



**EDINBURGH
INTERNATIONAL
FESTIVAL**

2018



**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2018**

Edinburgh International Festival Society

A charitable company limited by guarantee

Supported by

City of Edinburgh Council

Creative Scotland

Scottish Government's Festivals Expo Fund

Event Scotland

Report and Financial Statements

for the year ended 31 October 2018

Registered Charity Number SC004694

Company Registration Number SC024766

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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

Professor Niall Lothian OBE
(Chairman)

Terry Brotherstone
Sir Paul Grice
Councillor Amy McNeese-Mechan
Professor Dorothy Miell
Andrea Miller
Keith Miller CBE
Caroline Roxburgh
Councillor Iain Whyte
Councillor Donald Wilson

Finance & Resources Committee

Professor Niall Lothian OBE (Chair)
Keith Miller CBE
Sir Paul Grice
Professor Dorothy Miell
Caroline Roxburgh

Audit & Risk Committee

Caroline Roxburgh (Chair)
Councillor Iain Whyte

Nominations Committee

Professor Niall Lothian OBE (Chair)
Sir Paul Grice
Terry Brotherstone
Councillor Donald Wilson

Edinburgh Festival Centre Ltd

Professor Niall Lothian OBE (Chair)
Keith Miller CBE
Fergus Linehan
Francesca Hegyi

Dates of retirements from the Board of Trustees
can be found on page 16.

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
Executive Director & Company Secretary	Francesca Hegyi (from Feb 2019)
Finance Director	Position vacant
Programme Director	Roy Luxford
Marketing & Communications Director	Tina Walsberger (from May 2018)
Director of Development	Christopher Wynn

Lawyers

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

Auditors

MHA Henderson Loggie
11-15 Thistle Street
Edinburgh EH2 1DF

Bankers

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

Registered Office

The Hub, Castlehill
Edinburgh EH1 2NE

FOREWORD FROM THE CHAIRMAN OF THE BOARD OF TRUSTEES

On behalf of the Board of Trustees I am pleased to present our Report and Financial Statements for the year ended 31 October 2018. The 2018 Festival was rich in artistic and organisational achievements and I would like to pay tribute to the dedicated Board of Trustees and hard-working staff, led by Festival Director Fergus Linehan and Executive Director Francesca Hegyi.

In November 2017 the Board of Trustees invited Fergus Linehan to extend his contract to lead the Festival up to the 75th anniversary and I am delighted to say he accepted this invitation. Under his direction the Festival has enjoyed record sales and extended to new audiences through innovative programmes as well as being critically acclaimed by audiences and media alike. I am certainly looking forward to seeing future Festival programmes reveal more of his creativity and innovation. The Festival's next big anniversary will take place in 2022 and we are already looking at how we can build upon our achievements so far and build towards a strong, vibrant and relevant 75th Festival.

The 70th anniversary of the Festival in 2017 gave us an opportunity to look back at the founding principles of the event and consider how these principles apply to today's world. During the year we looked to the future as Scotland celebrated its Year of Young People and the 2018 Festival programme reflected our long-standing commitment to young people with young artists from all over the world performing and creating in venues throughout the city.

As part of its celebration of the Year of Young People the International Festival hosted the Eurovision Young Musicians competition with the European Broadcasting Union and the BBC. This was the first time the competition had been held in Scotland and contestants representing 18 different countries arrived in Edinburgh to compete for the title of Eurovision Young Musician 2018. We were thrilled that Scotland's First Minister Nicola Sturgeon had a chance to meet the eighteen young hopefuls from across Europe ahead of their performances.

We were delighted to once again welcome our patron, His Royal Highness the Earl of Wessex, to the 2018 Festival. As patron of both the International Festival and the National

Youth Orchestra of Scotland (NYOS), His Royal Highness attended a NYOS performance and had the opportunity to meet the young musicians at a post-concert reception.

Significant changes took place in the Festival office in 2018 as we bade farewell to Managing Director Joanna Baker and welcomed Francesca Hegyi OBE to the role. One of Joanna's many legacies will be the major governance renewal she undertook which came to fruition in 2018. Our new board structure is now ready to serve the needs of the Festival in the years ahead.

There was also a change in leadership for the Edinburgh Festival Chorus, with Aidan Oliver taking over the reins from Christopher Bell. Aidan is one of the UK's leading choir directors and his activities encompass the full range of symphonic, operatic, liturgical and contemporary music. The Edinburgh Festival Chorus has been at the heart of the Edinburgh International Festival since its foundation in 1965 and is the backbone of the International Festival's choral programme. We are very appreciative of all the volunteers that give up so much of their time for rehearsals and performances.

I am very grateful to my fellow Trustees for their contribution to the Board and would like to note particular thanks to Scott Black, Dr Jamie Coleman, Sir John Elvidge, Tari Lang, Gavin McEwan and Hans Rissmann, all of whom retired from the Board in 2018.

The support of the City of Edinburgh Council, Creative Scotland and the Scottish Government is critical to the Festival's ability to plan into the future and ensure the highest possible quality of work reaches the widest possible audience. This foundational support encourages other organisations and individuals to invest in the Festival's work and we are grateful to all those who support us so enthusiastically.

As you will read in the following pages, I am pleased to say that the Festival recorded a positive financial outcome in 2018 and was in a position to make a planned, modest contribution to reserves.

Niall Lothian

STRATEGIC REPORT AND REPORT OF THE TRUSTEES

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-one 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'.

Our mission, activities and objectives are set out in our Business Plan (2018-2021). There has been no substantive changes to these since the last report, and progress against them is monitored regularly by our Board.

Our mission, activities and objectives are summarised below.

Mission and Objectives

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.

The International Festival's ambitions for our year-round activity were refined in 2018 into five activities which in turn, give focus to our objectives:

- ▶ Demonstrate **creative excellence**, bringing the world's finest talent to Edinburgh and raising the ambitions of Scotland's creative sector
 - To present arts of the highest possible international standard to the widest possible audience.
 - To curate an artistic programme which cannot easily be achieved by any other UK arts organisation.





