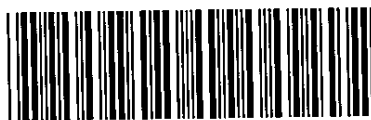




**THE EDINBURGH INTERNATIONAL
BOOK FESTIVAL LIMITED**

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2012**

TUESDAY



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17/09/2013

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COMPANIES HOUSE

**COMPANY NUMBER SC079939
SCOTTISH CHARITY NUMBER SC010120**

THE EDINBURGH INTERNATIONAL BOOK FESTIVAL LIMITED 1

COMPANY INFORMATION

COMPANY NUMBER SC079939

CHARITY NUMBER SC010120

DIRECTORS
(TRUSTEES) Jenny Brown (Vice Chair)
Fiona Brownlee
Tom Connor
Ewan Easton
Andrew Franklin
James Jauncey
Susan Rice (Chair)
Fiammetta Rocco
Carol Wood

MANAGEMENT

DIRECTOR Nick Barley
ADMINISTRATIVE DIRECTOR Andrew Coulton (until 31 January 2013)
Sarah Loveday (from 1 February 2013)
Amanda Barry

MARKETING AND PR MANAGER
CHILDREN AND EDUCATION
PROGRAMME DIRECTOR Janet Smyth
ASSOCIATE DIRECTOR Roland Gulliver (previous title Programme
Manager)

BOOKSALES AND RETAIL
MANAGER James Shaw
PRESS MANAGER Frances Sutton
SPONSORSHIP AND DEVELOPMENT
MANAGER Sadie McKinlay
OPERATIONS MANAGER Claire Hilditch
COMPANY SECRETARY Andrew Coulton (until 31 January 2013)
Sarah Loveday (from 1 February 2013)

PRINCIPAL ADDRESS
AND REGISTERED OFFICE 5a Charlotte Square
Edinburgh EH2 4DR

ACCOUNTANTS McFadden Associates Limited
Chartered Accountants
19 Rutland Square
Edinburgh EH1 2BB

AUDITORS Geoghegans
Chartered Accountants
6 St Colme Street
Edinburgh EH3 6AD

BANKERS Royal Bank of Scotland
36 St Andrew Square
Edinburgh EH2 2YB

DIRECTORS' REPORT

The directors, who are also trustees for the purposes of charity law, submit their report and the audited consolidated financial statements of the charity for the year ended 31 December 2012.

STRUCTURE, GOVERNANCE AND MANAGEMENT

STATUS OF THE COMPANY

The Edinburgh International Book Festival Limited is a company limited by guarantee and a registered Scottish charity.

The charitable company is governed under its Memorandum and Articles of Association. The income and property of the company is required to be applied solely towards the promotion of its objects. In the event of dissolution of the company each member of the company is liable to contribute £1. If upon the winding up or dissolution of the company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, it is required to be transferred either to a body with objects similar to the company or to some institution or institutions the objects of which are the promotion of charity.

DIRECTORS (TRUSTEES)

Jenny Brown (Vice Chair)
Fiona Brownlee
Tom Connor
Ewan Easton
Andrew Franklin
James Jauncey
Susan Rice (Chair)
Fiammetta Rocco
Carol Wood

All directors are ex-officio members of the charitable company and are not required to retire by rotation.

RECRUITMENT AND APPOINTMENT OF DIRECTORS

Directors are recruited to reflect the various skills and knowledge beneficial to the running of the organisation. The current Board includes members from such areas as bookselling, publishing (Scottish and UK), education, writing, literary agents, the law and banking.

DIRECTORS' REPORT (CONTINUED)

TRAINING AND INDUCTION OF DIRECTORS

New directors are given a copy of the board handbook and induction pack, copies of key documents (including the latest audited accounts, memorandum and articles, current business plan and organisation chart) and are introduced to key management staff. Training through organisations such as Arts and Business is offered on a regular basis to all directors.

ORGANISATION AND KEY STAFF

Director:	Nick Barley
Administrative Director:	Andrew Coulton (until 31 January 2013) Sarah Loveday (from 1 February 2013)
Marketing and PR Manager:	Amanda Barry
Children and Education Programme Director:	Janet Smyth
Associate Director (was Programme Manager):	Roland Gulliver
Booksales and Retail Manager:	James Shaw
Press Manager:	Frances Sutton
Sponsorship and Development Manager:	Sadie McKinlay
Operations Manager:	Claire Hilditch

The Director oversees the strategic direction of the charitable company, makes programming, content and media decisions, and leads the programming team.

The Administrative Director oversees the day-to-day management of the charitable company, working closely with the Director in order to make and implement decisions affecting site, staffing, and finance, and all other areas of operation. Significant areas of change (financial or operational) are discussed with, and approved by, the Board. Budgets are set by the Director and the Administrative Director and ratified by the Board.

