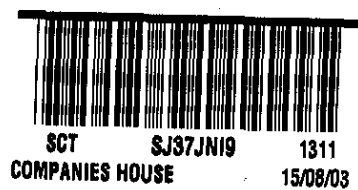


EDINBURGH FESTIVAL CENTRE LIMITED
Registered Number 171133

Directors' Report and Financial Statements

For the year ended 30 November 2002



EDINBURGH FESTIVAL CENTRE LIMITED

Directors' Report and Financial Statements

For the year ended 30 November 2002

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Secretary

Adrian Trickey

Auditors

PricewaterhouseCoopers LLP

Bankers

Royal Bank of Scotland plc

Solicitors

Maclay Murray & Spens

Registered office

The Hub, Castlehill, Edinburgh EH1 2NE

EDINBURGH FESTIVAL CENTRE LIMITED

Directors' Report

For the year ended 30 November 2002

The Directors submit their annual report and the audited financial statements for the year ended 30 November 2002.

Results and dividends

The loss for the year was £44,645 (2001 – profit of £8,906). It is the Directors' intention that profits over the next four years will offset this loss and those of prior periods. No dividend is proposed at 30 November 2002 (2001 – £nil).

Principal activities and review of the business

The company operates The Hub, Edinburgh's Festival Centre. The Company lets space in the building and runs a merchandise operation and a ticketing service for Edinburgh Festival Society and other event promoters. On the 22 June 2001 the whole business of Hub Events Limited was hived across to the company, which now directly operates all catering in the Hub. The Directors are confident that continuing business trends, building on the benefits of re-organisation, will return a modest surplus over the next three years. The company's results have been consolidated within the financial statements of Edinburgh Festival Society.

Directors

The Directors of the company during the year to 30 November 2002 were:

The Rt. Hon Eric Milligan (Chairman)	Cllr Elizabeth Maginnis (resigned 2 May 2002)
Cllr Donald Anderson (resigned 28 January 2002)	Mr Bill Main (resigned 21 October 2002)
Sir Peter Burt	Mr David McLellan (appointed 17 June 2002)
Cllr Lezley Cameron	Sir Brian McMaster CBE
Cllr Steve Cardownie (appointed 2 May 2002)	Cllr Alastair Paisley
Cllr Brian Fallon	Mr Ralph Parkinson
Cllr Ken Harrauld (appointed 2 May 2002)	Mr Philip Riddle
Mrs Carol Colburn Hogel	Mr Ian Russell
Mr Shan Khan (appointed 22 July 2002)	Mr James Stretton
Mr Des Loughney	Prof Joan Stringer CBE
Mr Donald MacDonald CBE	Cllr Elizabeth Wardlaw
Dr James MacMillan (resigned 17 June 2002)	

No Director had an interest in the company's share capital during the period.

All the Directors retire by rotation and, being eligible, offer themselves for re-election.

No Director had any interest in any contract of significance in relation to the company's business during or at the end of the period.

EDINBURGH FESTIVAL CENTRE LIMITED

Directors' Report - continued

For the year ended 30 November 2002

Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 November 2002 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors believe they have met these commitments.

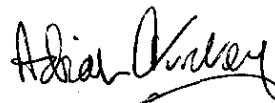
Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 28th February 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP as auditors.

Elective Resolutions

Elective resolutions were passed by written resolution of the sole member of the company on 9 February 2000 to dispense with the requirement to: (1) lay accounts and reports before the company in general meeting; and (2) hold annual general meetings.