Five Telegrams | © Ryan Buchanan

- ▶ Bring **new ideas and new thinking** from around the world to Scotland, inspiring people and helping change lives for the better
 - 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.
- ▶ **Welcome** the whole of Edinburgh supporting people from all backgrounds to join in, helping build a more equitable city
 - 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.
- ▶ Promote **Edinburgh and Scotland on the world stage**, building reputation and attracting people to visit, study, live and invest
 - 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.
- ▶ **Collaborate** generously, sharing our success with Scotland's creative sector and beyond.
 - 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 fulfil its mission and ensure business continuity and sustainability.

Information regarding the International Festival's artistic and organisational achievements in 2018 can be found in the Annual Review
eif.co.uk/about/about-the-organisation

ACHIEVEMENTS AND PERFORMANCE

Creative Excellence

The pursuit of artistic excellence is at the heart of Edinburgh International Festival's annual programme, with a carefully curated roster of world-class artists from the fields of theatre, music and dance travelling from all over the world to perform for audiences.

The 2018 International Festival once again welcomed some of the world's greatest artists and ensembles to perform to audiences from more than 80 countries. In all, 2,800 artists from 60 nations performed in this year's International Festival, filling auditoriums across Edinburgh, including extending into Leith with a season of 16 concerts breathing new life into the Leith Theatre.

The Usher Hall played host to an extraordinary array of leading orchestras, including the London Symphony Orchestra with Sir Simon Rattle. The Baltimore Symphony Orchestra, conducted by Marin Alsop, made its International Festival debut with a tribute to Leonard Bernstein, marking the centenary of his birth. Major soloists performing included Nicola Benedetti, Sheku Kanneh-Mason and Pierre Laurent-Aimard, giving three concerts as International Festival artist-in-residence.

The dance programme featured a series of debuts including Company Wayne McGregor with *Autobiography* and choreographer Sharon Eyal and her company L-E-V bringing her work to the International Festival for the first time. The remarkable *Cold Blood* by Michèle Anne De May and Jaco Van Dormael enchanted audiences with its unique choreography comprised entirely of hand movements. Akram Khan returned to Edinburgh to perform *XENOS*, a new solo work, and his final performances in a full-length production.

At the heart of the theatre programme was Paris's legendary Théâtre des Bouffes du Nord presenting new work from Peter Brook, *The Prisoner*, and an adaption of Marguerite Duras's novel *La Maladie de la mort*, directed by Katie Mitchell. The National Theatre of Scotland took over The Hub with its new production of *Midsummer* by David Greig and Gordon McIntyre and the American actor and illusionist Geoff Sobelle invited audiences to join a magical party in *HOME*, his new work co-commissioned by the International Festival. Druid Theatre's staging of Samuel Beckett's *Waiting for Godot*, directed by Tony

Award-winning Garry Hynes, was hailed as one of its greatest contemporary productions.

Two operas by Rossini bookended the opera programme this year: Paris's Théâtre des Champs Elysées' *The Barber of Seville*, conducted by Jérémie Rhorer and directed by Laurent Pelly, and *La Cenerentola* presented by Opera de Lyon and directed by Stefan Herheim. The Théâtre des Bouffes du Nord brought their razor-sharp new conception of *The Beggar's Opera* from renowned director Robert Carsen.

A performance of Wagner's *Siegfried* in the Usher Hall continued the International Festival's concert *Ring* cycle. Also in concert at the Usher Hall was a performance of Humperdinck's *Hansel and Gretel* with Sir Andrew Davis conducting the Royal Scottish National Orchestra and a cast led by mezzo soprano Elizabeth DeShong and soprano Laura Wilde.

New ideas and new thinking

Following the special 70th anniversary celebrations in 2017, the 2018 International Festival focused on inclusivity and the development of future audiences with a special emphasis on Scotland's Year of Young People which was spearheaded by the *Aberdeen Standard Investments Opening Event: Five Telegrams*. Over 2,800 tickets for this event were given to young people, approximately 1,000 of whom were from areas of multiple deprivation. In addition, over 40 young people were employed to co-design and deliver various aspects of the event. For the first time, this year's *Opening Event* included a live performance element with young participants interspersed in the audience performing a new choral piece composed by Anna Meredith.

The classical music programme also shone a spotlight on young talent, featuring over 600 young musicians from 50 nations in some of the world's leading youth ensembles. Over 1,000 free tickets were claimed by community and youth groups through targeted invitations to see these concerts, with the Young Musicians Passport scheme issuing a further 650 free concert tickets to young musicians living in Edinburgh.

At the Palace of Holyrood House, Akram Khan Company's *Kadamati* marked the centenary of the end of the First World War, with 300 young dancers from across Scotland performing to an audience of 1,500. The audience included international delegations from across the globe attending the 4th edition of the Edinburgh International Culture Summit.

Welcoming the whole of Edinburgh

With a major commitment to audience development, the International Festival continued its year-round work to grow community reach and audience diversity. 26,000 tickets were distributed free of charge or at discounted rates to groups including: young people; seniors; customers with disabilities; and groups identified as having a lower income. Over 700 bus and train tickets were also made available to people living in areas of multiple deprivation to support attendance at a wide range of events across the International Festival.

The International Festival's Learning and Engagement department continued its work with school pupils across Edinburgh through projects and workshops engaging with over 50% of all City of Edinburgh primary and secondary schools. A multi-year residency project was also started with Leith Academy.

Through its Learning and Engagement activities and audience development work, the International Festival engaged with every ward in the City of Edinburgh.

Edinburgh and Scotland on the world stage

The International Festival increased its broadcast reach, for the first time hosting the *Eurovision Young Musicians* competition with the European Broadcasting Union and the BBC. The competition final was held at the Usher Hall on 23 August and was televised live on BBC 2 Scotland and on channels in sixteen countries throughout Europe.

The Edinburgh International Festival is a founding partner of the Edinburgh International Culture Summit, together with the Scottish Government, UK Government, the Scottish Parliament and the British Council. The fourth edition of the Summit was held at the Scottish Parliament between 22 and 24 August 2018 and attracted a record 155 delegates from 45 countries, including 20 Ministers or Deputy / Assistant Ministers and 16 youth delegates. They attended the staging of Akram Khan's *Kadamati* at the Palace of Holyroodhouse and the *Eurovision Young Musicians* final at the Usher Hall as part of the Summit programme.