The charitable company ensures that staff are given the opportunity to undertake ongoing training to further their skills and that a biannual staff development review identifies areas of training which would be beneficial to both the member of staff and the company.

The Book Festival is proud to be an Investor in People – a status which is independently reviewed on a three year basis to ensure that the required standards are maintained. The award was renewed in May 2012 for another three years.

RISK MANAGEMENT

The charity maintains a formal risk register identifying major current external and internal risk for the company. This tool provides the basis for review of risk management by the

DIRECTORS' REPORT (CONTINUED)

Administrative Director and Board of Directors to ensure that systems and procedures have been established to mitigate these risks.

The risk register is reviewed annually by the Board and on an ongoing basis by management. This year's review identified that sufficient systems and control measures were in place to mitigate the major risks that could face the charity. One of the most significant latent risks remains in the area of credit card security compliance; the charity has completed several more steps towards compliance in 2012 including strengthening of the security of our website, and is now focusing on achieving the final level of compliance with data storage. The Book Festival website itself carries an inherent risk given the extreme volume of transactions it is required to handle on the opening day of public ticket sales; further investment in optimising performance and enhancing the customer experience was undertaken in 2012 and continues into 2013.

OBJECTIVES AND ACTIVITIES

The charitable object of the company, as set out in its Memorandum and Articles of Association is to promote the reading of, study, appreciation, and knowledge of books and all forms of literature and to stimulate and educate public interest in these and other related literary, educational and cultural fields and for these purposes to mount exhibitions and other events whether in premises owned by the company or elsewhere, provided that all the objects of the company shall be exclusively charitable and in furtherance of these objects.

Business planning

In 2011 the Book Festival undertook a strategic review and, through internal strategy meetings and external consultations completed a strategic plan for 2012 – 2016 highlighting opportunities for growth and innovation and addressing challenges and threats. This strategic plan was reviewed at planning meetings throughout 2012 and an updated version drafted for presentation to the Board. The document remains dynamic and will be continually updated to reflect achievements, new opportunities or changes in priority.

Core objectives

1. To be a world-leading literary showcase through an annual programme of the highest literary and artistic quality that brings leading thinkers and writers together both to be inspired and to inspire their peers and the reading public.
2. To build the artistic programme around the joint emphasis of:
 - a. international writers and thinkers, introducing authors unheard in Scotland;
 - b. providing the single most important annual showcase for Scottish literature, authors and publishing.
3. To enhance the Festival's status and reputation through year-round activity, increased collaboration with Edinburgh UNESCO City of Literature, a virtual presence and regular communication with audiences and stakeholders.
4. To stimulate, fire the imagination and broaden the horizons of children, young adults, new and emergent readers.

DIRECTORS' REPORT (CONTINUED)

5. To deliver a literary festival of excellence and enhance the Festival experience for existing and new audiences, authors, sponsors and the general public.

ACHIEVEMENTS AND PERFORMANCE

2012 was an exceptional year. Despite another wet summer, a record 225,000 visits were made to Charlotte Square Gardens, the most in the Book Festival's history, and ticket sales rose by 3%, demonstrating the enduring popularity of literary events even in a gloomy economic climate.

In total 770 events were programmed, featuring 991 authors and participants from 46 countries. 114 events were free of charge, including the Amnesty International Imprisoned Writers series; the City of Literature's Storyshop series of readings by emerging writers; a variety of free activities and storytelling events for children; and the late-night series Unbound, now in its third year, continued to present events in new and innovative formats and draw new visitors to the Festival.

Our 2010 Expo Fund project, the commissioning of 50 new pieces of writing from both Scottish and international writers on the theme of Elsewhere, culminated in the publication of a box set anthology, a collaboration between Scottish publishers Cargo and San Francisco-based McSweeney's. The anthology was launched at the Festival in August in an event featuring readings from several of the commissioned authors, and the box set went on to sell 120 copies in the Bookshop on site.

2012 saw the beginning of one of the most ambitious projects ever staged by the Book Festival. Fifty years ago in 1962, an infamous Writers' Conference in Edinburgh demonstrated that literary discussions could set the news agenda, and heralded the arrival of writers such as William Burroughs and Alexander Trocchi on the international literature scene. That conference also laid the ground for the launch of the Edinburgh International Book Festival some nineteen years later. In August 2012 at the Book Festival, fifty writers from Scotland and beyond took part in another Writers' Conference, organised in a major partnership with the British Council and with the support of a consortium of funders including the Scottish Government's Festivals Expo Fund, Creative Scotland, the City of Edinburgh Council and Event Scotland. Over five days the delegates debated the same questions that delegates had addressed back in 1962, and each event was streamed live online to a global audience watching and commenting in real time on a dedicated microsite (www.edinburghworldwritersconference.org). After the final session in Edinburgh, the project embarked on an international tour of the literary world which has already resulted in discussions in Berlin, Cape Town, Krasnoyarsk (Siberia) and Toronto. Many more discussions will be held in coming weeks, including events as far afield as Jaipur, Cairo, Brazzaville (Congo) and Beijing. By August 2013 the Edinburgh World Writers' Conference will have had manifestations in about 20 different countries across the globe. An editor has been commissioned to compile a book containing the highlights of the global debate, to be published after the final session to be held at the 2013 Book Festival in Edinburgh.