By order of the board



Adrian Trickey
Secretary

12th May 2003

EDINBURGH FESTIVAL CENTRE LIMITED

Auditors' Report to the Members of Edinburgh Festival Centre Limited

For the year ended 30 November 2002

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

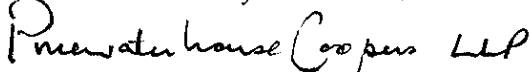
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 company's affairs at 30 November 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors

EDINBURGH 15 May 2003

EDINBURGH FESTIVAL CENTRE LIMITED

Profit and Loss Account

For the year ended 30 November 2002

	Notes	2002 £	2001 £
Turnover – continuing operations		1,705,216	877,794
Turnover – acquired operations		-	658,228
Total Turnover		<u>1,705,216</u>	<u>1,536,022</u>
Operating Costs – continuing operations		(1,718,537)	(985,542)
Operating Costs – acquired operations		-	(517,995)
Total Operating Costs		<u>(1,718,537)</u>	<u>(1,503,537)</u>
Operating Loss – continuing operations		(13,321)	(107,748)
Operating Profit – acquired operations		-	140,233
Total Operating (Loss)/Profit		<u>(13,321)</u>	<u>32,485</u>
Interest Receivable		10,594	11,444
Interest Payable	3	(41,918)	(35,023)
(Loss)/Profit on ordinary activities	2/16	<u>(44,645)</u>	<u>8,906</u>
Retained (Loss)/Profit for the Year		<u>(44,645)</u>	<u>8,906</u>

All the results of the company relate to continuing operations.

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities for the year stated above and its historical cost equivalent.


EDINBURGH FESTIVAL CENTRE LIMITED

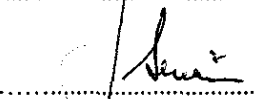
Balance Sheet

As at 30 November 2002

	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	5	6,480,346	6,572,834
Current assets			
Stock	6	52,518	33,669
Debtors	7	179,137	206,102
Bank and cash in hand		389,513	302,037
		<u>621,168</u>	<u>541,808</u>
Creditors: Amounts falling due within one year	8	<u>(900,570)</u>	<u>(775,545)</u>
Net current liabilities		(279,402)	(233,737)
Creditors: Amounts falling due after more than one year	9	(455,000)	(460,000)
		<u>5,745,944</u>	<u>5,879,097</u>
Total assets less current liabilities			
		<u>5,907,277</u>	<u>5,995,785</u>
Deferred income	10		
Capital and reserves			
Called up share capital	11	2	2
Profit and loss account	12/13	(161,335)	(116,690)
		<u>5,745,944</u>	<u>5,879,097</u>

The financial statements on pages 4 to 12 were approved by the board of Directors on 12th May 2003 and were signed on its behalf by:

 Rt. Hon Lesley Hinds, Lord Provost, Chairman

 Mr James Stretton, Depute Chairman

EDINBURGH FESTIVAL CENTRE LIMITED

Notes to the Financial Statements

For the year ended 30 November 2002

1. Accounting policies

Basis of accounting

The financial statements have been prepared on an historical cost basis in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Cash Flow Statement

The company qualifies as a small company under the terms of FRS 1 (revised) and section 247 of the Companies Act 1985 and is therefore exempt from the requirement to publish a cash flow statement.

Capital grants and donations

Grants and donations received in respect of the development of the Edinburgh Festival Centre are included within deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Fixed assets and depreciation

Fixed assets are included in the balance sheet at cost. Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	100 years
Furniture and fittings	5 years

Directly attributable finance costs are included in the cost of freehold buildings.

It is the company's policy to treat as fixed assets only items with a net cost of £1,000 or greater.

Turnover

Turnover represents the amounts received from sponsorship, rental income and ticket agency sales.

Sponsorship income is included in the year to which it relates.

Pension costs

Pension costs are accounted for on the basis of charging expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Deferred taxation and changes in accounting policy

FRS 19 (Deferred Taxation) is effective for accounting periods ending on or after 23 January 2002. FRS 19 introduces a form of full provisioning for accounting for tax. Although adoption of FRS 19 represents a change in accounting policy, this has had no effect on previously reported results.

Deferred taxation is provided at current rates of corporation tax on all timing differences, which have originated, but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. The company, as permitted by FRS 19, has not adopted a policy of discounting deferred tax assets and liabilities.

