

FESTIVAL FRINGE SOCIETY LIMITED
(limited by guarantee)

FINANCIAL STATEMENTS

30 NOVEMBER 2009

Registered number: SCO46605
Charity number: SC002995

BAKER TILLY UK AUDIT LLP
CHARTERED ACCOUNTANTS

EDINBURGH

THURSDAY



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FESTIVAL FRINGE SOCIETY LIMITED
(limited by guarantee)

FINANCIAL STATEMENTS

For the year ended 30 November 2009

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FESTIVAL FRINGE SOCIETY LIMITED

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(limited by guarantee)

SOCIETY INFORMATION

DIRECTORS AND TRUSTEES

The directors of the charitable company (the charity) are its trustees for the purposes of charity law and throughout this report are collectively referred to as trustees.

Baroness Smith of Gilmorehill (Chairman)

P M Utton (Vice-Chairman)

A Alderson

S Cowling

J A Doherty

S W D Egan (resigned June 2009)

S H D Fanshawe

S Gove

S C Mackay

A O'Loughlin

T Sheppard

K Smurthwaite (appointed August 2009)

A Vincent

C Wood

CBM Wood

A Woolfe

REGISTERED OFFICE

180 High Street

EDINBURGH

EH1 1QS

SECRETARY

T Hawkin (resigned 4 Dec 2009)

K Mainland (appointed 4 Dec 2009)

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

Kath Mainland

Trustees' report for the year ended 30 November 2009

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 2009. This report is prepared in accordance with the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities issued in March 2005.

During the year 2009 the Trustees reviewed their management structure, terms of reference and make up of sub-committees. The following sub-committees of the Board of Trustees' are in place: Finance Audit and Risk Committee and Business Planning Committee. There are also two short life working groups for the Constitutional review and the Box Office.

The Society has a subsidiary undertaking, Festival Fringe Trading Limited. The respective activities of the Society and the subsidiary are described below, and together are referred to as "the Society".

Governing Document

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

The Management of the Society 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 ('the 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.

A new draft Business Plan for 2010 - 2014 (expected to be signed off in March 2010) redefines the mission statement of the Society as:

Mission Statement

"The Society is the company that organises the structure that underpins the Fringe and fundamentally exists to:

- advise, support and encourage all participants at the Fringe (**services to participants**)
- provide comprehensive information services, including ticketing to its participants and the public (**information and box office**)
- promote the entire Fringe as a festival in the context of Edinburgh and other festivals (**marketing and awareness raising**)
- whilst maintaining a sustainable business through fund-raising and commercial activities (**governance/business**)"

Trustees' report for the year ended 30 November 2009 (continued)

The Festival Fringe is recognised throughout the world as the leading, largest, open-access arts festival in the World. Fundamental to the work of the Society is maintaining and upholding that founding principal. Along with ensuring that the Edinburgh Fringe continues to make a significant contribution to the cultural and economic well being of Edinburgh and Scotland.

The Business Plan sets out objectives under the above four key points and defines the ambition of the Society as follows:

Our Ambition

The ambition of the Society is that the Fringe:

- continues its pre-eminent status as the largest and most significant open-access arts festival in the World
- protects and enhances the reputation of Edinburgh as the premiere Fringe city in the World
- continues to be a significant force in the development of entertainment and culture in Britain and internationally

The Society will provide key stakeholders with appropriate levels of education, development training and motivation in order to achieve the above.

Financial Review

2009 was a year of renewal for the Society. It was clear to the Society's Board of Trustees that the priority for 2009 had to be rebuilding the trust with our audience, funding stakeholders, performers and other supporters, which was badly damaged by the issues we encountered with our box office the year before. Whilst doing this we also managed to sell more tickets, for more performances, of more shows than ever before in the Fringe's history and 2009 was a successful year financially.

The Fringe was bigger than ever, with over 2,000 companies coming from over 60 different countries to take part. The majority of our income comes from commissions and handling charges connected to the box office, advertising associated with the publications and website, registration fees and sponsorship and events. We are grateful for grant aid support from the Scottish Government through the Scottish Arts Council and the City of Edinburgh Council. Other income includes gift aid from our trading subsidiary which also had a successful year.

The majority of our expenditure goes on providing the box office services (including staffing), staffing the Society and producing the Fringe publications and website. Other expenditure goes on marketing, costs associated with events and sponsorships, training and fees, premises and overheads.

