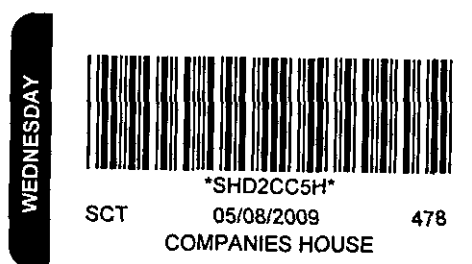


FESTIVAL FRINGE SOCIETY LIMITED
(limited by guarantee)

FINANCIAL STATEMENTS

30 NOVEMBER 2008

Registered number: SCO46605
Charity number: SC002995



BAKER TILLY UK AUDIT LLP

CHARTERED ACCOUNTANTS

EDINBURGH

FESTIVAL FRINGE SOCIETY LIMITED
(limited by guarantee)

FINANCIAL STATEMENTS

For the year ended 30 November 2008

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FESTIVAL FRINGE SOCIETY LIMITED

(limited by guarantee)

SOCIETY INFORMATION

1.

DIRECTORS

Baroness Smith of Gilmorehill (Chairman)
A Woolfe (Vice-Chairman - Retired Nov 08)
P M Utton (Vice-Chairman - Appointed May 09)

A Alderson
S Cowling
J A Doherty
S W D Egan
S H D Fanshawe
S Gove
S C Mackay
A D Moss (Retired August 2008)
A O'Loughlin
C O'Shea (Retired September 2008)
T Sheppard (Appointed September 2008)
A Vincent
C Wood
CBM Wood (Appointed September 2008)

REGISTERED OFFICE

180 High Street (from April 09)
EDINBURGH
EH1 1QS

SECRETARY

L Taylor (resigned Mar 08)
A Greig (appt Mar 08, resigned Sept 08)
T Hawkin (appt Mar 09)

SOLICITORS

Bell & Scott W.S.
16 Hill Street
EDINBURGH
EH2 3LD

AUDITORS

Baker Tilly UK Audit LLP
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
EDINBURGH
EH3 9QG

BANKERS

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

CHIEF EXECUTIVE OFFICER

Jon Morgan (Resigned Aug 08)
Kath Mainland (Appointed May 09)

FESTIVAL FRINGE SOCIETY LIMITED
(limited by guarantee)

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Trustee's report for the year ended 30 November 2008

Structure, Governance and Management

The Directors, who act as Trustees for charitable law purposes, present their report and the audited financial statements for the year ended 30 November 2008. This report is prepared in accordance with the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities.

Governing Document

The Festival Fringe Society ('the Society') is limited by guarantee and does not have a share capital. It is a recognised charity in Scotland. It is governed by its Memorandum and Articles of Association dated 9th May 1969. The members of the Trust, which shall number two as a minimum are those individuals who elect the Trustees.

The Management of the Charitable Company is the responsibility of the Trustees who are appointed under the terms of the Memorandum and Articles of Association.

Objectives and Activities

The purpose of the Society is to promote the Edinburgh Festival Fringe as an event and also as a brand name. This is achieved through improving public awareness of events and offering an excellent service to the public from the offices in Edinburgh.

The Society aims to continue to be the worlds foremost 'open access' arts festival.

1. The Society is a service company operated for the benefit of four key groups of people: Fringe participants, the City, the Audience and our professional partners.
2. The researched needs/demands of these four groups will drive the work, operation and staff structure of the Society.
3. The Society will look to develop relationships with individual customers within these four groups.
4. The Society will work to become/remain the primary source of information about the Festival Fringe.
5. We will seek to establish the Society Box office as the primary means of buying tickets. We will seek to increase the overall numbers and our market share.
6. The Society will defend the principle that the Festival Fringe is an open access festival.
7. The Society is committed to remaining technological front runners in the arts. Using technology to provide more and improved services to our customers.

Its activities are concentrated on the provision of the following services:- support, advice and guidance for all Fringe participants, marketing the event and raising the profile of the Fringe, and providing a comprehensive box office and information service for the public.

The Society is currently working to update its business plan.

Its activities are concentrated on the provision of services to performers, the general public and other professional partners as set out in the business plan.

