

**Edinburgh
Festival
Centre
Limited**

**Report and Financial
Statements**

For the year ended
31 October 2016



**Company Registration Number
SC171133**

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Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016

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Directors

Professor Niall Lothian OBE (Chairman)
Joanna Baker
Sir John Elvidge
Councillor Sandy Howat
Tari Lang
Fergus Linehan
Keith Miller CBE

Company Secretary

Joanna Baker

Auditors

Henderson Loggie
34 Melville Street
Edinburgh EH3 7HA

Bankers

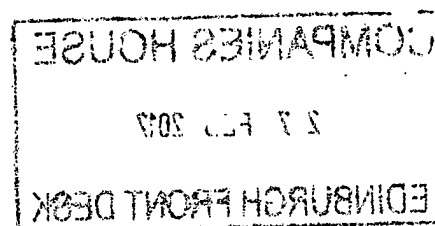
Royal Bank of Scotland PLC
30 Nicolson Street
Edinburgh EH8 9DL

Solicitors

Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

Registered office

The Hub, Castlehill
Edinburgh EH1 2NE



Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Strategic report

The directors submit their annual Report and the audited Financial Statements for the year ended 31 October 2016.

Results and dividends

The profit on ordinary activities for the year was £34,000 (2015: £62,000). After a donation to the parent company of the prior year profit of £62,000 (2015: £29,000) the loss for the year was £28,000 (2015: profit of £33,000). No dividend is proposed (2015: £nil).

The individual operations performed as follows: Hub Tickets – profit of £17,000 (2015: £27,000); catering operation – profit of £17,000 (2015: £35,000).

The catering operation comprises a year round café business, and an events business. The café operation showed income of £173,000 (2015: £108,000); whilst the events operation showed income of £250,000 (2015: £274,000) (both figures less direct costs of food, beverage, labour and department variable overheads). Other overheads, comprising kitchen, marketing, administration and building maintenance, are not allocated directly to revenue operations.

Principal activities and review of the business

The company operates The Hub, which includes the offices of the Edinburgh International Festival and Hub Tickets, a ticketing service for the Edinburgh International Festival and other event promoters. The company also lets space in the building for functions and events, which includes weddings, conferences, association and other function business, providing catering services for those events as required. A public restaurant, Café Hub, is open year round with extended hours during the peak months of July and August.

Whilst trading conditions remained challenging in 2016, the business produced profits due to a combination of good cost controls and a continued focus on profit margins and improving yield management. This result enabled the Board to build on the accumulated surplus of the business.

Event sales in 2016 were aided by the revenue generated during the 2016 Festival, which saw the Hub used as a nightly performance venue and a social space for artists and supporters. Over the rest of the year, there was a significant trend towards late bookings from corporate clients. Indirect business referrals have been on a downward trend, due in part to increased capacity across the City. Sales in the cafe performed well in 2016 with a total turnover of £481,000 (2015: £366,000).

Outlook

Although the economic climate is expected to remain very difficult in 2017, the directors are confident that the company can continue to compete successfully in its target markets, producing profits that are expected to create additional surplus and meet costs of maintaining the building.

Principal risks and uncertainties

The management of the business and the delivery of the company's strategy are subject to a number of business risks. The key risks include those relating to competition from both national and independent retailers and service providers, employee retention, product availability, the maintenance of a historic building and the current economic climate. Actions to mitigate these risks include regular review of sales and marketing initiatives, including the appointment in 2017 of a dedicated Wedding Co-ordinator to drive bookings in this area; and a preventative maintenance programme for the building.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Strategic report (continued)

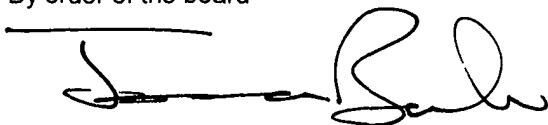
Key performance indicators

The core operational requirements of Edinburgh Festival Centre Ltd have been defined by the directors as:

- managing and developing The Hub's events, meetings and catering business in order to optimise revenue
- managing and maintaining an historic listed building and provide building support services to the Edinburgh International Festival within The Hub
- working alongside the Edinburgh International Festival team to maximise opportunities for income generation from bars and catering over the August Festival period and to deliver customer service appropriate to the August Festival operation

The directors and senior management regularly review a range of detailed key performance indicators to assist with the development and performance of the business. These include but are not limited to: monthly management accounts, weekly profit and loss for core trading areas of the catering business, events sales forecasts for the year reviewed on a weekly basis and event feed back using the online Survey Monkey tool.

By order of the board

A handwritten signature in black ink, appearing to read 'Joanna Baker', written over a horizontal line.

