	51
Total payments made in year	69	52	68	52

All operating leases are for storage premises used by EIFS and its subsidiaries and for a franking machine rental.

20. Capital commitments

Capital expenditure commitments contracted for as at 31 October 2017 but not provided for in these financial statements total £nil (2016 – £nil).

21. Reconciliation of net expenditure to net cash flow from operating activities

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000s	£000s	£000s	£000s
Net income/(expenditure) for the reporting period as per the statement of financial activities	(619)	(355)	196	283
Adjustments for:				
Depreciation charges	143	8	140	8
Dividends, interest and rents from investments	(3)	(37)	(6)	(67)
FRS 102 pension charge for defined benefit scheme	118	118	87	87
Pension contributions to the defined benefit scheme	(57)	(57)	(51)	(51)
Decrease in stocks	2	-	2	-
Increase in debtors	(120)	(161)	(654)	(1,008)
Increase in creditors	79	16	646	806
Cash flows from operating activities	(457)	(468)	360	58

22. Analysis of cash and cash equivalents

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000s	£000s	£000s	£000s
Cash in hand	595	384	1,101	817
Total cash and cash equivalents	595	384	1,101	817

23. Financial instruments

	Group	Company	Group	Company
	2017	2017	2016	2016
	£000s	£000s	£000s	£000s
Carrying amount of financial assets				
Debt instruments measured at amortised cost	285	1,457	229	1,358
Carrying amount of financial liabilities				
Measured at amortised cost	1,953	1,782	2,133	1,994
Measured at fair value	691		901	

24. 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 2017 totalled 92 (2016: 107).

25. Related party transactions

During the year ended 31 October 2017 there were no related party transactions that would require disclosure.