Collaborating generously

The International Festival returned to the Leith Theatre for the first time in 30 years with a season of concerts which re-established the venue as an important cultural asset, building on the work of the Leith Theatre Trust and Hidden Door in opening up the space again. For *Light on the Shore with Edinburgh Gin Seaside* we collaborated with partners ranging from the Celtic Connections Festival to Neu! Reekie!, celebrating Scotland's distinctive popular music scene and showcasing some of the country's most innovative artists on an international platform.

The International Festival collaborated with the Art, Book, Film and Fringe Festivals to present *Power, Gender and the Arts* – an afternoon of debate and discussion presented in partnership with the actor's union Equity and the Musician's Union, with support from Edinburgh Trade Union Council and Scottish Trade Unions. The event brought together performers, producers, activists and cultural workers to investigate what needs to be done to ensure that the arts and creative industries embrace and reflect the full range of talents and experiences.

Sustainability

A key strategic aim of the Edinburgh International Festival is to achieve financial sustainability. Investment from core stakeholders, the City of Edinburgh Council (CEC) and Creative Scotland, is essential in maintaining the International Festival's international 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 2018 it enabled the International Festival to invest in its acclaimed concert series *Light on the Shore with Edinburgh Gin Seaside* at the Leith Theatre. The *Aberdeen Standard Investments Opening Event: Five Telegrams* was supported by Scotland's Year of Young People fund managed by EventScotland.

Earned income is raised from ticket sales and fundraising. Income from ticket sales of nearly £3.2m, net of VAT, represented another strong performance. 2018 was also a successful year in fundraising for the International

Festival with income of £3.3m being raised from donations, sponsorship and membership. Key trusts and foundations included Dunard Fund and the Edinburgh International Festival Endowment Fund. Corporate partners included Aberdeen Standard Investments, Virgin Money, Baillie Gifford, the University of Edinburgh and Edinburgh Gin.

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. This includes: monitoring electricity, gas, water, waste and recycling volumes; an expenses tool to monitor staff business travel and increase knowledge of the Festival's carbon footprint; 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.

Equality, Diversity and Inclusion

The International Festival continues to work to develop its Equality, Diversity and Inclusion (EDI) monitoring and practice. An EDI plan is in place and a database programme captures diversity information across all temporary and permanent staff to enable better monitoring and benchmarking. An EDI working group which involves staff across the organisation meets regularly to implement actions in the EDI plan.

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 2018 Festival, The Hub hosted the National Theatre of Scotland with *Midsummer* by David Greig.

Hub Tickets sells tickets for a range of other organisations in addition to the Edinburgh International Festival.

FINANCIAL REVIEW

Festival 2018 financial facts and figures

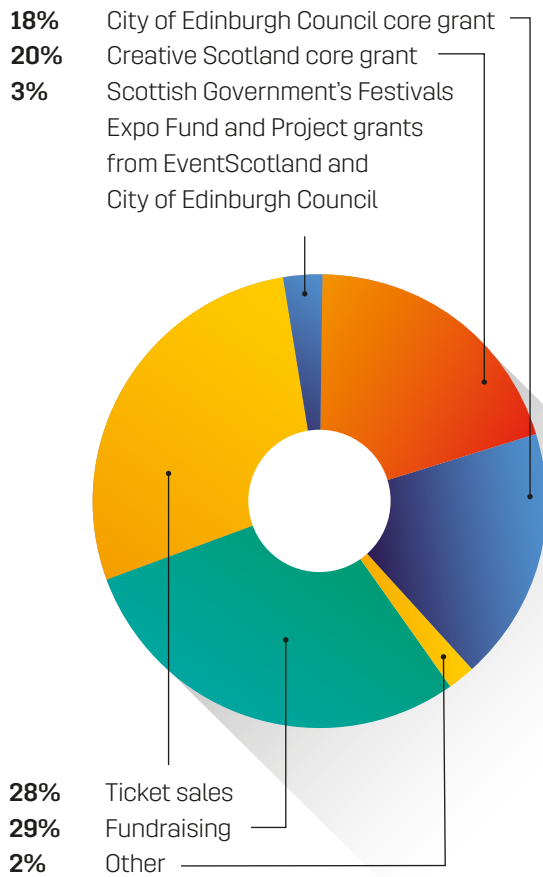
Where the money came from

- 59% (2017: 58%) of the Festival's income was generated through earned income
- 41% (2017: 42%) of the Festival's income came from public sector grants
- Earned income included 28% (2017: 30%) from ticket sales and 29% (2017: 26%) from fundraising, including corporate, individual giving, trusts, foundations and international partners. 2% (2017: 2%) was generated from sources such as trading and Festival publications

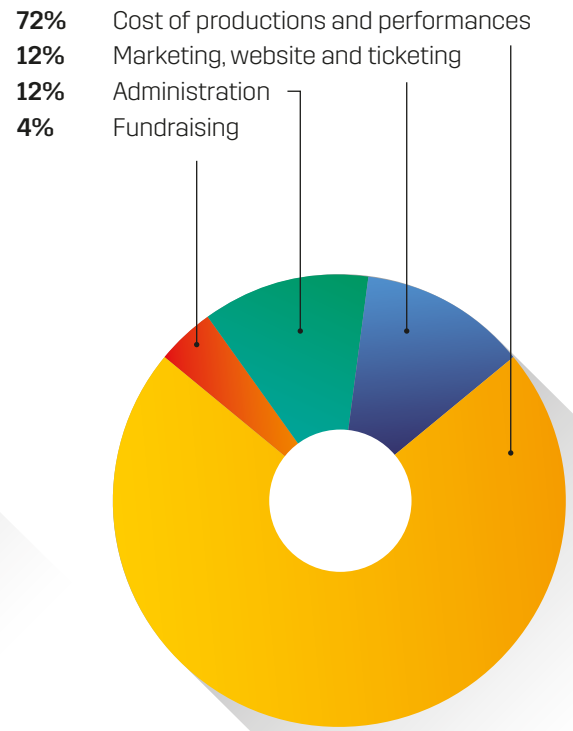
How the money was spent

- 72% (2017: 75%) of the Festival's budget was spent on productions and performances
- 12% (2017: 13%) was spent on marketing, website and ticketing
- 12% (2017: 8%) was spent on administration
- 4% (2017: 4%) was spent on fundraising

Income



Expenditure



Financial Review

Net income for Edinburgh International Festival was a surplus of £113,000 (2017: surplus of £31,000) before accounting for the following items.