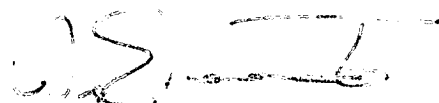
Joanna Baker
Company Secretary
Edinburgh
20 February 2017

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Directors' report

Directors

The directors of the company during the year were:

Professor Niall Lothian OBE (Chairman)
Joanna Baker
Sir John Elvidge
Councillor Sandy Howat
Tari Lang
Fergus Linehan
Keith Miller CBE
Councillor Gordon Munro (resigned 13/06/2016)



No director had an interest in the company's share capital during the year.

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

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information of which the company's auditors are unaware. Additionally the directors have taken all the necessary steps that they ought to have taken in order to make themselves aware of all relevant information and to establish that the auditors are aware of that information.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Directors' report (continued)

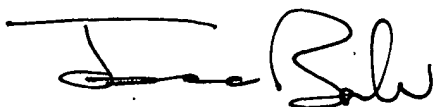
Auditors

Pursuant to a shareholders' resolution the company is not obliged to re-appoint its auditors annually and Henderson Loggie will therefore continue in office.

Elective resolutions

Elective resolutions were passed by written resolution of the sole member of the company on 9 February 1998 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

A handwritten signature in black ink, appearing to read 'Joanna Baker', written over a horizontal line.

Joanna Baker
Company Secretary
Edinburgh
20 February 2017

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Independent auditors' report to the shareholders
of Edinburgh Festival Centre Limited

We have audited the financial statements of Edinburgh Festival Centre Limited for the year ended 31 October 2016 which comprise the profit and loss account, the balance sheet, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2016 and of the loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Davidson (Senior Statutory Auditor)
For and on behalf of Henderson Loggie Statutory Auditors
Edinburgh
20 February 2017

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Profit and loss account
for the year ended 31 October 2016

	Notes	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Turnover		2,090	1,970
Operating costs		<u>(2,057)</u>	<u>(1,909)</u>
Operating profit	2	33	61
Bank interest receivable	3	1	1
Profit on ordinary activities		34	62
Donation to parent company		<u>(62)</u>	<u>(29)</u>
(Loss)/profit on ordinary activities before taxation		(28)	33
Tax on (loss)/profit on ordinary activities	5	—	—
(Loss)/profit for the year	13	<u>(28)</u>	<u>33</u>

All the results of the company relate to continuing operations.

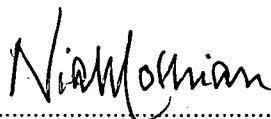
The company has no recognised gains and losses other than those included in the loss above.

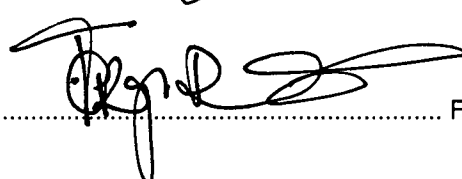
There is no difference between the loss on ordinary activities for the year stated above and its historical cost equivalent.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Balance sheet
as at 31 October 2016

	Notes	2016 £000s	2016 £000s	2015 £000s	2015 £000s
Fixed assets					
Tangible assets	6		6,179		6,208
Current assets					
Stock	7	17		19	
Debtors	8	89		72	
Bank and cash in hand		<u>284</u>		<u>146</u>	
		390		237	
Creditors: amounts falling due within one year	9	(1,521)		(1,301)	
Net current liabilities			(1,131)		(1,064)
Total assets less current liabilities			5,048		5,144
Creditors: amounts falling due after one year	10		-		(8)
Deferred income	11		<u>(5,014)</u>		<u>(5,074)</u>
Net assets			<u>34</u>		<u>62</u>
Capital and reserves					
Called up share capital	12		-		-
Profit and loss account	13		<u>34</u>		<u>62</u>
Equity shareholder's funds	14		<u>34</u>		<u>62</u>

The financial statements on pages 8 to 19 were approved by the board of Directors on 20 February 2017 and were signed on its behalf by:

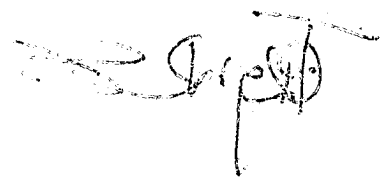
..... Professor Niall Lothian OBE, Chairman

..... Fergus Linehan

Company Registration Number SC171133

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Statement of Cash Flows

	Notes	2016 £000s	2015 £000s
Cash flows from operating activities:			
Net cash provided by operating activities	18	240	120
Cash flows from investing activities:			
Dividends, interest and rents from investments		1	1
Purchase of property, plant and equipment		(103)	(98)
Net cash provided by investing activities		(102)	(97)
Change in cash and cash equivalents in the reporting period		138	23
Cash and cash equivalents at the beginning of the reporting period	19	146	123
Cash and cash equivalents at the end of the reporting period	19	284	146



Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements

1. Accounting policies

Edinburgh Festival Centre Limited is a private company limited by shares incorporated in Scotland. The registered office is The Hub, Castlehill, Edinburgh, EH1 2NE.