Trustees' report for the year ended 30 November 2009 (continued)

During the year to 30 November 2009 the Society (including its subsidiary) generated net incoming resources of £125,905 compared to net outgoing resources in the year to 30 November 2008 of £882,407. This was due to exceptional expenditure resulting from the box office issues last year and a general review of events undertaken and costs incurred to improve efficiency.

Achievements and Performance

After last year's problems it was no surprise that a lot of people were watching the Society's box office very closely. Helping venues and performers to sell tickets is one of the primary reasons that the Society was established. The scale of the box office operation is striking; in June 2009, when our box office opened, we put on sale, on the same day, tickets for over 34,000 separate performances. It was vital that confidence in our ability to run an efficient operation was restored.

Box Office:

In spring 2009, Red61 were awarded a five-year contract to provide the Society with their box office services. The 2009 box office opened to the general public on Monday 15 June. By the fourth day of sales, the box office had sold 64,946 tickets which was an increase of 12% on the previous best performance over this period. By the end of the Fringe, the box office had sold a record-breaking 1,859,235 tickets.

2009 Statistics:

- 1,859,235 tickets sold.
- The 2009 fringe presented 34,265 performances by 18,901 performers from 2,098 companies in 265 venues.
- A total of 60 countries were represented.
- There were 513 Scottish companies presenting work.
- 997 companies took part in the Fringe for the first time.
- 436 shows were free.
- Over 600 Fringe performers and 158 buskers took part on the High Street or the Mound.
- The press office accredited 1,181 journalists.
- The promotor liaison office supported 1,152 venue programmers, festival programmers, TV and film scouts, casting agents, literary agents and award assessors.

Trustees' report for the year ended 30 November 2009 (continued)**External Agencies:**

The Fringe Monitoring Group is a new group of the core public funders, made up of officers from the City of Edinburgh Council, the Scottish Government, Scottish Enterprise and the Scottish Arts Council, and was set up in the aftermath of the attempt to implement a new Fringe box office in 2008. It has set the relationship between the Society and these key stakeholders on a new footing. Much needed work has been undertaken with the Group to ensure that the exact function and financial situation of the Society is clearly understood by them, remedying a communications deficit of the past. We have been able to provide regular and reliable financial and organisational information to them, which is leading to a clear and in-depth knowledge of the Society and what the needs of the organisation will be going forward. This work is continuing, to ensure that both the officers of the public bodies, the board of the Scottish Arts Council and the elected representatives of the city and the Scottish Government and Parliament are fully informed of the needs of the Society and of its contribution to entertainment, the arts, Edinburgh and Scotland. The Society is indebted to these agencies for their continued enlightened support of the Society, and therefore the Fringe, and recognises that without that support the organisation would be in a considerably more vulnerable financial and reputational position.

Sponsorship:

A thank you is also due to all of our sponsors including the Royal Bank of Scotland for their generous support which enables us to programme and manage the street theatre of the Royal Mile. We are also grateful to Magners for their sponsorship of the venue boards and the Festivals Map as well as being the drinks sponsor for the Meet the Media event and the Twinge part., Thanks to Napier University for continuing to sponsor the Fringe website jobs page and to Tanqueray Gin for hosting the Friends of the Fringe party. Further thanks to Black Bottle for providing the drinks reception at Fringe Select as well as to Glaceau Vitamin Water who kept our street teams hydrated throughout the festival. Thanks also to St James Shopping and the Mike Wescott fund for supporting the Fringe Schools Poster Competition without whose support the event would not have gone ahead. Finally we are grateful to HMV and Fopp Records for distributing the Fringe programme in their stores and to the Metro Newspaper Scotland for hosting our annual photography competition; Fringe Framed.

Friends of the Fringe:

2009 saw the Friends of the Fringe membership scheme increase subscription by 32% reaching over 4,000 members. The Friends scheme went online for the first time with the ability to sign up and access the 2-for-1 ticket offers through the website. Friends were also provided with their own dedicated booking line and a priority box office throughout August.

Made in Scotland:

Made in Scotland is a new initiative to showcase dance and theatre from Scottish companies at the Fringe and is supported by the Scottish Government's Edinburgh Festivals Expo Fund. It took the form of a curated showcase which provided a platform for 13 companies to present and promote their work with the aim of increasing the international profile of Scottish work. The showcase was a great success receiving much positive coverage in the media and a host of awards for the companies as well as a number of invitations for international tour dates.