As required by FRS 102 pension requirements, £27,000 was deducted from net income (2017: £61,000 pension requirements and a further £313,000 of legacies that were recognised in 2016). The Group's result for the year includes a profit on ordinary activities from EFC of £86,000 (2017: loss of £169,000).

The recovery in trading within EFC is attributable to strong events sales, improved cost controls within the café and attracting new clients within the ticketing business.

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 £562,000 (2017: £691,000). This has resulted in £129,000 being deducted from the accounting provision and from the designated reserve for pension fund liabilities. In accordance with FRS 102 pensions requirements £27,000 of the provision has been deducted from net income and £156,000 has been recognised as an actuarial gain.

Reserves

The Board of Trustees has adopted a Reserves Policy to build up adequate reserves in line with its objectives on financial sustainability. A Reserves Strategy was put in place in 2018, aimed at building a free cash reserve of £500,000 over a five-year period. The Trustees require the Festival to budget a small surplus in each year's Board approved budget, with the aim of increasing reserves to the desired level of £500,000 within the timeframe identified.

The consolidated unrestricted general fund shows a balance of £952,000 at 31 October 2018 (2017: £753,000). After accounting for the designated pension reserve (deficit balance of £562,000, 2017: deficit balance of £691,000) the unrestricted reserve balance is £390,000 (2017: balance of £62,000). This is mainly represented by fixed assets (see note 20).

The restricted funds comprise capital grants fund of £4,894,000 (2017: £4,954,000).

Investment powers and policy

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

Financial outlook

The International Festival continues to work with the City of Edinburgh Council, Creative Scotland and Scottish Government to agree long term funding agreements and welcomes the Platforms for Creative Excellence (PLACE) partnership programme designed to encourage and support local partners to work together with their creative community.

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 59% of total revenue in 2018. Additional investment in income generation is required to maintain and support this growth. The 2019 programme has been planned to support increased income from fundraising and other sources of earned income.

PLANS FOR FUTURE PERIODS

A key priority of the Festival organisation is to make its work available to the widest possible audience. Over the coming years the International Festival will continue to respond to changes in audience expectations and the transformation of cultural consumption through new technologies. While the presentation of classical music at the highest level remains at the core of the programme, the International Festival will also continue to expand the musical genres it presents.

It is crucial that the International Festival has a stronger presence in the public space and we are undertaking a long-term strategic expansion of digital dissemination and social media.

As well as drawing visitors to the city each summer, the International Festival has a profound effect on Scotland's year-round cultural landscape. Scottish audiences are among the most sophisticated in the world and Scottish companies and individual artists have been informed and

transformed by the Festival. The Festival will continue to promote Scotland as a cultural leader on the world stage.

The Edinburgh International Festival's capacity to deliver on its promises to audiences and stakeholders is contingent on: our ability to attract and support artists of the highest calibre; the standards of cultural infrastructure; and success in securing the resources to cover the necessary costs. The Business Plan sets out strategies in each of these areas.

While the International Festival is curated by its Director, the success of the Festival ultimately springs from the unique perspectives of the artists in our programme. The primary focus of our efforts is to serve and support artists and promote and celebrate their contribution to our lives in the 21st century.

2019 will see a significant shift in the artistic and financial profile of the Festival with the introduction of funding from the PLACE programme. It was announced in early November that the International Festival was successful in securing £1.2m from this new fund for the first 3 years.

The PLACE programme is a partnership between the Scottish Government – through Creative Scotland – the City of Edinburgh Council and the Edinburgh Festivals. This new funding stream was established with the objective of renewing Edinburgh's Festivals' ambition and purpose after the defining moment of their 70th anniversary. This funding will allow the International Festival to strengthen a number of programming and community engagement areas including:

- the need to be more broadly international in an interconnected world with increasingly diverse communities;
- the need for ground-breaking work that will reflect Edinburgh's innovative character;
- the need to leverage the ideas and creativity presented at the Festival to offer new thinking in public life, and professional development opportunities for Scotland's creative sector.

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.

RISK MANAGEMENT

The Board of Trustees reviews the major strategic, business and operational risks that the organisation 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 Committee, before presentation to the Board of Trustees. Actions are monitored and updated over the course of the year.

A detailed examination of the financial risks associated with delivering the annual programme, including detailed cashflow analysis, is considered by the Finance and Resources Committee and the Board of Trustees as part of the 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 there is continuing uncertainty about the level of grant income in the medium term. The Board of Trustees and Management liaise regularly with public sector grant givers and government to manage this uncertainty as far as possible. PLACE funding will assist in mitigating some of this pressure.

At the same time there is a continued business focus on driving additional revenue and growth through ticket sales and fundraising.

The International Festival is a community admission body in Lothian Pension Fund (LPF). The most recent triennial actuarial valuation of the Fund was carried out at 31 March 2017 and the International Festival has been moved to a medium risk investment strategy, materially increasing the value of our liabilities. It should be noted that this risk categorisation is associated only with the number of active members within LPF and has no relation to the credit risk of the Festival. An independent advisor has been appointed to support the organisation's strategy to plan and manage this liability.

The current low value of sterling is eroding the International Festival's budget for artist fees paid in other currencies. The potential impact of Brexit on exchange rates and other costs such as visas is also a significant uncertainty. The pressure that the weak position of sterling places on artists fees and other costs may be

partly balanced by an increased number of international visitors. Exposure to budget variations in year is mitigated as far as possible by putting foreign exchange contracts in place as soon as funds are available.