DIRECTORS' REPORT (CONTINUED)

Coverage of the Book Festival appeared on at least 640 websites, both in the UK and overseas. The combined broadcast and print media reached an audience of over 70 million.

The Book Festival provided more than 1,590 weeks of full time employment in 2012, employing 133 staff in total.

THE BIGGER PICTURE

The Book Festival continues to play a keen and committed role in the wider context of Edinburgh's arts and literary scenes. After a campaign by the Book Festival and other partners, Edinburgh was designated the first permanent UNESCO City of Literature in 2004, with an aim to promote book culture. Since then, other cities have been granted similar status including Melbourne, Dublin, Reykjavik and Iowa City, forming a creative cities network which stretches across the globe, encouraging literary exchanges, creating cross-cultural initiatives and developing local, national and international literary links. We worked with the City of Literature in 2012 to present Story Shop, a series of daily free readings with emerging local writers, a 1-2-1 Writing Clinic where budding writers could access expert advice and a half-day workshop on developing a writing career. In addition, a Literary Information Desk showcased material from 27 literature organisations in Edinburgh.

The Book Festival plays an important role in Festivals Edinburgh, created in 2007 by the Directors of Edinburgh's 12 major festivals to lead on their joint strategic development and maintain their global competitive edge. In 2012 the delivery of collaborative projects and initiatives to support growth, product development, leadership and audiences included: a major media campaign to exploit the increased presence of the world's travel and lifestyle journalists in the UK for the Olympic Games together with building an online media resource centre; work on a new website to help festivals and arts organizations across Scotland manage their carbon emissions (to launch in 2013) and developing one of the submissions from the Festivals' *Ideas Challenge* to create a cross-festivals listings service for people with access requirements.

The Literature Forum for Scotland continues to work in areas such as education, support for authors and publishing, literary tourism and the international role of Scottish literature – where the Book Festival plays a vital role – by formulating strategy and connecting organisations.

The Festivals Forum, chaired by Susan Rice, the Book Festival's own chair, brings together key stakeholders to consider how best to invest in and ensure the long term sustainability of the festivals and the benefits they confer.

DIRECTORS' REPORT (CONTINUED)

The Word Alliance was created in 2010 with the help of the Scottish Government's Edinburgh Festivals Expo Fund. It is a strategic partnership between Edinburgh and seven of the world's other leading literary festivals: Internationales LiteraturFestival, Berlin; The Bookworm International Literary Festival, Beijing-Chengdu-Suzhou; International Festival of Authors, Toronto; PEN World Voices Festival of International Literature, New York; Jaipur Literature Festival, Melbourne Writers Festival and Etonnants Voyageurs, St Malo. The Alliance continues to support and showcase the work of writers, facilitate the creation of international literature projects (it was critical to the development of the Edinburgh World Writers' Conference) and provide opportunities and leverage funding to enhance each partner festival's artistic programme.

FOCUS ON LEARNING

Reading for enjoyment is well-known as an effective form of learning; fostering a life-long love of reading is at the heart of what the Edinburgh International Book Festival is all about. Through the creation of a diverse programme of author events, topical debates, literary play activities, workshops and masterclasses, we aim to stimulate readers of all ages to challenge themselves and expand horizons, to offer insight into different cultures and promote understanding, assist budding writers to develop their work, inspire reluctant readers to enjoy books and give unique access to the ideas and work of leading writers and illustrators.

In 2012, the 770 events in the programme offered insight into many different areas. Special focus was given to the role of science in fiction, translating literature, information in the digital age, stories of Scotland's past, perspectives on Africa, the ethical role of market economies and analyses of Russia.

Daily 'Rethinking' debates invited audiences to take a fresh look at important matters that affect our lives: the way we view food, Scottish independence, perspectives on Islam, how the web is changing society, the role of Europe and the darker side of sport.

Other cultures were the focus of many events including Nigerian author Teju Cole, with a tale of a young man's journey from Africa to Manhattan; Indian novelist Jeet Thayil's stories of Bombay; Israeli historian Ilan Pappé exploring modern Israel and British-born Pakistani Maajid Nawaz, describing his past as a radical Islamist and how his views changed. Authors who appeared in the programme came from 46 different countries.