Trustee's report for the year ended 30 November 2009 (continued)**Festivals Edinburgh:**

The Society continues to play a leading role in Festivals Edinburgh. Festivals Edinburgh is now an established part of the cultural and festival landscape in Edinburgh and is a significant factor in the increased understanding of the importance of festivals to the city and the country by local and national political bodies. Festivals Edinburgh consists of a board of directors made up of the directors or chief executives of the 12 member festivals and underneath the board there is a series of six working groups dealing with environment, professional development, marketing, fundraising, programming and innovation. The Fringe is represented on all of these groups, chairs the marketing group and will take up the chair of Festivals Edinburgh in 2010.

We will continue to work closely with Festivals Edinburgh and our fellow festivals within the city, continually striving to ensure that Edinburgh remains the World's leading festival city.

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.

On completion of the Festival, full settlement of the box office receipts 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 of £500,000.

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 unrestricted reserves at 30 November 2009 were £219,004 (2008: 15,099) of which £202,000 (2008 : £132,000) relates to the revaluation reserve. 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 and the funds donated to the Society set up as the Mike Wescott Fund. The Trustees expect that it will take at least another 2 years to establish an adequate level of reserves.

Trustees' report for the year ended 30 November 2009 (continued)

Plans for Future Periods

Constitutional review

The current constitution of the Society was written in 1969 and has undergone no significant review since. At the 2009 AGM, the Society's Board gave a commitment to review the constitution and a special working group has been formed to undertake this process on behalf of the Board. The working group has been asked, among other things, to identify options for a change to the constitution, to determine a process for changing the constitution, to fix a timetable for delivering changes to the constitution and to review the current composition and process for electing the Society's Board.

The first stage in the process was an online survey to establish the initial views of a variety of interested groups. With over 2,000 responses the survey results have provided a foundation for the group's ongoing work. In 2010 the working group will hold a series of in-depth meetings with key stakeholders as the next part of the process. The working group propose that the process will culminate with a General Meeting in the summer of 2010 that will vote on the proposed changes.

Appointment of Trustees

As set out in the Articles of Association the Board of Trustees consists of between 5 and 15 members. At 30 November 2009 there were 13 Trustees. 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 and if there are insufficient vacancies a ballot is held. 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.

Trustee Induction and Training

New Trustees meet with the CEO to be appraised on 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.

The full Board of Trustees undertook a full away day in June 2009 facilitated by Arts and Business, where Trustees skills and expertise were also assessed.

Organisation

The Board of Trustees, which administers the Society, meets at least four times a year. There are sub-committees covering finance, audit & risk assessment and business planning which meet as necessary. The Trustees elect one of their members as Chairman for such periods 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 CEO has delegated authority within terms of delegation approved by the Trustees, for operational matters including finance and employment.

Trustees' report for the year ended 30 November 2009 (continued)

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 taxable profits to the Society. This year gift aid amounted to £30,000 (2008: £28,500).

Risk Statement

The Finance Audit and Risk Committee, on behalf of 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.

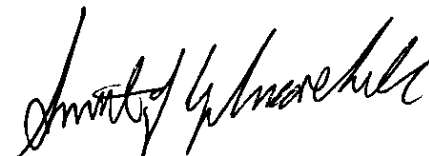
A recent review of the Risk Map suggested current high risks are around competition for funding and sponsorship which is being addressed by the employment of an experienced professional and regular updates from the Senior Management Team, and risks around competition from other festival cities being addressed with Festivals Edinburgh.

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



19 March 2010

Trustees' responsibilities in relation to the financial statements

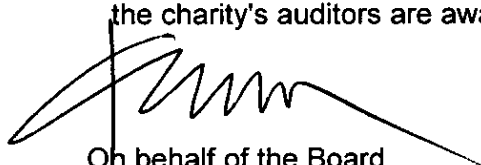
Company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to:

- 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 not 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 2006. 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

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

We have audited the group and parent charitable company's financial statements of Festival Fringe Society Limited for the year ended 30 November 2009 on pages 12 to 24.