Trustee's report for the year ended 30 November 2008 (continued)

Financial Review

During 2008 The Edinburgh Festival Fringe conducted a formal tender process in order to commission a new box office system. Pivotal Integration Ltd was selected to develop this system. Unfortunately the company failed to develop the software in good time for the 2008 Fringe. The system was not able to sell tickets for an extended time after the normal on-sale date for box office sales. Considerable time and resource was expended in trying to make the box office fit for purpose, and ultimately in implementing a number of systems, one of which was being used by key Fringe venues. The situation with the box office caused considerable public disquiet and was potentially damaging to the reputation of the Society.

The board of Trustees chose to use the reserves of the Society to mitigate this situation and to use everything at their disposal to continue to be able to sell tickets for the 2,088 companies taking part in the 2008 Fringe. To this end the Society managed, over the summer, to mitigate the effects of the failure by working with stakeholders and other box office providers. This allowed the 2008 Fringe to be a successful event with a manageable amount of disruption; however it has resulted in a significant financial loss to the Society in the year to November 2008. The Trustees feel strongly that had they not decided to use the reserves for this purpose the further reputational damage to the Society, and the Fringe, and the implications for the performers, public and venues would have been unacceptable. The Board of Trustees would like to thank all those involved who pulled together under extremely difficult circumstances to produce an ultimately successful event.

Following the 2008 festival, Scott Moncrieff were commissioned to write a report on the failings of the Box Office, this report is available at www.edfringe.com. The accounts show a loss of £882,407 of which the box office problem was the primary cause either through loss of income from commission or extra expenses in mitigating the failure.

The Society met with the principal Arts Funders and Key Stakeholders (Scottish Government, City of Edinburgh Council (CEC), Scottish Arts Council and Scottish Enterprise) in Scotland to help overcome the initial financial problems. This resulted in a funding / cashflow package of £250,000. This was made up of a loan from City of Edinburgh Council of £125k (repaid in March 2009), an advance on funding from the Scottish Government of £65k and one off funding from the Scottish Arts Council of £60k. An increase in CEC annual funding has also been received for 2009/2010. This package was developed to help the Society through its immediate difficulties. The Society is maintaining an ongoing relationship with the Funders with regular meetings to monitor the Company's financial position.

The Trustees, with support from Scottish Enterprise are in the process of working on a new business plan, and, with Arts and Business, are undertaking work on the governance and the skill set of the Board and the structure of the Senior Management Team.

The Trustees have met regularly since August 2008 to monitor the financial position, with additional board meetings in September, October and November.

Trustee's report for the year ended 30 November 2008 (continued)

Achievement and Performance

Objectives 1,2,3,4 and 6 listed on page 2, were met throughout 2008. The Society continues to be the primary source of information for the public, to provide comprehensive support, advice and guidance for all participants - performers, promoters and venues - and to continue to raise the profile and prominence of the world's largest arts festival. The Society undertook the implementation of a new box office system to fulfil objectives 5 and 7. This system ultimately failed, but the huge amount of goodwill and support forthcoming from all four key groups, the Society works with, was extremely heartening. Key venues rallied to ticketing within the Society's headquarters, and their system was implemented for other key linking venues. The Society received short-term financial assistance from the City of Edinburgh Council, the Scottish Arts Council and the Scottish Government to assist with the cash flow issues, which resulted from the overall financial performance of the Society in 2008.

At the time of publishing these accounts, the Society has implemented a new box office system, developed out of the system which was successfully used during the 2008 Festival by many venues, and ultimately by the Fringe Society. This system went live to the public on June 15 2009 and has successfully sold tickets to the public online, over the phone and in person.

The 2008 Festival Fringe featured 31,320 performances of 2088 shows in 247 venues. An estimated 18,972 performers took to the stage in 2008. In 2008, 1.5 million tickets were sold (1,535,510) the third time and third consecutive year the Fringe has passed the 1.5 million mark; an extraordinary achievement in any year, and particularly in this year with the challenges being faced.

Comedy made up 32% of the programme followed closely by Theatre with 29%. Music was next with 17%, Musicals and Opera were tied with Dance & Physical Theatre on 5% each. Children's shows and Event listings were also tied and accounted for 4% each. Exhibitions make up the final 3%. 350 shows at Fringe 2008 were absolutely free, an increase of 46 shows from 2007.

The Fringe is by far the largest component of the August 'Edinburgh Festivals', and plays an active part in the "Festivals Edinburgh", the organisation set-up by Edinburgh's 12 year round festivals. Festivals Edinburgh works on strategic areas of mutual interest to all the festivals and works collaboratively with the festivals through a series of working groups. The Fringe sits on all of the working groups and chairs the Marketing Group. Collectively the Edinburgh Festivals contribute £186 million to the Scottish Economy of which the Fringe contributes £75 million to the Edinburgh economy.