The continued uncertainties surrounding the UK's exit from the European Union present a number of risks for the International Festival to manage: the attractiveness of Edinburgh as a destination for artists, companies and visitors travelling from Europe could be adversely affected; the ability of the Festival to recruit staff from EU countries could be diminished. Should a no-deal Brexit occur the possibility of disruption to the movement of people and freight could severely affect the operation of the Festival; and the possible fluctuations to the value to the pound present potential financial exposure. These risks are reviewed regularly by the senior management team and steps taken to actively manage them.



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, the Board of Trustees numbers 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 the 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.

Trustees reviewed the 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 were also revised, with the former meeting 3 times a year and the Nominations Committee 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. He is assisted by the Managing Director (retitled as Executive Director from February 2019), 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 2018). 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, finding and encouraging others who could support the Festival's work, including Ministers, officials, potential donors and opinion formers; assisting with the fundraising strategy and targets, including Board members' support and help in seeking donations and promoting events.

The Board of Trustees also receives reports from the Board of EFC Ltd 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 has delegated responsibility for detailed scrutiny of Business Plans, annual budgets, other financial matters and personnel issues including remuneration to the Finance and Resources Committee which reports to the Board of Trustees on a regular basis.

The Board of Trustees has delegated responsibility for overseeing the preparation of the 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 and reporting systems and the effectiveness of its internal controls.

During 2018 there were six formal meetings of the Board of Trustees and one half-day strategy meeting. The new Finance and Resources Committee met once and the Audit and Risk Committee met twice.

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

Professor Niall Lothian OBE

Scott Black (retired 23 May 2018)

Terry Brotherstone

Dr Jamie Coleman (retired 23 May 2018)

Sir John Elvidge (retired 23 May 2018)

Sir Paul Grice

Tari Lang (retired 23 May 2018)

Gavin McEwan (retired 23 May 2018)

Councillor Amy McNeese-Mechan

Professor Dorothy Miell

Andrea Miller

Keith Miller CBE

Hans Rissmann OBE (retired 23 May 2018)

Caroline Roxburgh

Councillor Iain Whyte

Councillor Donald Wilson

Fergus Linehan, Joanna Baker (resigned December 2018) and Francesca Hegyi (appointed February 2019) are directors of Edinburgh Festival Centre Limited and Edinburgh International Festival Limited.

Trustee recruitment, induction and training

Appointments to the Board of Trustees are 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. The Board of Trustees seeks to achieve an appropriate mix of skills and experience on the Board. A skills audit exercise is undertaken regularly.

Three Trustees - Terry Brotherstone, Professor Dorothy Miell, and Sir Paul Grice - are due to step down at the AGM in June 2019, after which the Board will reduce to a membership of 7. A recruitment process, including public advertising, is in place to identify new Trustees.

Recruitment is via advertisement on the Festival and other websites alongside other methods aimed at identifying candidates with the appropriate skills and experience base. The Nominations Committee is responsible for reviewing and shortlisting applicants prior to interview by the Chairman and Festival Director or Executive Director.

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.

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 includes the Chairman and other Trustees together with the Festival Director and Executive Director. The directors oversee a business plan which aims to deliver annual profits which are gift-aided to the parent charity, and/or invested in maintaining the fabric of the building.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Law applicable to incorporated charities in Scotland requires the directors to prepare a 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 MHA Henderson Loggie as auditors.

By order of the Board of Trustees



Professor Niall Lothian OBE
Chairman
Edinburgh, 24 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES AND MEMBERS

OF THE EDINBURGH INTERNATIONAL

FESTIVAL SOCIETY

Opinion

We have audited the financial statements of Edinburgh International Festival Society (the 'company') for the year ended 31 October 2018 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 2018 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 2006

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

- the information given in the Strategic Report and Report of the Trustees 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 Report of the Trustees 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 Report of the Trustees 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.

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/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of this 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 MHA Henderson Loggie
Chartered Accountants & Statutory Auditor
Eligible to act as an auditor in terms of section 1212 of the
Companies Act 2006

11-15 Thistle Street
Edinburgh EH2 1DF
24 April 2019

MHA Henderson Loggie is a trading name
of Henderson Loggie LLP



CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES & INCOME AND EXPENDITURE ACCOUNT

	Notes			Year ended 31 October 2018			Year ended 31 October 2017
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£000s	£000s	£000s	£000s	£000s	£000s
Income and endowments							
Donations and legacies received	2	2,784	-	2,784	2,802	-	2,802
Income from Charitable activities							
• ticket sales		3,167	-	3,167	3,664	-	3,664
• grant income	3	4,824	-	4,824	5,146	-	5,146
Other trading activities							
• sponsorship	2	461	-	461	337	-	337
• trading subsidiary sales		1,623	-	1,623	1,447	-	1,447
• publications and other earned income		205	-	205	227	-	227
Income from Investments	6	2	-	2	3	-	3
Total income		13,066	-	13,066	13,626	-	13,626
Expenditure							
Expenditure on raising funds							
• fundraising		(484)	-	(484)	(515)	-	(515)
• trading subsidiary costs		(2,083)	-	(2,083)	(2,172)	-	(2,172)
• support costs	9	(284)	(15)	(299)	(247)	(15)	(262)
Expenditure on Charitable activities							
• productions and performances		(8,100)	-	(8,100)	(9,263)	-	(9,263)
• marketing and communications		(1,098)	-	(1,098)	(1,232)	(12)	(1,244)
• support costs	9	(845)	(45)	(890)	(743)	(46)	(789)
Total expenditure		(12,894)	(60)	(12,954)	(14,172)	(73)	(14,245)
Net income/(expenditure)		172	(60)	112	(546)	(73)	(619)
Defined benefit scheme							
actuarial gains	8	156	-	156	271	-	271
Net movement in funds	19	328	(60)	268	(275)	(73)	(348)
Total funds brought forward							
at 1 November 2017	19	62	4,954	5,016	337	5,027	5,364
Total funds carried forward							
at 31 October 2018	19	390	4,894	5,284	62	4,954	5,016

All the results of the charity relate to continuing operations.

There is no difference between the net movement in funds for the year stated above and its historical cost equivalent.