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company'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 charitable company'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 charitable company, 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 trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you under those Acts.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate and proper accounting records, if the charitable company's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if disclosures of trustees' remuneration specified by law are not made.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Trustees' Annual Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

FESTIVAL FRINGE SOCIETY LIMITED

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(limited by guarantee)

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 group's and charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the 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 of the state of the charity's affairs as at 30 November 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

Janet Hamblin

(Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP,

Statutory Auditor

Chartered Accountants

First Floor, Quay 2

139 Fountainbridge

Edinburgh

EH3 9QG

Date 14 April 2010

FESTIVAL FRINGE SOCIETY LIMITED
(limited by guarantee)

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CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 30 November 2009

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2009 £ | Total Funds 2008 £ |
|--|-------|----------------------------|--------------------------|--------------------------|--------------------------|
| INCOMING RESOURCES | | | | | |
| <i>Incoming resources from generated funds</i> | | | | | |
| <i>Voluntary Income:</i> | | | | | |
| Grants and donations | 5 | 405,638 | 100,000 | 505,638 | 379,798 |
| <i>Activities for generating funds</i> | | | | | |
| Commercial trading operations | | 106,818 | - | 106,818 | 106,184 |
| Investment Income | 6 | 12,643 | - | 12,643 | 36,403 |
| | | 525,099 | 100,000 | 625,099 | 522,385 |
| <i>Incoming resources from charitable activities</i> | | | | | |
| Operation of festival activities | 7 | 1,850,359 | - | 1,850,359 | 1,641,386 |
| TOTAL INCOMING RESOURCES | | 2,375,458 | 100,000 | 2,475,458 | 2,163,771 |
| RESOURCES EXPENDED | | | | | |
| <i>Costs of generated funds</i> | | | | | |
| Fundraising costs of grants and donations | 8 | 416,888 | - | 416,888 | 400,721 |
| Commercial trading operations | | 51,318 | - | 51,318 | 55,744 |
| | | 468,206 | - | 468,206 | 456,465 |
| <i>Charitable activities</i> | | | | | |
| Operation of festival activities | 9 | 1,729,439 | 95,314 | 1,824,753 | 2,505,409 |
| Governance Costs | 8 | 56,594 | - | 56,594 | 79,304 |
| Total Resources expended | | 2,254,239 | 95,314 | 2,349,553 | 3,041,178 |
| Net incoming/(outgoing) resources before transfers | | | | | |
| | | 121,219 | 4,686 | 125,905 | (877,407) |
| Transfers | | | | | |
| Gross transfers between funds | 20 | 8,000 | (8,000) | - | (5,000) |
| Net incoming resources before other recognised gains and losses | | 129,219 | (3,314) | 125,905 | (882,407) |
| Other recognised gains/losses | | | | | |
| Gain on investment assets | 14/20 | 70,000 | - | 70,000 | - |
| Net Movement in Funds | | 199,219 | (3,314) | 195,905 | (882,407) |
| Reconciliation of funds | | | | | |
| Total funds brought forward | | 15,099 | 33,343 | 48,442 | 930,849 |
| Total funds carried forward | 20 | 214,318 | 30,029 | 244,347 | 48,442 |

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
(limited by guarantee)

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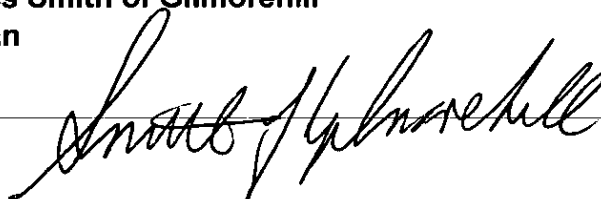
CONSOLIDATED BALANCE SHEET
as at 30 November 2009

| | Note | Group 2009 £ | Group 2008 £ | Charity 2009 £ | Charity 2008 £ |
|--|-------|--------------------|--------------------|----------------------|----------------------|
| Fixed Assets | | | | | |
| Tangible assets | 14 | 1,134,009 | 1,158,899 | 1,134,009 | 1,158,899 |
| Investments | 15 | - | - | 100 | 100 |
| | | 1,134,009 | 1,158,899 | 1,134,109 | 1,158,999 |
| Current Assets | | | | | |
| Stock | 16 | 17,496 | 18,736 | - | - |
| Debtors | 17 | 49,247 | 201,491 | 44,855 | 197,897 |
| Cash at bank and in hand | | 9,455 | 485 | 9,250 | 285 |
| | | 76,198 | 220,712 | 54,105 | 198,182 |
| Current Liabilities | | | | | |
| Creditors falling due within one year | 18 | (547,334) | (892,545) | (533,055) | (878,224) |
| Net current (liabilities) | | (471,136) | (671,833) | (478,950) | (680,042) |
| Total assets less current liabilities | | 662,873 | 487,066 | 655,159 | 478,957 |
| Creditors falling due after more than one year | 19 | (418,526) | (438,624) | (418,526) | (438,624) |
| Net assets | | 244,347 | 48,442 | 236,633 | 40,333 |
| Funds | | | | | |
| Restricted Funds | 20/21 | 30,029 | 33,343 | 30,029 | 33,343 |
| Unrestricted Funds: | | | | | |
| General | 20/21 | 12,318 | (116,901) | 4,604 | (125,010) |
| Revaluation Reserve | 20/21 | 202,000 | 132,000 | 202,000 | 132,000 |
| Total funds | 22/23 | 244,347 | 48,442 | 236,633 | 40,333 |