Investment Policy

The funds available for the Society to invest include advance box office receipts, these funds are secured in a ring fenced client account and are not available for general funding of the Society.

Trustee's report for the year ended 30 November 2008 (continued)

Investment Policy (continued)

On completion of the Festival, full settlement is made within four weeks to the nominated recipient. A short term investment account is used to take account of beneficial interest rates, whilst retaining flexibility and availability of these funds. In accordance with the Memorandum of Association, the Society is permitted to invest the monies of the Society not immediately required for the objects of the Society in or upon such investments, securities or property as may be thought fit.

Reserves Policy

The Trustees have established the level of reserves that the Society ought to have at its disposal. This is to enable the Society to deal with its contingent liabilities should there be a shortfall in funding between grants received, income generated by the Society and the Society's expenditure. The Trustees believe that they require between 3 and 6 months of working capital to be retained in reserves in order to cover support costs.

It is the intention of the Trustees to rebuild the retained unrestricted reserves in order to ensure enough working capital is available to manage its affairs effectively.

The actual unrestricted reserves at 30 November 2008 were £15,099 (2007: 889,506). In calculating this figure the Trustees have excluded from reserves the total of the restricted funds. Restricted funds relate to the grants and donations received for the refurbishment of the Society's office and the purchase of fixtures and fittings.

The Trustees expect that it will take at least 3 years to establish an adequate level of reserves.

Plans for Future Periods

The Society has appointed Red61 to manage the Box Office for the next 5 years. The Trustees have appointed a new Chief Executive Officer and Senior Management team to manage the affairs of the Charity. The Business Planning sub-committee has written a business plan to cover the period 2009-2013, this plan will be handed over to the Senior Management Team in June 2009 to become a working document. The Society will continue to work with the monitoring group to ensure the ongoing financial stability of the Society.

Appointment of Trustees

As set out in the Articles of Association the Trustees consists of between 5 and 15 members. One third of the Trustees retire by rotation at the Annual General Meeting, there is no limit to the number of times a trustee may offer himself for re-election. The company members nominate the Trustees at each Annual General Meeting. Trustees serve for a period of up to three years before retiring. Trustees co-opted by the Board are subject to re-election at the AGM immediately following their co-option.

FESTIVAL FRINGE SOCIETY LIMITED
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Trustee's report for the year ended 30 November 2008 (continued)

Trustee Induction and Training

New Trustees meet with the CEO to be appraised of the Society, its structure, its governance, the content of its Memorandum and Articles of Association, the committee decision making process, the business plan and recent financial performance of the Society. New Trustees are also given a copy of the Scottish Arts Councils' publication 'Care, Diligence and Skill' and a copy of the most recent Fringe Annual Report.

Organisation

The Board of Trustees, which administers the Society, meets at least four times a year, and the management committee aims to meet on a monthly basis. There are sub-committees covering risk assessment and business planning. The Trustees elect one of their number as Chairman for such period as they think fit. The Board appoints a Chief Executive Officer to manage the day to day operations of the Society. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the Trustees, for operational matters including finance and employment. Throughout the latter part of 2008, as the Board of Trustees met on a monthly basis, it was not necessary for the Management Committee to meet.

Related Parties

The Society has a close relationship with City of Edinburgh Council, which acts as the Society's landlord under a lease agreement. The Society's wholly owned subsidiary, Festival Fringe Trading Limited, was established to promote the sale of souvenir items relating to the Society. The subsidiary gift aids the majority of its profits to the Society.

Risk Statement

The Board of Trustees has conducted a review of the major risks to which the Society is exposed, and systems have been established to mitigate these risks. Internal risks are minimised by the implementation of procedures for authorisation of all transactions, and potential external risks are carefully examined by the sub committee.

Auditors

A resolution to reappoint Baker Tilly UK, Audit LLP, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting.