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

	Notes			Year ended 31 October 2018			Year ended 31 October 2017
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£000s	£000s	£000s	£000s	£000s	£000s
Income and endowments							
Donations and legacies received	2	2,784	-	2,784	2,802	-	2,802
Income from Charitable activities							
• ticket sales		3,167	-	3,167	3,664	-	3,664
• grant income	3	4,824	-	4,824	5,146	-	5,146
Other trading activities							
• sponsorship	2	461	-	461	337	-	337
• publications and other earned income		205	-	205	227	-	227
Income from Investments	6	1	-	1	37	-	37
Total income		11,442	-	11,442	12,213	-	12,213
Expenditure							
Expenditure on raising funds							
• fundraising		(496)	-	(496)	(518)	-	(518)
• support costs	9	(318)	-	(318)	(284)	-	(284)
Expenditure on Charitable activities							
• productions and performances		(8,188)	-	(8,188)	(9,345)	-	(9,345)
• marketing and communications		(1,403)	-	(1,403)	(1,556)	(12)	(1,568)
• support costs	9	(951)	-	(951)	(853)	-	(853)
Total expenditure		(11,356)	-	(11,356)	(12,556)	(12)	(12,568)
Net income/(expenditure)		86	-	86	(343)	(12)	(355)
Defined benefit scheme							
actuarial gains	8	156	-	156	271	-	271
Net movement in funds	19	242	-	242	(72)	(12)	(84)
Total funds brought forward							
at 1 November 2017	19	231	-	231	303	12	315
Total funds carried forward							
at 31 October 2018	19	473	-	473	231	-	231

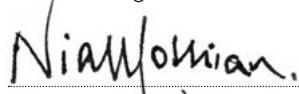
All the results of the charity relate to continuing operations.

There is no difference between the net movement in funds for the year stated above and its historical cost equivalent.

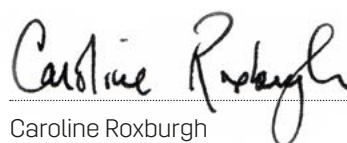
CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2018

	Notes	2018	2018	2017	2017
		£000s	£000s	£000s	£000s
Fixed assets					
Tangible assets	11	5,999		6,121	
Intangible assets	11	75		-	
Total fixed assets			6,074		6,121
Current assets					
Stock	12	15		15	
Debtors	13	1,138		1,547	
Cash at bank and in hand		980		595	
		2,133		2,157	
Creditors: amounts falling due within one year	15	(2,353)		(2,571)	
Net current liabilities			(220)		(414)
Total assets less current liabilities			5,854		5,707
Creditors: amounts falling due after one year	16		(8)		-
Net assets excluding pension			5,846		5,707
Pension liability	8		(562)		(691)
Net assets including pension			5,284		5,016
Unrestricted funds					
General fund	19	952		753	
Designated pension reserve fund	19	(562)		(691)	
			390		62
Restricted funds					
Capital grants fund	18 & 19	4,894		4,954	
			4,894		4,954
			5,284		5,016

The financial statements on pages 22 to 45 were approved by the Board of Trustees on 24 April 2019 and were signed on its behalf by:



Professor Niall Lothian OBE
Chairman



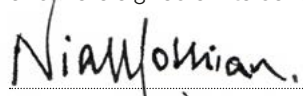
Caroline Roxburgh
Chair of the Audit & Risk Committee

Company Registration Number SC024766

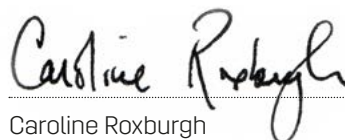
BALANCE SHEET – EDINBURGH INTERNATIONAL FESTIVAL AT 31 OCTOBER 2018

	Notes	2018	2018	2017	2017
		£000s	£000s	£000s	£000s
Fixed assets					
Tangible assets	11	24		27	
Intangible assets	11	75		-	
Total fixed assets			99		27
Current assets					
Debtors	13 & 14	1,996		2,682	
Cash at bank and in hand		777		384	
		2,773		3,066	
Creditors: amounts falling due within one year	15	(1,837)		(2,171)	
Net current assets			936		895
Total assets less current liabilities			1,035		922
Net assets excluding pension			1,035		922
Pension liability	8		(562)		(691)
Net assets including pension			473		231
Unrestricted funds					
General fund	19	1,035		922	
Designated pension reserve fund	19	(562)		(691)	
			473		231
			473		231

The financial statements on pages 22 to 45 were approved by the Board of Trustees on 24 April 2019 and were signed on its behalf by:



Professor Niall Lothian OBE
Chairman



Caroline Roxburgh
Chair of the Audit & Risk Committee

Company Registration Number SC024766

STATEMENT OF CASH FLOWS

		Group	Company	Group	Company
Year ended 31 October		2018	2018	2017	2017
	Notes	£000s	£000s	£000s	£000s
Cash flows from operating activities:					
Net cash provided by operating activities	22	501	493	(457)	(468)
Cash flows from investing activities					
Dividends, interest and rents from investments		2	1	3	37
Purchase of property, plant and equipment and intangible assets		(118)	(101)	(52)	(2)
Net cash provided by investing activities		(116)	(100)	(49)	35
Change in cash and cash equivalents in the reporting period		385	393	(506)	(433)
Cash and cash equivalents at the beginning of the reporting period	23	595	384	1,101	817
Cash and cash equivalents at the end of the reporting period	23	980	777	595	384



NOTES TO THE FINANCIAL STATEMENTS

1. Principal accounting policies

Basis of accounting

The financial statements have been 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 2018.

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 developing 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. 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.

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 2018 by the Fund’s actuaries, Hymans Robertson LLP.

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.

Tangible 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 (2017: £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.

Intangible fixed assets

Software and website development expenditure is capitalised by the charity as an intangible asset when it is possible to demonstrate the technical feasibility; intention to complete the development and its ability to use the asset; how the intangible asset will generate probable future economic benefits; the availability of adequate resources to complete the development and to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on all intangible 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:

Website and Software	3–5 years
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All research expenditure and development expenditure that does not meet the above conditions is expensed as incurred. The cost of internally generated brands, logos, publishing titles, customer lists and similar items is expensed as 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 historic 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 are 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.