The notes on pages 14 to 24 form part of these accounts.

These financial statements were approved and authorised for issue by the directors on the 19 March 2010 and are signed on their behalf by:

Baroness Smith of Gilmorehill
Chairman



NOTES ON THE FINANCIAL STATEMENTS
30 November 2009

1. Accounting Policies

a) Going Concern

The Festival Fringe Society, including its trading subsidiary generated net incoming resources of £125,905 (before revaluation) for the year and at the 30 November 2009 had net assets of £244,347. The Society had net current liabilities of £471,136 at 30 November 2009. As such the Trustees have considered the appropriateness of the going concern policy status of the society.

The Society received short term financial assistance from The City of Edinburgh Council in the year to assist with the cash flow issues it faced as a result of the failure of the box office project in the previous year. It was also reliant on grant funding from the City of Edinburgh Council, Scottish Arts Council and the Scottish Government. Each of the above groups has noted their willingness to continue to support the Society going forward and the Trustees' have based their cashflow projections for the next two years on the assumption that grant funding will continue at a reasonable level, however the Trustees' will reduce activities and the related costs to match any reduction in income. Due to the seasonal variation in income the Society are also reliant on the current overdraft facility of £200k which is due to be renewed in June 2010, however the Trustees' are confident that this financial support will continue and as such the Trustees' are confident that a going concern basis is appropriate.

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 408 of the Companies Act 2006 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 2006.

NOTES ON THE FINANCIAL STATEMENTS
30 November 2009

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 a time specific 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.

h) Tangible fixed assets

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

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

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h) Tangible fixed assets (continued)

No capitalisation limit is in place, assets will be capitalised based on estimated useful life of the asset.

The company's 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 revalued on a regular basis. The flats were valued with vacant possession at £280,000 on 6 November 2009 by DM Hall Chartered Surveyors LLP.

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 UITF 29.

i) Stock

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

j) Pensions

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

k) Funds structure

The Society has a number of restricted income funds to reflect where a donor or grant giver requires that a donation must be spent on a particular purpose or where funds have been raised for a specific purpose. All other funds are unrestricted income funds including the revaluation reserve which reflects any increase in valuation of investment assets. The funds held in each of these categories are disclosed in Note 20.

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 (2008: £24,000) to Festival Fringe Trading Limited.
- Festival Fringe Trading Limited made a Gift Aid payment of £30,000 (2008: £28,500) to Festival Fringe Society Limited.
- At the balance sheet date, there was no intercompany balance

Two of the Society's 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. During the year amounts of £359,020 were invoiced by Red 61.

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4 Financial activities of the Trading subsidiary

The financial results 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 subsidiary is set out below:

| | 2009 | 2008 |
|---|----------------|----------------|
| | £ | £ |
| Turnover | 104,918 | 105,254 |
| Cost of sales & administrative expenses | (75,318) | (79,743) |
| Interest receivable | 5 | 649 |
| Net profit | 29,605 | 26,160 |
| Amount gift aided to the charity | (30,000) | (28,500) |
| Taxation charge | - | 1 |
| Accumulated loss | (395) | (2,339) |
| The assets and liabilities of the subsidiary were: | | |
| Current assets | 10,316 | 12,358 |
| Current liabilities | (2,502) | (4,149) |
| | 7,814 | 8,209 |
| Represented by: | | |
| Share capital | 100 | 100 |
| Retained profits | 7,714 | 8,109 |
| | 7,814 | 8,209 |

Incoming resources from commercial trading activities and Commercial trading operations included in the Group SOFA represent the incoming and outgoing funds from the wholly owned trading subsidiary, Festival Fringe Trading Limited, which is incorporated in the United Kingdom and which pays a significant proportion of its taxable profits to the charity by way of gift aid, (2009: £30,000) (2008: £28,500). There is a £24,000 Management Charge from the Society to the Trading company. The charity owns the entire share capital of 100 ordinary shares of £1 each.