By Order of the Board

Trustee



3 AUGUST 2009

FESTIVAL FRINGE SOCIETY LIMITED
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Trustees' responsibilities in relation to the financial statements

Company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to:

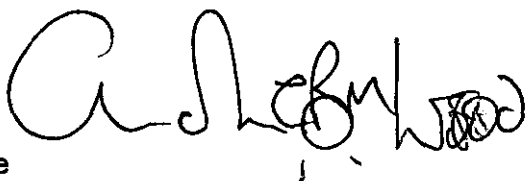
- Select suitable accounting policies and then apply them consistently;
- Make sound judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the charity will not continue in business.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enables them to ensure that the financial statements comply with the companies Act 1985. The trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the company's directors, we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

On behalf of the Board



Trustee

3 AUGUST 2009

Independent Auditors' Report to the members of The Festival Fringe Society Ltd

This report is issued in respect of an audit carried out under section 235 of the Companies Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005.

We have audited the financial statements of Festival Fringe Society Limited for the year ended 30 November 2008 which comprise the Statement of Financial Activities, Balance Sheet and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made exclusively to the members, as a body, in accordance with section 235 of the Companies Act 1985, and to the charity's Trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charity's Trustees those matters we are required to state to them in an 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 and the charitable group, its members as a body, and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The responsibilities of the Trustees (who are also the directors of Festival Fringe Society Ltd for the purposes of company law) for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Trustees' Report is consistent with the financial statements, if the charity and charitable group has not kept proper accounting records, if the financial statements do not accord with those records, or if the information specified by law regarding Trustees; remuneration and other transactions is not disclosed, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Independent Auditors' Report to the members of The Festival Fringe Society Ltd

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs and group affairs as at 30 November 2008 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006;
- the information given in the Trustees' Report is consistent with the financial statements.

FESTIVAL FRINGE SOCIETY LIMITED
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Independent Auditors' Report to the members of The Festival Fringe Society Ltd

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the accounting policies on page 13 concerning the charity and charitable group's ability to continue as a going concern. The charitable group incurred a net reduction in funds of £882,407 during the year ended 30 November 2008 and at that date has net current liabilities of £671,833 and has net assets of £48,442. These conditions, along with the other matters relating to working capital requirements explained in the accounting policy on going concern indicate the existence of material uncertainties which may cast doubt over the charity and charitable group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the charity and charitable group were unable to continue as a going concern.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
EDINBURGH
EH3 9QG

4 August 2009

The maintenance and integrity of the website in relation to the contents of the financial statements is the responsibility of the Trustees. The work carried out by ourselves as auditors does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

FESTIVAL FRINGE SOCIETY LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 30 November 2008

	Note	Unrestricted Funds £	Restricted Funds £	Designated Fund	Total Funds 2008 £	Total Funds 2007 £
INCOMING RESOURCES						
<i>Incoming resources from generated funds</i>						
<i>Voluntary Income:</i>						
Grants and donations	6	379,798	-	-	379,798	454,745
<i>Activities for generating funds</i>						
Commercial trading operations	5	106,184	-	-	106,184	118,432
Investment Income		36,403	-	-	36,403	50,959
		522,385	-	-	522,385	624,136
<i>Incoming resources from charitable activities</i>						
Operation of festival activities		1,641,386	-	-	1,641,386	1,584,974
TOTAL INCOMING RESOURCES		2,163,771	-	-	2,163,771	2,209,110
RESOURCES EXPENDED						
<i>Costs of generated funds</i>						
Fundraising costs of grants and donations	9	400,721	-	-	400,721	348,422
Commercial trading operations	5	55,744	-	-	55,744	57,391
		456,465	-	-	456,465	405,813
<i>Charitable activities</i>						
Operation of festival activities	10	2,510,409	(5,000)	-	2,505,409	1,543,873
Governance Costs	9	79,304	-	-	79,304	34,791
Total Resources expended		3,046,178	(5,000)	-	3,041,178	1,984,477
Net (outgoing)/incoming resources before transfers						
		(882,407)	-	-	(882,407)	224,633
Transfer (from) Designated fund	23	250,000	-	(250,000)	-	-
Transfer (from)/ to restricted fund	22	5,000	(5,000)	-	-	-
Gross transfers between funds	22	3,000	(3,000)	-	-	-
Net movement of funds in year		(624,407)	(8,000)	(250,000)	(882,407)	224,633
<i>Reconciliation of funds</i>						
Total funds brought forward		639,506	41,343	250,000	930,849	706,216
Total funds carried forward	24	15,099	33,343	-	48,442	930,849

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended were derived from continuing activities.