EDINBURGH FESTIVAL CENTRE LIMITED

Notes to the Financial Statements - continued

For the year ended 30 November 2002

2.	(Loss)/profit on ordinary activities	2002	2001
		£	£
	(Loss)/profit on ordinary activities is stated after charging/(crediting):		
	Auditors remuneration	1,050	1,300
	Depreciation	93,641	93,641
	Release of capital grants	(88,508)	(88,507)
		<hr/>	<hr/>
3.	Interest payable	2002	2001
		£	£
	Bank overdraft	1,097	568
	Other interest payable	40,821	34,455
		<hr/>	<hr/>
		41,918	35,023
		<hr/>	<hr/>
4.	Staff numbers and costs	2002	2001
	The average number of full time employees during the year was		
	Administration	5	3
	Operations	28	20
		<hr/>	<hr/>
		33	23
		<hr/>	<hr/>
	The aggregate remuneration and associated costs of the employees were:	£	£
	Salaries	730,794	632,903
	Social security costs	48,311	32,039
	Pension costs (note 14)	26,906	19,636
		<hr/>	<hr/>
		806,011	684,578
		<hr/>	<hr/>

No remuneration or reimbursement of expenditure was paid to any directors of the company.

EDINBURGH FESTIVAL CENTRE LIMITED

Notes to the Financial Statements - continued

For the year ended 30 November 2002

5.	Fixed assets	Freehold Buildings £	Furniture & fittings £	Total £
	Cost			
	At 1 December 2001	6,656,675	132,427	6,789,102
	Additions	1,153	-	1,153
	At 30 November 2002	6,657,828	132,427	6,790,255
	Depreciation			
	At 1 December 2001	159,917	56,351	216,268
	Depreciation charge for year	66,536	27,105	93,641
	At 30 November 2002	226,453	83,456	309,909
	Net book value			
	At 30 November 2002	6,431,375	48,971	6,480,346
	At 30 November 2001	6,496,758	76,076	6,572,834
	Included within freehold buildings is £20,691 (2001 - £20,691) of finance costs.			
6.	Stock		2002 £	2001 £
	Goods for retail sale		52,518	33,669
7.	Debtors		2002 £	2001 £
	Trade debtors		151,304	126,284
	Other debtors		245	39,800
	Amounts owed by fellow subsidiaries		7,151	6,888
	Prepayments		18,872	24,150
	Accrued income		1,565	8,980
			179,137	206,102

EDINBURGH FESTIVAL CENTRE LIMITED

Notes to the Financial Statements - continued

For the year ended 30 November 2002

8. Creditors: amounts falling due within one year	2002	2001
	£	£
Bank overdraft	62,032	4,362
Loan	55,000	55,000
Trade creditors	384,207	74,389
Taxation and social security	62,262	14,147
Amounts due to parent company	253,171	228,234
Accruals	34,351	29,988
Deferred income	46,397	31,080
Other creditors	3,150	338,345
	<u>900,570</u>	<u>775,545</u>

9. Creditors: amounts falling due after more than one year	2002	2001
	£	£
Loan	455,000	460,000
	<u>455,000</u>	<u>460,000</u>

Analysis of debt:

Debt can be analysed as falling due:		
In one year or less, or on demand	55,000	59,362
Repayable between one and two years	55,000	55,000
Between two and five years	220,000	160,000
Repayable outwith five years	180,000	245,000
	<u>510,000</u>	<u>519,362</u>

The £500,000 loan received from Edinburgh International Festival capital fund is repayable in annual instalments of £50,000 commencing April 2003 and bears interest at 1½% over bank base rate.

The £25,000 loan received from the Church of Scotland is repayable in annual instalments of £5,000 which commenced in March 2000 and is interest free. Both loans are secured by a standard security over the assets of the company.