	2018	2017
	£000s	£000s
Donations and legacies received	2,784	2,802
Sponsorship	461	337
Total	3,245	3,139

During the year unconditional donations were received from trustees of £12,000 (2017: £11,000)

3. Income from charitable activities – government grants

	2018	2017
	£000s	£000s
City of Edinburgh Council	2,151	2,222
Creative Scotland	2,317	2,318
Scottish Government's Festivals Expo Fund	190	200
Scottish Government's 70th Anniversary Edinburgh Festivals Expo Fund	-	100
City of Edinburgh Council project funding	-	20
Event Scotland project funding	-	50
Event Scotland Signature Fund - Scottish Government's Year of Young People	100	-
British Council Funding	-	190
Theatre Tax Relief	-	46
14:18 NOW	66	-
Total	4,824	5,146



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, profit / (loss) and net liabilities for the year ending 31 October, were as follows:

	2018			2017		
	Sales	Profit	Net liabilities	Sales	Loss	Net Liabilities
	£000s	£000s	£000s	£000s	£000s	£000s
Edinburgh Festival Centre Limited	2,168	86	(83)	2,003	(169)	(169)

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

	2018	2017
Group	£000s	£000s
Bank interest receivable	2	3
Total	2	3

	2018	2017
Company	£000s	£000s
Bank interest receivable	1	3
Gift aid from trading subsidiary	-	34
Total	1	37

7. Staff numbers and costs

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

	2018	2017
Edinburgh International Festival Society		
Productions	25	26
Marketing & communications	11	12
Administration	10	8
Fundraising	8	8
Finance	4	5
	58	59
Edinburgh Festival Centre Limited		
Administration	1	1
Operations	57	60
	58	61
Total	116	120

As employee numbers are calculated through average headcount, they are therefore liable to fluctuate. Total employee numbers for the year were 316 (141: International Festival, 175: Edinburgh Festival Centre) (2017: 293 (173: International Festival, 120: Edinburgh Festival Centre)).

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

	2018	2017
	£000s	£000s
Wages and salaries	3,019	3,174
Social security costs	293	289
Pension costs (note 8)	216	207
Total	3,528	3,670
Key management remuneration	630	620

The above costs for 2018 include fixed term contracts in specific income generating areas of the business and also reflect the volume of temporary staff required to deliver the 2018 Festival.

No remuneration or reimbursement of expenditure was paid to any member of the Board of Trustees, who are the directors of the company (2017: nil).

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

Five employees (2017: six) received remuneration over £60,000 per annum: two (2017: four) fell into the band £60,000-£70,000; two (2017: one) into the band £70,000-£80,000, and one (2017: one) into the band £140,000-£150,000. The number of employees in these bands to whom retirement benefits are accruing under money purchase and defined benefit schemes is five (2017: six). The company made payments on their behalf to secure money purchase benefits of £70,423 (2017: £83,894) and defined benefit contributions of £nil (2017: £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 £216,045 (2017: £207,934). The total cost includes a period end accrual of £9,652 (2017: £22,791).

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 tri-ennial valuation in October 2017 and updated in October 2018 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 2018.

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 2018	Assets	Obligations	Net (liability)/ asset
	£000	£000	£000
Fair value of plan assets	2,872	-	2,872
Present value of funded liabilities	-	3,563	(3,563)
Opening position as at 31 October 2017	2,872	3,563	(691)
Service cost			
Current service cost	-	66	(66)
Total service cost	-	66	(66)
Net interest			
Interest income on plan assets	78	-	78
Interest cost on defined benefit obligation	-	96	(96)
Total net interest	78	96	(18)
Total defined benefit cost recognised in Profit or (Loss)	78	162	(84)
Cashflows			
Plan participants contributions	15	15	-
Employer contributions	57	-	57
Benefits paid	(69)	(69)	-
Total Cashflows	3	(54)	57
Expected closing position	2,953	3,671	(718)
Remeasurements			
Changes in demographic assumptions	-	-	-
Changes in financial assumptions	-	(77)	77
Other experience	-	(173)	173
Return on assets excluding amounts included in net interest	(94)	-	(94)
Total remeasurements recognised in Other Comprehensive Income (OCI)	(94)	(250)	156
Fair value of plan assets	2,859	-	2,859
Present value of funded liabilities	-	3,421	(3,421)
Closing position as at 31 October 2018	2,859	3,421	(562)

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	-	132
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)

The current service cost figures include an allowance for administrative expenses of 0.3% of payroll (2017: 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:

	2018	2017
	% per annum	% per annum
Future pension increases	2.50%	2.40%
Future salary increases	4.20%	4.20%
Discount rate	2.90%	2.70%

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 2016 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:

	2018	2017
	%	%
Equities	31	76
Bonds	38	10
Property	4	7
Cash	27	7

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 estimated employer contributions to the defined benefit scheme for the next financial year beginning 1 November 2018 are £67,000.

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 headcount. 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 2018				
Support costs				
Unrestricted funds				
Costs of raising funds	264	13	7	284
Charitable expenditure	787	38	20	845
Restricted funds				
Costs of raising funds	15	-	-	15
Charitable expenditure	45	-	-	45
Total	1,111	51	27	1,189
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



Company	Administration	Governance costs	Pension fund	Total
	£000s	£000s	£000s	£000s
Year ended 31 October 2018				
Support costs				
Unrestricted funds				
Costs of raising funds	298	13	7	318
Charitable expenditure	893	38	20	951
Restricted funds				
Costs of raising funds	-	-	-	-
Charitable expenditure	-	-	-	-
Total	1,191	51	27	1,269
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

10. Net income/(expenditure)

	2018	2017
	£000s	£000s
The net income/(expenditure) for the period are stated after charging/(crediting):		
Auditors' remuneration in respect of the audit	15	15
Depreciation on owned assets	165	143
Operating leases on land and buildings	77	76
Release of capital grants	(60)	(61)
Foreign exchange gains	(51)	-
	146	173

11. Fixed assets

a) Tangible assets

Group	Land & buildings	Furniture & fittings	Computer equipment	Intangible Assets (website)	Total
	£000s	£000s	£000s	£000s	£000s
Cost					
As at 1 November 2017	6,917	1,540	497	-	8,954
Additions during period	-	8	16	94	118
Disposals during period	-	-	(271)	-	(271)
As at 31 October 2018	6,917	1,548	242	94	8,801
Depreciation					
As at 1 November 2017	1,259	1,131	443	-	2,833
Depreciation for period	69	45	32	19	165
Eliminated on disposal	-	-	(271)	-	(271)
As at 31 October 2018	1,328	1,176	204	19	2,727
Net book value					
As at 31 October 2018	5,589	372	38	75	6,074
As at 31 October 2017	5,658	409	54	-	6,121

Included within land & buildings is £20,691 (2017: £20,691) of finance costs.