FESTIVAL FRINGE SOCIETY LIMITED
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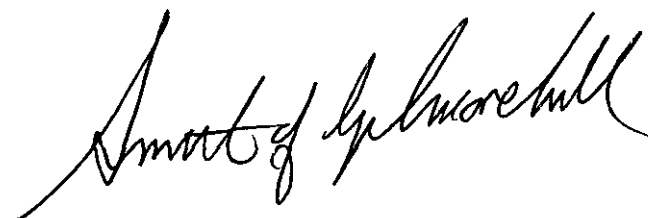
CONSOLIDATED BALANCE SHEET
for the year ended 30 November 2008

	Note	Group 2008 £	Group 2007 £	Charity 2008 £	Charity 2007 £
Fixed Assets					
Tangible assets	16	1,158,899	1,268,245	1,158,899	1,268,245
Investments	17	-	-	100	100
		1,158,899	1,268,245	1,158,999	1,268,345
Current Assets					
Stock	18	18,736	19,316	-	-
Debtors	19	201,491	62,185	197,897	92,795
Cash at bank and in hand		-	338,261	-	311,029
		220,227	419,762	197,897	403,824
Liabilities					
Creditors falling due within one year	20	(892,060)	(299,420)	(877,939)	(294,030)
Net current (liabilities)/assets		(671,833)	120,342	(680,042)	109,794
Total assets less current liabilities		487,066	1,388,587	478,957	1,378,139
Creditors falling due after more than one year	21	(438,624)	(457,738)	(438,624)	(457,738)
Net assets		48,442	930,849	40,333	920,401
Funds					
Restricted Funds	22	33,343	41,343	33,343	41,343
Unrestricted Funds:					
General	22	(116,901)	507,506	(125,010)	497,058
Designated Fund	23	-	250,000	-	250,000
Revaluation Reserve	22	132,000	132,000	132,000	132,000
Total funds		48,442	930,849	40,333	920,401

The notes on pages 13 to 22 form part of these accounts.

These financial statements were approved and authorised for issue by the directors on the ~~20 JUNE 2009~~..., and are signed on their behalf by:

Trustee



NOTES ON THE FINANCIAL STATEMENTS
30 November 2008

1. Accounting Policies

a) Going Concern

The Festival Fringe Society, including its trading subsidiary (The Society), incurred outgoing resources of £882,407 for the year and at the 30 November 2008 had net current liabilities of £671,833. As such the Trustees have considered the appropriateness of the going concern policy of the Company taking into account the going concern position of the Society.

The Society received short term financial assistance from The City of Edinburgh Council, the Scottish Arts Council and the Scottish Government in the period to 31 March 2009 to assist with the cash flow issues it faced as a result of the failure of the box office project. Each of the above groups has noted their commitment to working with the Society going forward. They have confirmed that they will continue to work with the Fringe Monitoring Group through this difficult period to ensure its long term survival as they fully recognise the cultural and economic importance the Festival brings to Edinburgh. This continued commitment is needed as the cash flow projections highlight that the Society has a peak overdraft requirement in December/January 2010 in excess of its current overdraft facility, which is due for renewal/review in September 2009. While the facility does not cover the peak overdraft requirements, the Trustees are confident that the required working capital will be generated by a combination of:-

- Cash generation by the Society through efficiencies and focus on income generation
- Increased overdraft facility supported by increased security over property being renovated
- Ongoing commitment from the public agencies to working with the Fringe through the monitoring group to secure the long term future of the organisation.

On this basis they are satisfied that a going concern basis is reasonable.

b) Basis of accounting

The financial statements have been prepared under the historical cost convention, except for the revaluation of Investment Properties, and are consistent with applicable Accounting Standards and the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) issued in March 2005. The principal accounting policies adopted in the preparation of the financial statements are set out below.

c) Group financial statements

These financial statements consolidate the results of the charity and its wholly owned subsidiary Festival Fringe Trading Ltd on a line by line basis. A separate statement of financial activities and income and expenditure account are not presented for the charity itself following the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

d) Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No.1 on the grounds that it qualifies as a small company under the Companies Act 1985.

NOTES ON THE FINANCIAL STATEMENTS
30 November 2008

e) Incoming resources

Voluntary income including donations, gifts and legacies and grants that provide core funding or are of a general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Such income is only deferred when:

- the donor specifies that the grant or donation must only be used in future accounting periods; or
- the donor has imposed conditions which must be met before the charity has unconditional entitlement

Income from commercial trading activities is recognised as earned income.

Investment income is recognised on a receivable basis.