5 Voluntary Income

| | Unrestricted Income | Restricted Income | Unrestricted Income | Restricted Income |
|------------------------------------|------------------------|----------------------|------------------------|----------------------|
| | 2009 | 2009 | 2008 | 2008 |
| | £ | £ | £ | £ |
| Sponsorship | 159,200 | 0 | 259,230 | 0 |
| Donations | 81,438 | 0 | 52,553 | 0 |
| Grants - Scottish Arts Council | 65,000 | 100,000 | 0 | 20,000 |
| Grants - City of Edinburgh Council | 100,000 | 0 | 48,015 | 0 |
| | 405,638 | 100,000 | 359,798 | 20,000 |

NOTES ON THE FINANCIAL STATEMENTS
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6 Investment Income

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

7 Incoming resources from charitable activities

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

8 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 (Note 9) | Costs of Generating Voluntary Income | Governance | Total | 2009 | Total 2008 |
|-------------------------------|--|---|---------------|------------------|------|------------------|
| | £ | £ | £ | | £ | |
| General office - unrestricted | 700,780 | 416,888 | 14,017 | 1,131,685 | | 1,353,099 |
| General office - restricted | 28,738 | - | - | - | - | - |
| Information Technology | 68,539 | - | - | 68,539 | | 122,841 |
| External audit | - | - | 12,367 | 12,367 | | 7,652 |
| Legal and professional fees | - | - | 30,210 | 30,210 | | 51,814 |
| Subsidiary taxation charge | - | - | - | - | - | - |
| | 798,057 | 416,888 | 56,594 | 1,242,801 | | 1,535,406 |

General office costs include staffing costs for the High Street, IT costs, marketing costs and various other general administrative costs.

9 Analysis of charitable expenditure

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

| | Unrestricted Expenses | Restricted Expenses | Unrestricted Expenses | Restricted Expenses |
|------------------------|--|--|--|---|
| | Costs of Festival Operations 2009 | Costs of Festival Operations 2009 | Costs of Festival Operations 2008 s | Costs of Festival Operation 2008 |
| | £ | £ | £ | £ |
| Support costs (Note 8) | 769,319 | 28,738 | 1,055,381 | 20,000 |
| Publications costs | 290,773 | - | 278,830 | - |
| Marketing costs | 168,183 | - | 203,788 | - |
| Projects and events | 122,613 | 66,576 | 398,333 | - |
| Box Office Costs | 378,551 | - | 569,077 | - |
| | 1,729,439 | 95,314 | 2,505,409 | 20,000 |

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10 Analysis of staff costs

| | 2009 | 2008 |
|-----------------------|-----------------------|-----------------------|
| | £ | £ |
| Wages and salaries | 599,201 | 755,429 |
| Social security costs | 47,456 | 70,353 |
| Other pension costs | 7,008 | 6,231 |
| | <u>653,665</u> | <u>832,013</u> |

No remuneration was paid to the directors for their services to the Society. The directors received aggregate expenses of £14,017 (2008:£19,838) during the year.

Included in the wages and salaries is payment of £58,680 for consultancy fees.

11 Staff numbers

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

| | 2009 | 2008 |
|-----------------------------------|------------------|------------------|
| Administration and sponsorship | 6 | 8 |
| Marketing, press and publications | 5 | 2 |
| Box office | - | 2 |
| Events | 3 | 2 |
| | <u>14</u> | <u>14</u> |

During the festival period the staff numbers increase to approximately 80 (2008:190).

12 Movement of the total funds for the year

| | 2009 | 2008 |
|---|----------------------|----------------------|
| | £ | £ |
| This is stated after charging: | | |
| Operating leases | 14,689 | 13,670 |
| Depreciation | 140,818 | 149,358 |
| Auditors remuneration-Audit (Group) | 10,220 | 9,695 |
| Auditors remuneration-non audit fee (Group) | 655 | 620 |
| Loan interest | <u>24,780</u> | <u>25,737</u> |

13 Taxation

| | 2009 | 2008 |
|------------------|-----------------|-----------------|
| | £ | £ |
| Taxation payable | <u>-</u> | <u>-</u> |

The trading subsidiary gift aided all of its surplus to the Society.