Basis of preparation

These financial statements have been prepared to fully comply with FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102") and the requirements of the Companies Act 2006.

Reconciliation with previous Generally Accepted Accounting Practice

This is the first year in which the financial statements have been prepared under FRS102. The directors have considered whether in applying the accounting policies required by FRS102, the restatement of comparative items was required. At the date of transition no restatements were required. No change was required to profits and losses and the opening balances remained as previously stated:

	31 October 2015 £000s	1 November 2014 £000s
Equity shareholder's funds	<u>62</u>	<u>29</u>

Basis of accounting

The financial statements have been prepared on an historical cost basis in accordance with applicable accounting standards in the United Kingdom. They have been prepared on a going concern basis which assumes that the company will continue to trade. The validity of this assumption is dependent on the continued financial support of the parent company. The parent company has indicated that it will continue its support. If the company was unable to trade, adjustments would have to be made for future liabilities that may arise and to restate assets at their realisable amounts.

A summary of the more important accounting policies is set out below.

Capital grants and donations

Capital 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:

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

Directly attributable finance costs are included in the costs of land & buildings.

It is the company's policy to treat as fixed assets only items with a net cost of £2,000 or greater.

Stock

Stock is valued at the lower of cost and net realisable value after making allowance for slow and obsolete stock.

Turnover

Turnover represents the amounts received from sponsorship, rental income, catering and ticket agency sales exclusive of Value Added Tax.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

Pension scheme arrangements

The company makes a contribution on behalf of staff either to their own or to one of the Edinburgh Festival Centre's workplace money purchase pension schemes. The contributions are charged to the profit and loss account as they fall due.

Further information about pension schemes is disclosed in note 15.

Deferred taxation

Deferred taxation is provided at current rates of corporation tax on all timing differences, which have originated, but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not that there will be taxable profits from which the underlying timing differences can be deducted. The company has not adopted a policy of discounting deferred tax assets and liabilities, as permitted by Financial Reporting Standard 102 (FRS102).

Financial instruments

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

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

2. Operating loss/profit on ordinary activities

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Operating loss/profit on ordinary activities is stated after charging/(crediting):		
Depreciation	132	131
Release of capital grants	(60)	(60)
Operating leases	16	16

Auditors' remuneration is borne by the company's parent, Edinburgh International Festival Society.

3. Interest receivable

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Bank interest	1	1
	<u>1</u>	<u>1</u>

4. Staff numbers and costs

	Year ended 31 October 2016	Year ended 31 October 2015
The average number of employees, including seasonal staff, during the year was:		
Administration	1	1
Operations	74	77
	<u>75</u>	<u>78</u>

The aggregate remuneration and associated
costs of the employees were:

	£000s	£000s
Salaries	970	918
Social security costs	73	67
Pension costs (note 15)	53	50
	<u>1,096</u>	<u>1,035</u>

The directors are considered to be the key management of the company.
No remuneration or reimbursement of expenditure was paid by the company to any of the directors.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

5. Taxation

There was no current or deferred taxation charge (2015: £nil) for the year.

	Year ended 31 October 2016 £000s	Year ended 31 October 2015 £000s
Profit on ordinary activities before tax	34	62
Profit on ordinary activities multiplied by the small companies' rate of corporation tax in the UK 20.0% (2015: 20.0%)	7	12
Effects of:		
Capital allowances and other timing differences	(7)	(12)
Tax charge for the period	-	-

The total amount of the deferred tax liability not recognised is £nil (2015: asset of £18,740).

This asset was not recognised in the prior year as the directors were not confident of its eventual recovery.

6. Fixed assets

	Land & buildings £000s	Furniture & fittings £000s	Computer equipment £000s	Assets under construction £000s	Total £000s
Cost					
As at 1st November 2015	6,917	530	97	76	7,620
Additions during period	-	103	-	-	103
Transfers during period	-	76	-	(76)	-
As at 31st October 2016	6,917	709	97	-	7,723
Depreciation					
As at 1st November 2015	1,121	253	38	-	1,412
Depreciation for period	69	44	19	-	132
As at 31st October 2016	1,190	297	57	-	1,544
Net book value					
As at 31st October 2016	<u>5,727</u>	<u>412</u>	<u>40</u>	-	<u>6,179</u>
As at 31st October 2015	<u>5,796</u>	<u>277</u>	<u>59</u>	<u>76</u>	<u>6,208</u>

Included within land & buildings is £20,691 (2015: £20,691) of finance costs.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

7. Stock

	2016 £000s	2015 £000s
Goods for retail sale	<u>17</u>	<u>19</u>

8. Debtors

	2016 £000s	2015 £000s
Trade debtors	31	35
Other debtors	23	14
Prepayments	35	23
	<u>89</u>	<u>72</u>