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific conditions is recognised as earned. Grant funding included in this category provides funding to support activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Income is deferred when:

- project related grants are received in advance of the project or event to which they relate.

f) Resources expended

Expenditure is recognised when a liability is incurred.

Costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.

Charitable activities include expenditure associated with the festival activities and includes both the direct costs and support costs of these activities.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with its constitutional and statutory requirements.

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with use of resources.

g) Operating Leases

The charity classifies the lease of photocopiers as operating leases, annual rentals are charged to the SOFA on a straight line basis over the lease term.

NOTES ON THE FINANCIAL STATEMENTS
30 November 2008

h) Tangible fixed assets

Tangible fixed assets are depreciated on a straight line basis over their estimated useful life as follows:

Investment Property	No charge
Freehold/leasehold property	4%
Computer/box office equipment	20%
Fixtures and fittings	10% & 25%

The company's studio flats are treated as investment properties and have therefore not been depreciated in accordance with SSAP 19. The properties are stated at Open Market Value and re-valued on a regular basis. The flats were valued with vacant possession at £210,000 on 10 January 2005 by DM Hall Chartered Surveyors.

The website and software costs incurred are regarded as continuous development expenditure and are written off in the year they are incurred in line with UTIF 29.

i) Stock

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

j) Pensions

Pension contributions are made to an approved pension scheme. These are charged to the statement of financial activities in the year in which they are incurred.

2 Legal status of the Company

The Festival Fringe Society is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

3 Related party transactions

The company owns 100 ordinary £1 shares in Festival Fringe Trading Limited. Transactions between the two parties in the year were as follows;

- Festival Fringe Society Limited charged management fees of £24,000 (2007: £25,000) to Festival Fringe Trading Limited.
- Festival Fringe Trading Limited made a Gift Aid payment of £28,500 (2007: £35,000) to Festival Fringe Society Limited.
- At the balance sheet date, Festival Fringe Society Limited was owed £461 (2007: 35,053) by the Festival Fringe Trading Limited. This balance is included in Other Debtors at the year-end.

Two of the Societies directors, Anthony Alderson and Charlie Wood are associated with the Company Red61 with which the Society has a working relationship to provide a box office system; to ensure this was dealt with properly, both directors declared an interest to the chair and were subsequently excluded from all board discussions regarding this contract.

FESTIVAL FRINGE SOCIETY LIMITED
(limited by guarantee)

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NOTES ON THE FINANCIAL STATEMENTS
30 November 2008

4 Financial activities of the charity

The financial activities shown in the consolidated statement included those of the charity's wholly owned subsidiary, Festival Fringe Trading Limited. A summary of the financial activities undertaken by the charity is set out below:

	2008 £	2007 £
Gross incoming resources	2,163,771	2,209,110
Total expenditure on charitable activities	(2,510,409)	(1,543,873)
Fundraising costs of grants and donations	(456,465)	(405,813)
Governance costs	(79,304)	(34,791)
Net incoming resources	(882,407)	224,633
Total funds brought forward	930,849	706,216
Total funds carried forward	<u>48,442</u>	<u>930,849</u>
Represented by:		
Restricted income funds	33,343	41,343
Designated Fund	-	250,000
Unrestricted income funds	15,099	639,506
	<u>48,442</u>	<u>930,849</u>

5 Incoming resources from activities for generating funds

The wholly owned trading subsidiary, Festival Fringe Trading Limited, which is incorporated in the United Kingdom, pays a proportion of its profits to the charity by way of gift aid. The amount retained by the subsidiary, (£2,339) (2007: £912), is retained to help provide working capital. Festival Fringe Trading Limited sells gifts and Festival related products. The charity owns the entire share capital of 100 ordinary shares of £1 each. A summary of its trading results is shown below:

	2008 £	2007 £
Turnover	105,254	117,842
Cost of sales & administrative expenses	(79,743)	(82,792)
Interest receivable	649	862
Net profit	26,160	35,912
Amount gift aided to the charity	(28,500)	(35,000)
Taxation charge	1	(179)
Retained in subsidiary	<u>(2,339)</u>	<u>733</u>
The assets and liabilities of the subsidiary were:		
Current assets	12,358	50,990
Current liabilities	<u>(4,149)</u>	<u>(40,442)</u>
	<u>8,209</u>	<u>10,548</u>
Represented by:		
Share capital	100	100
Retained profits	8,109	10,448
	<u>8,209</u>	<u>10,548</u>

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6 Voluntary Income

	2008	2007
	£	£
Sponsorship	259,230	340,696
Donations	52,553	55,733
Legacies	-	25,000
Grants - Scottish Arts Council	20,000	1,445
Grants - City of Edinburgh Council	48,015	31,871
	<u>379,798</u>	<u>454,745</u>

7 Investment Income

The investment income includes income arising from interest bearing deposit accounts and from rental of the investment properties.