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14 Tangible fixed assets - group and charity

| | Investment property | Freehold/ Leasehold Property | Computer Equipment | Fixtures & fittings | Total |
|-----------------------|------------------------|------------------------------------|-----------------------|------------------------|------------------|
| | £ | £ | £ | £ | £ |
| Cost/Valuation | | | | | |
| As at 1.12.08 | 210,000 | 943,757 | 620,288 | 204,572 | 1,978,617 |
| Additions/revaluation | - | 12,208 | - | 33,720 | 45,928 |
| Revaluations | 70,000 | - | - | - | 70,000 |
| Disposals | - | - | - | - | - |
| As at 30.11.09 | <u>280,000</u> | <u>955,965</u> | <u>620,288</u> | <u>238,292</u> | <u>2,094,544</u> |
| Depreciation | | | | | |
| As at 1.12.08 | - | 333,779 | 283,734 | 202,204 | 819,717 |
| Charge for year | - | 33,223 | 104,331 | 3,264 | 140,818 |
| As at 30.11.09 | - | <u>367,002</u> | <u>388,065</u> | <u>205,468</u> | <u>960,535</u> |
| Net book value | | | | | |
| As at 30.11.09 | <u>280,000</u> | <u>588,963</u> | <u>232,223</u> | <u>32,824</u> | <u>1,134,009</u> |
| As at 1.12.08 | <u>210,000</u> | <u>609,978</u> | <u>336,554</u> | <u>2,368</u> | <u>1,158,899</u> |

The company's 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 revalued on a regular basis. The flats were valued on 6 November 2009 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.

15 Fixed asset investments

Cost and net book amount

| | |
|---|-------------------|
| | £ |
| At 1 December 2008 and 30 November 2009 | <u><u>100</u></u> |

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 £104,918 (2008: £105,254) with a loss after tax and gift aid of (£395) (2008: (£2,339)). The net asset value at the year end was £7,814 (2008: £8,209).

16 Stock

| | Group 2009 | Group 2008 | Charity 2009 | Charity 2008 |
|--------|---------------|---------------|-----------------|-----------------|
| | £ | £ | £ | £ |
| Stocks | <u>17,496</u> | <u>18,736</u> | <u>-</u> | <u>-</u> |

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17 Debtors

| | Group 2009 £ | Group 2008 £ | Charity 2009 £ | Charity 2008 £ |
|-------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade debtors | 7,000 | 7,477 | 5,656 | 7,477 |
| Other debtors | - | - | - | 461 |
| VAT debtor | 19,633 | 3,902 | 16,585 | - |
| Prepayments and accrued | 22,614 | 190,112 | 22,614 | 189,959 |
| | 49,247 | 201,491 | 44,855 | 197,897 |

There were no amounts falling due after one year.

18 Creditors: amounts falling due within one year

| | Group 2009 £ | Group 2008 £ | Charity 2009 £ | Charity 2008 £ |
|-------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Trade Creditors | 84,001 | 530,887 | 83,999 | 530,199 |
| Tax and social security costs | 11,378 | 38,859 | 11,378 | 38,859 |
| Bank Overdraft | 192,820 | 106,628 | 181,042 | 95,995 |
| Short Term Loan | 100,000 | - | 100,000 | - |
| Loans (Note 20) | 20,098 | 19,114 | 20,098 | 19,114 |
| Accruals and provisions | 139,037 | 197,057 | 136,538 | 194,057 |
| | 547,334 | 892,545 | 533,055 | 878,224 |

The £100,000 loan was provided from City of Edinburgh Council, the Scottish Arts Council and the Scottish Government and is due to be repaid by 31 March 2010. This was an interest free loan.

Overdrawn bank balances are secured by standard security over the properties at 180 High Street and 1/3 Borthwick Close, and a bond and floating charge over the assets of the Society, held by the Royal Bank of Scotland plc.