Company	Furniture & fittings	Computer equipment	Intangible Assets (website)	Total
	£000s	£000s	£000s	£000s
Cost				
As at 1 November 2017	788	393	-	1,181
Additions during period	-	7	94	101
Disposals during period	-	(271)	-	(271)
As at 31 October 2018	788	129	94	1,011
Depreciation				
As at 1 November 2017	788	366	-	1,154
Depreciation for period	-	10	19	29
Eliminated on disposal	-	(271)	-	(271)
As at 31 October 2018	788	105	19	912
Net book value				
As at 31 October 2018	-	24	75	99
As at 31 October 2017	-	27	-	27

b) Investments

Company	Shares in group undertakings
	£s
Cost & net book value	
As at 31 October 2018	4
As at 31 October 2017	4

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

12. Stock

	2018	2017
	£000s	£000s
Goods for retail sale	15	15
Total	15	15

13. Debtors

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Trade debtors	348	262	260	210
Trading balance owed by subsidiaries	-	1,002	-	1,234
VAT recoverable	449	449	548	548
Other debtors	45	12	25	13
Prepayments	83	59	159	125
Accrued income	213	212	555	552
Total	1,138	1,996	1,547	2,682



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 £545,000 (2017: £522,000).

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

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

15. Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Trade creditors	477	411	441	375
Other creditors	200	66	150	64
Other taxes and social security costs	237	50	123	48
Accruals	702	688	1,362	1,343
Deferred income (Note 17)	737	622	495	341
Total	2,353	1,837	2,571	2,171

16. Creditors: amounts falling due after one year

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Deferred income (Note 17)	8	-	-	-
Total	8	-	-	-

17. Deferred income

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Total received at start of year	495	341	224	109
Released in year	(495)	(341)	(224)	(109)
Deferred in year	745	622	495	341
Total	745	622	495	341

18. Capital grants fund

	2018	2017
	£000s	£000s
Total received	6,276	6,276
Released in previous periods	(1,322)	(1,261)
Released in period	(60)	(61)
Total	4,894	4,954

The capital grants fund of £4,894,000 (2017: £4,954,000) 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.

19. Funds

	Balance at 1 November 2017	Income & gains	Expenditure & transfers	Balance at 31 October 2018
	£000s	£000s	£000s	£000s
Group				
Unrestricted funds				
General fund	753	13,117	(12,918)	952
Designated pension reserve fund	(691)	156	(27)	(562)
Restricted funds				
Capital grants fund	4,954	-	(60)	4,894
Total	5,016	13,273	(13,005)	5,284
Company				
Unrestricted funds				
General fund	922	11,493	(11,380)	1,035
Designated pension reserve fund	(691)	156	(27)	(562)
Total	231	11,649	(11,407)	473

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 2018 by the Fund's actuaries, Hymans Robertson LLP.

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 2016	Income & gains	Expenditure & transfers	Balance at 31 October 2017
	£000s	£000s	£000s	£000s
Group				
Unrestricted funds				
General fund	925	13,626	(13,798)	753
Designated legacies receivable fund	313	-	(313)	-
Designated pension reserve fund	(901)	271	(61)	(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	12,213	(12,182)	922
Designated legacies receivable fund	313	-	(313)	-
Designated pension reserve fund	(901)	271	(61)	(691)
Restricted funds				
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 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.

20. Analysis of group net assets between funds

	Unrestricted Funds	Restricted Funds	Total Funds
	£000s	£000s	£000s
Fund balances at 31 October 2018 are represented by:			
Tangible fixed assets	1,180	4,894	6,074
Net current liabilities	(220)	-	(220)
Long term liabilities	(8)	-	(8)
Pension liability	(562)	-	(562)
Total	390	4,894	5,284
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

21. Operating leases

At 31 October 2018, there were total commitments under non-cancellable operating leases as follows:

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Total operating lease payments due:				
Within one year	71	60	76	59
Within two to five years	62	62	119	108
After five years	3	3	-	-
Total	136	125	195	167
Total payments made in year	77	60	69	52

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

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

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Net income/(expenditure) for the reporting period as per the statement of financial activities	112	86	(619)	(355)
Adjustments for:				
Depreciation charges	165	29	143	8
Dividends, interest and rents from investments	(2)	(1)	(3)	(37)
FRS 102 pension charge for defined benefit scheme	84	84	118	118
Pension contributions to the defined benefit scheme	(57)	(57)	(57)	(57)
Decrease in stocks	-	-	2	-
Increase in debtors	409	686	(120)	(161)
Increase in creditors	(210)	(334)	79	16
Cash flows from operating activities	501	493	(457)	(468)

23. Analysis of cash and cash equivalents

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Cash in hand	980	777	595	384
Total cash and cash equivalents	980	777	595	384

24. Financial instruments

	Group	Company	Group	Company
	2018	2018	2017	2017
	£000s	£000s	£000s	£000s
Carrying amount of financial assets				
Debt instruments measured at amortised cost	393	1,276	285	1,457
Carrying amount of financial liabilities				
Measured at amortised cost	1,379	1,165	1,953	1,782
Measured at fair value	562	562	691	691

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 2018 totalled 85 (2017: 92).

25. Related party transactions

During the year ended 31 October 2018 there were no related party transactions that would require disclosure.