8 Incoming resources from charitable activities

All income is earned from the operation of Festival activities. Restricted income relates to grants received for specific projects.

9 Allocation of support

The Society allocates its support costs as shown in the table below. Support costs are allocated on the basis of staffing costs.

	Costs of Festival Operations	Costs of Generating Voluntary Income	Governance	Total
	£	£	£	£
General office	932,540	400,721	19,838	1,353,099
Information Technology	122,841	-	-	122,841
External audit	-	-	7,652	7,652
Legal and professional fees	-	-	51,814	51,814
Subsidiary taxation charge	-	-	-	-
	<u>1,055,381</u>	<u>400,721</u>	<u>79,304</u>	<u>1,535,406</u>

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10 Analysis of charitable expenditure

The Society undertakes direct charitable activities only and does not make grant payments.

	Costs of Festival Operations 2008 £	Costs of Festival Operation s £
Support costs	1,055,381	823,681
Publications costs	278,830	266,713
Marketing costs	203,788	159,207
Projects and events	398,333	294,272
Exceptional Box Office Costs	569,077	0
	<u>2,505,409</u>	<u>1,543,873</u>

11 Analysis of staff costs

	2008 £	2007 £
Wages and salaries	755,429	605,069
Social security costs	70,353	53,817
Other pension costs	6,231	6,655
	<u>832,013</u>	<u>665,541</u>

No remuneration was paid to the directors for their services to the Society. The directors received aggregate expenses of £19,838 (2007:£24,034) during the year.

12 Staff numbers

The average number of full time employees (including casual and part time staff) during the year was as follows:

	2008	2007
Administration and sponsorship	8	6
Marketing, press and publications	2	4
Box office	2	2
Events	2	3
	<u>14</u>	<u>15</u>

During the festival period the staff numbers increase to approximately 190 (2007:120).

13 Movement of the total funds for the year

	2008 £	2007 £
This is stated after charging:		
Operating leases	13,670	13,822
Depreciation	149,358	124,207
Auditors remuneration-Audit	7,400	8,635
Auditors remuneration-non audit fee	200	600
Loan interest	<u>25,737</u>	<u>26,646</u>

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14 Taxation

	2008 £	2007 £
Taxation payable	<u>-</u>	<u>179</u>

15 Auditors remuneration

The auditors remuneration of £7,400 (2007 £8,635) related solely to the audit.

16 Tangible fixed assets - group and charity

	Investment property £	Freehold/ Leasehold Property £	Computer Equipment £	Fixtures & fittings £	Total £
Cost/Valuation					
As at 1.12.07	210,000	943,757	580,275	204,572	1,938,604
Additions	-	-	40,012	-	40,012
Disposals	-	-	-	-	-
As at 30.11.08	<u>210,000</u>	<u>943,757</u>	<u>620,287</u>	<u>204,572</u>	<u>1,978,616</u>
Depreciation					
As at 1.12.07	-	290,556	181,111	198,692	670,359
Charge for year	-	43,223	102,623	3,512	149,358
On disposal	-	-	-	-	-
As at 30.11.08	<u>-</u>	<u>333,779</u>	<u>283,734</u>	<u>202,204</u>	<u>819,717</u>
Net book value					
As at 30.11.08	<u>210,000</u>	<u>609,978</u>	<u>336,553</u>	<u>2,368</u>	<u>1,158,899</u>
As at 1.12.07	<u>210,000</u>	<u>653,201</u>	<u>399,164</u>	<u>5,880</u>	<u>1,268,245</u>

The company's studio flats are treated as investment properties and have therefore not been depreciated in accordance with SSAP 19. The properties are stated at open market value with vacant possession and re-valued on a regular basis. The flats were valued on 10 January 2005 by DM Hall Chartered Surveyors. Full title to the leasehold property will pass to the Society on the repayment of the loan from the City of Edinburgh Council.