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19 Creditors: amounts falling after more than one year

| | Group 2009 £ | Group 2008 £ | Charity 2009 £ | Charity 2008 £ |
|-----------------|--------------------|--------------------|----------------------|----------------------|
| Loans (note 19) | <u>418,526</u> | <u>438,624</u> | <u>418,526</u> | <u>438,624</u> |

The City of Edinburgh Council has provided a loan to finance the purchase of the investment property. 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 2009 £ | Group 2008 £ |
|---|--------------------|--------------------|
| Amounts payable within 1 year | 20,098 | 19,114 |
| Amounts payable between 2 and 5 years | 91,292 | 86,820 |
| Amounts payable after more than 5 years | 327,234 | 351,804 |
| | <u>438,624</u> | <u>457,738</u> |

20 Analysis of charitable funds - Group

Analysis of restricted fund movement

| | Fund at 1.12.08 £ | Incoming resources £ | Resources expended £ | Transfers £ | Fund at 30.11.09 £ |
|------------------------|-------------------------|----------------------------|----------------------------|----------------|--------------------------|
| Mike Wescott Fund | 20,000 | - | - | (5,000) | 15,000 |
| Made in Scotland Grant | - | 100,000 | (95,314) | - | 4,686 |
| Tenants Improvements | 13,343 | - | - | (3,000) | 10,343 |
| Total restricted funds | <u>33,343</u> | <u>100,000</u> | <u>(95,314)</u> | <u>(8,000)</u> | <u>30,029</u> |

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 with £250 being released each month.

The Mike Westcott fund was bequested to the Festival Fringe Society to undertake projects which further the support and development of young people involved in the Edinburgh Festival Fringe. It is intended to spend the award over the next three years. During the year £5,000 was transferred to unrestricted funds to cover costs of a Children's poster competition, which is consistent with the conditions of the funding.

The Made in Scotland fund is a new initiative to showcase dance and theatre from Scottish companies at the Fringe. The funding allowed 13 companies to present and promote their work at the 2009 Fringe.

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Analysis of unrestricted fund movement - Group

| | Fund at 1.12.08 | Incoming resources | Resources expended | Transfers | Fund at 30.11.09 |
|---------------------|----------------------------|-------------------------------|-------------------------------|------------------|-----------------------------|
| | £ | £ | £ | £ | £ |
| General fund | (116,901) | 2,375,458 | (2,254,239) | 8,000 | 12,318 |
| Revaluation reserve | 132,000 | 70,000 | - | - | 202,000 |
| | 15,099 | 2,445,458 | (2,254,239) | 8,000 | 214,318 |
| Total Funds | 48,442 | 2,545,458 | (2,349,553) | - | 244,347 |

21 Analysis of charitable funds - Charity

Analysis of restricted fund movement

| | Fund at 1.12.08 | Incoming resources | Resources expended | Transfers | Fund at 30.11.09 |
|----------------------------|----------------------------|-------------------------------|-------------------------------|--------------------|-----------------------------|
| | £ | £ | £ | £ | £ |
| Mike Wescott Fund | 20,000 | - | - | (5,000) | 15,000 |
| Made in Scotland Grant | - | 100,000 | (95,314) | - | 4,686 |
| Tenants Improvements | 13,343 | - | - | (3,000) | 10,343 |
| Total restricted funds | 33,343 | 100,000 | (95,314) | (8,000) | 30,029 |

Analysis of unrestricted fund movement

| | Fund at 1.12.08 | Incoming resources | Resources expended | Transfers | Fund at 30.11.09 |
|---------------------|----------------------------|-------------------------------|-------------------------------|------------------|-----------------------------|
| | £ | £ | £ | £ | £ |
| General fund | (125,010) | 2,271,246 | (2,149,632) | 8,000 | 4,604 |
| Revaluation reserve | 132,000 | 70,000 | - | - | 202,000 |
| | 6,990 | 2,341,246 | (2,149,632) | - | 206,604 |
| Total Funds | 40,333 | 2,441,246 | (2,244,946) | - | 236,633 |

22 Analysis of net assets between funds - Group

| | General fund | Restricted funds | Total |
|--------------------------------|-------------------------|-----------------------------|----------------|
| | £ | £ | £ |
| Tangible fixed assets | 1,123,666 | 10,343 | 1,134,009 |
| Net current assets/liabilities | (490,822) | 19,686 | (471,136) |
| Long term liabilities | (418,526) | - | (418,526) |
| | 214,318 | 30,029 | 244,347 |

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23 Analysis of net assets between funds - Charity

| | General fund £ | Restricted funds £ | Total £ |
|--------------------------------|-------------------------------|-----------------------------------|--------------------|
| Tangible fixed assets | 1,123,766 | 10,343 | 1,134,109 |
| Net current assets/liabilities | (498,636) | 19,686 | (478,950) |
| Long term liabilities | (418,526) | - | (418,526) |
| | 206,604 | 30,029 | 236,633 |

24 Capital Commitments

The Board have not authorised any capital expenditure in the forthcoming year.