EDINBURGH FESTIVAL CENTRE LIMITED

Notes to the Financial Statements - continued

For the year ended 30 November 2002

10.	Deferred Income – Capital grants received	2002	2001
		£	£
	SAC Lottery Grant	3,700,000	3,700,000
	Heritage Projects	1,200,000	1,200,000
	EDC/LRC grant	500,000	500,000
	Lothian & Edinburgh Enterprise Limited	418,000	418,000
	Heritage Lottery Fund	276,500	276,500
	Old Town Renewal Trust	92,000	92,000
	TSB Foundation	30,000	30,000
	Miscellaneous corporate donations	11,500	11,500
	Historic Scotland	47,727	47,727
		<hr/>	<hr/>
	Total received	6,275,727	6,275,727
	Released in prior years	(279,942)	(191,435)
	Released in year	(88,508)	(88,507)
		<hr/>	<hr/>
		5,907,277	5,995,785
		<hr/>	<hr/>
11.	Share capital and equity shareholders' funds	2002	2001
		£	£
	Authorised		
	100 ordinary shares at £1 each	100	100
		<hr/>	<hr/>
	Allotted, called up and fully paid		
	2 ordinary shares at £1 each	2	2
		<hr/>	<hr/>
12.	Profit and loss account	2002	2001
		£	£
	At 1 December 2001	(116,690)	(125,596)
	(Loss)/profit for financial year	(44,645)	8,906
	At 30 November 2002	(161,335)	(116,690)

EDINBURGH FESTIVAL CENTRE LIMITED

Notes to the Financial Statements - continued

For the year ended 30 November 2002

13. Equity Shareholders funds	2002	2001
	£	£
Opening equity shareholders' funds	5,879,097	5,958,698
(Loss)/profit for year	(44,645)	8,906
Deferred income	(88,508)	(88,507)
Closing equity shareholders' funds	5,745,944	5,879,097

14. Pension obligations

The company contributes on behalf of staff to either their own personal money purchase schemes or to the Lothian Pension Fund of the City of Edinburgh Council which provides benefits based on final pensionable salary. The assets of the schemes are held separately from those of the company. Entry to the Lothian Pension Fund for employees of Edinburgh Festival Centre Limited was closed to new members on 31st October 2001.

The contributions of the company and employees to the Lothian Pension Fund were 15% and 6% respectively from 1 April 2001 to 31 March 2002. From 1 April 2002 they changed to 16.5% and 6%. The latest actuarial valuation was at 31 March 2002. This showed the past service funding level of 96% representing a deficit of £73.9 million. The market value of the scheme's assets at 31 March 2002 were £1,784 million.

The contributions of the company to personal pension plans are 6% of earnings.

The total costs to Edinburgh Festival Centre Limited of contributions to the above schemes during the year were £26,906 (2001 - £19,636).

Disclosures required by FRS17 – Retirement Benefits can be found within the Financial Statements of the parent undertaking, Edinburgh Festival Society.

15. Operating Leases

At 30th November 2002, the company has annual commitments under non-cancellable operating leases for land and buildings expiring as follows:

	2002	2001
	£	£
Operating Leases can be analysed as falling due:		
Within one year	-	-
Within two to five years	-	-
After five years	12,750	12,750
	12,750	12,750

All operating leases are for storage premises used by Edinburgh Festival Society and its subsidiaries.

EDINBURGH FESTIVAL CENTRE LIMITED

Notes to the Financial Statements - continued

For the year ended 30 November 2002

16. Taxation

There was no current or deferred taxation charge (2001: nil) for the period due to the losses incurred by the company.

	2002 £	2001 £
(Loss)/profit on ordinary activities before tax	(44,645)	8,906
(Loss)/profit on ordinary activities multiplied by the small companies' rate of corporation tax in the UK 19% (2001: 20%)	(8,483)	1,781
Effects of:		
Amounts not allowable for tax purposes	(4,104)	(6,283)
Deferred tax movement not recognised	12,587	4,502
Tax charge for the period	-	-

The total amount of the deferred tax asset not recognised is £58,158 (2001: £47,969).

17. Related parties

The company is a wholly owned subsidiary of the Edinburgh Festival Society, incorporated in Scotland and considers Edinburgh Festival Society to be its ultimate controlling party.

The company's results are consolidated within the financial statements of Edinburgh Festival Society, copies of which can be obtained from the Company Secretary, The Hub, Castlehill, Edinburgh. Hence, under FRS8 it is exempt from disclosure of transactions with that company.