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17 Fixed asset investments

Cost and net book amount

At 1 December 2007 and 30 November 2008

£
100

The company holds a 100% investment in the £1 ordinary share capital of Festival Fringe Trading Limited. The turnover for the company during the year was £105,254 (2007: £117,842) with a loss after tax and gift aid of £2,339 (2007: £733). The net asset value at the year end was £8,209 (2007: £10,548).

18 Stock

	Group 2008 £	Group 2007 £	Charity 2008 £	Charity 2007 £
Stocks	18,736	19,316	-	-

19 Debtors

	Group 2008 £	Group 2007 £	Charity 2008 £	Charity 2007 £
Trade debtors	7,477	4,706	7,477	4,706
Other debtors	-	-	461	35,053
VAT debtor	3,902	24,351	-	20,203
Prepayments and accrued	190,112	33,128	189,959	32,833
	<u>201,491</u>	<u>62,185</u>	<u>197,897</u>	<u>92,795</u>

There were no amounts falling due after one year.

20 Creditors: amounts falling due within one year

	Group 2008 £	Group 2007 £	Charity 2008 £	Charity 2007 £
Trade Creditors	530,887	50,273	530,199	48,421
Tax and social security costs	38,859	11,138	38,859	10,959
Bank Overdraft	106,143	-	95,710	-
Loans (note 21)	19,114	18,178	19,114	18,178
Accruals and provisions	197,057	219,831	194,057	216,472
	<u>892,060</u>	<u>299,420</u>	<u>877,939</u>	<u>294,030</u>

Overdrawn bank balances are secured by a bond and floating charge over the assets of the Society, held by the Royal Bank of Scotland plc.

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21 Creditors: amounts falling after more than one year

	Group 2008 £	Group 2007 £	Charity 2008 £	Charity 2007 £
Loans (note 20)	<u>438,624</u>	<u>457,738</u>	<u>438,624</u>	<u>457,738</u>

The City of Edinburgh Council has provided a loan to finance the purchase of the investment. Full title to this property will pass to the Society on repayment of the loan. Interest is payable at 5.15% per annum and the loan is repayable over 20 years.

	Group 2008 £	Group 2007 £
Amounts payable within 1 year	19,114	18,178
Amounts payable between 2 and 5 years	86,820	82,568
Amounts payable after more than 5 years	351,804	375,170
	<u>457,738</u>	<u>475,916</u>

22 Analysis of charitable funds

Analysis of restricted fund movement

	Fund at 1.12.07 £	Incoming resources £	Resources expended £	Transfers £	Fund at 30.11.08 £
Mike Wescott Fund	25,000	-	(5,000)	-	20,000
Tenants Improvements	16,343	-	-	(3,000)	13,343
Total restricted funds	41,343	-	(5,000)	(3,000)	33,343

The tenants improvements fund relates to grants and donations received for the refurbishment of the Society's office and purchase of fixtures and fittings. These funds are being released to the general reserve over the life of the relevant assets.

The Mike Wescott fund has been bequested to the Fringe Society to undertake projects which further the support, development and education of young people involved in the Edinburgh Festival Fringe. It is intended to spend the award over the next five years.

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Analysis of unrestricted fund movement

	Fund at 1.12.07	Incoming resources	Resources expended	Transfers	Fund at 30.11.08
	£	£	£	£	£
General fund	507,506	2,163,771	(3,041,178)	253,000	(116,901)
Revaluation reserve	132,000	-	-	-	132,000
	639,506	2,163,771	(3,041,178)	253,000	15,099

	Fund at 1.12.07	Incoming resources	Resources expended	Transfers	Fund at 30.11.08
	£	£	£	£	£
Designated Fund	250,000	-	-	(250,000)	-
Total Funds	930,849	2,163,771	(3,046,178)	-	48,442

23 Designated Fund

The designated fund of £250,000 for the new box office ticketing system was released in full in 2008 in line with expenditure incurred on the Box Office in the year.

24 Analysis of net assets between funds

	General fund	Restricted funds	Total
	£	£	£
Tangible fixed assets	1,145,556	13,343	1,158,899
Net current assets/liabilities	(691,833)	20,000	(671,833)
Long term liabilities	(438,624)	-	(438,624)
	15,099	33,343	48,442

25 Capital Commitments

The Board have not authorised any capital expenditure in the forthcoming year. The box office for 2009 is being supplied under contract by Red61.

26 Contingent Liabilities

An amount of £147,700 is being claimed by a supplier in connection with the Pivotal Box Office system. The directors are of the opinion that no liability exists in connection with this claim and are currently processing a counter claim against the company.