9. Creditors: amounts falling due within one year

	2016 £000s	2015 £000s
Trading balance due to parent company	1,183	733
Trade creditors	57	54
Other creditors	75	104
Other taxes and social security costs	83	125
Accruals	8	68
Deferred income	115	138
Loan due to parent company (note 10)	-	79
	<u>1,521</u>	<u>1,301</u>

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

10. Creditors: amounts falling due after one year

	2016 £000s	2015 £000s
Deferred Income	-	8
Loan due to parent company	-	-
	<u>-</u>	<u>8</u>

Analysis of debt:

Debt can be analysed as falling due:

Repayable in one year or less, or on demand	-	79
Repayable between one and two years	-	-
Repayable between two and five years	-	-
	<u>-</u>	<u>79</u>

A £474,000 loan was received in the year ended 31 October 2011 from the company's parent. This loan is repaid in six annual instalments of £79,000 which concluded on 31 March 2016. No interest was payable on the loan in the period.

Royal Bank of Scotland holds a bond and floating charge over the assets of the group. This charge ranks after the security detailed in note 11.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

11. Deferred income – capital grants received

	2016 £000s	2015 £000s
Total received	6,276	6,276
Released in previous years	(1,202)	(1,142)
Released in year	(60)	(60)
	<u>5,014</u>	<u>5,074</u>

Capital grants received of £5,014,000 (2015: £5,074,000) represents grants received by Edinburgh Festival Centre Limited in respect of the development of The Hub, less amounts released to date.

Of this balance £4,714,000 will be released after more than five years (2015: £4,774,000).

The Scottish Arts Council Lottery grant of £3,700,000 included within this fund may be repayable to Creative Scotland in certain circumstances and is secured by a standard security over the assets of Edinburgh Festival Centre Limited.

12. Share capital

	2016 £	2015 £
Allotted, called up and fully paid 2 ordinary shares at £1 each	<u>2</u>	<u>2</u>

13. Profit and loss account

	2016 £000s	2015 £000s
Accumulated profit brought forward	62	29
(Loss)/profit for the year	(28)	33
	-	-
Accumulated profit carried forward	<u>34</u>	<u>62</u>

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

14. Equity shareholder's funds

	2016 £000s	2015 £000s
Opening equity shareholder's funds	62	29
(Loss)/profit for the year	(28)	33
		-
Closing equity shareholder's funds	<u>34</u>	<u>62</u>

15. Pension obligations

The company offers to contribute on behalf of staff either to their own or to one of the Edinburgh Festival Centre's workplace money purchase pension schemes.

A number of the company's former employees are members of the Lothian Pension Fund which is a defined benefit scheme that was funded by contributions partly from the employees and partly from the company at rates determined by an independent actuary. The assets of the scheme are held separately from those of the company. Entry to the Fund for employees of the company was closed to new members on 31 October 2001.

The company is unable to separately identify its share of underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Financial Reporting Standard 102, accounts for the scheme as if it were a defined contribution scheme.

The total costs to Edinburgh Festival Centre Limited of contributions to the above schemes during the year were £36,800 (2015: £35,422). This included a year end accrual of £4,587 (2015: £4,335).

16. Operating leases

At 31 October 2016, the company has total commitments under non-cancellable operating leases for land and buildings expiring as follows:

	2016 £000s	2015 £000s
Operating leases as falling due:		
Within one year	11	15
Within two to five years	-	11
Total	<u>11</u>	<u>26</u>

The operating leases are for storage premises used by the company.

Edinburgh Festival Centre Limited
Report and Financial Statements
for the year ended 31 October 2016
Notes to the Financial Statements (continued)

17. Capital commitments

Capital expenditure commitments contracted for as at 31 October 2016 but not provided for in these financial statements total £nil (2015: £80,000).

18. Reconciliation of net expenditure/income to net cash flow from operating activities

	2016	2015
	£000s	£000s
Profit on ordinary activities before tax	(28)	33
Adjustments for:		
Depreciation charges	132	131
Dividends, interest and rents from investments	(1)	(1)
Decrease/(increase) in stocks	2	(6)
(Increase)/decrease in debtors	(17)	36
Increase/(decrease) in creditors	152	(73)
Cash flows from operating activities	240	120

19. Analysis of cash and cash equivalents

	2016	2015
	£000s	£000s
Cash in hand	284	146
Total cash and cash equivalents	284	146

20. Ultimate controlling party

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

The company's results are consolidated within the financial statements of Edinburgh International Festival Society, copies of which can be obtained from the Company Secretary, The Hub, Castlehill, Edinburgh EH1 2NE. Hence, under Financial Reporting Standard 102 (FRS102), it is exempt from disclosure of transactions with that company.