104 events with 84 authors made up the RBS Schools Programme; it was produced with the Curriculum for Excellence in mind with each event offering reading tips and classroom ideas to allow teachers to easily create classroom activities around a Book Festival visit. Included in the programme were 5 CPD events for educational professionals, a Gala Day dedicated to primary schools and 30 Outreach events, which took place across Scotland. In 2012, 11,472 pupils from 139 schools attended events, and 88 of these schools received a subsidy towards travel costs from the Book Festival's Transport Fund. This fund enabled 6,224 pupils to attend the Festival and feedback suggests attendance for these pupils would be impossible without this financial assistance.

DIRECTORS' REPORT (CONTINUED)

FOCUS ON LEARNING (continued)

In all, 33,353 children and families attended events in 2012 with 81% of audience survey respondents stating that visiting the Book Festival enthused their children about books and reading.

The RBS Children's Programme was extended into the evening to offer a greater range of events for Young Adults. We invited young people from Edinburgh's Strangetown Youth Company, aged between 18 and 25, to chair a selection of the events, which created a greater immediacy and relevancy for the young audience.

We worked with Edinburgh City Libraries to offer free Bookbug events to very young children; Craigmillar Books for Babies brought 40 families from Craigmillar to take part in early literacy events for the first time and a range of the city's care units were offered discounted tickets for vulnerable teens who attended 7 different author events.

We collaborated with the National Museums of Scotland on events involving historical books for young readers and a handling box of different objects from that historical period. Our new free drop-in activities in the Story Box, the new home of the Children's Activity Corner previously situated in the back of the Children's Bookshop, benefited from the involvement of Edinburgh City Libraries, National Museums of Scotland and Edinburgh For Under Fives, each day offering a different storytelling event or craft activity.

In her role as Guest Selector children's writer Vivian French led a series of events for children and teens which focused on learning the power of words and language through play including *Story Consequences* and *Creating a Story through Song*. In addition, Matthew McVarish, a dyslexic actor, joined dyslexia specialist Dr John Rack in an event for teens which challenged preconceived notions about the condition, offering advice and positive perspectives.

DEVELOPING AUDIENCES, READERS AND WRITERS

Creative workshops and in-depth masterclasses with authors and illustrators, alongside a series of day-long Creative Writing Classes gave young people and adults the opportunity to gain a greater depth of knowledge and understanding of creating and appreciating books, words and ideas.

114 daily free events were programmed for adults and children to ensure those on lower incomes had the opportunity to attend events, meet authors and get involved.

A Dragon's Den-style project in collaboration with Edinburgh Napier University resulted in us staging *Impro-Slam*. Masters students from the Festival Events Tourism course pitched event ideas to a panel of Book Festival staff with the aim of attracting a young demographic. The winning team took responsibility for aspects of the programming, budgeting and marketing, using their student networks, successfully selling 65% of the seats to their event.

DIRECTORS' REPORT (CONTINUED)

DEVELOPING AUDIENCES, READERS AND WRITERS (continued)

To persuade audiences to explore the unknown, we created the Anobii First Book Award which is now in its third year. It encourages people to read the books, attend the events and vote for the debut novelists or short story writers featured in the programme. 2,831 votes were received in 2012, over double the number in 2011 and ticket sales for these events has risen year on year.

We continue to record events and offer them as free podcasts and videos through YouTube, iTunes and our website. Our online media gallery now holds over 250 author events, allowing everyone to have access to the Book Festival programme, anywhere, any time.

The Edinburgh World Writers' Conference events at the Festival were streamed live over the internet on a dedicated microsite (www.edinburghworldwritersconference.org) with an embedded comment feed, inviting participation from an online audience across the world. A moderator attended each event and fielded questions from online participants live to the speaker and chair, creating a truly global live discussion. The Edinburgh events and further keynote events filmed at global partner festivals remain accessible on the microsite and the dialogue on comment feeds will remain open throughout the project.

To ensure the Book Festival remains as accessible as possible, we provided 114 free events and froze all tickets prices at last year's rates.

SCHOOLS OUTREACH

We expanded and developed the number of partners for our Outreach Programme to involve Fife and Falkirk region libraries, Edinburgh City Libraries and Borders Book Festival. Altogether the Book Festival produced 30 events in libraries, theatres and schools which reached 3,400 children. We worked closely with partners to ensure those most in need received a visit from an author, including arranging for poet Brian Moses to visit a school for youngsters with specific learning difficulties and for author Matt Dickinson to talk to teenagers in a unit for Looked After and Vulnerable young people. Our Outreach Programme involved authors and illustrators for P1 through to S6 year groups including American, Polish and French writers to reflect the international aspect of the Book Festival. In addition we worked with Amnesty International to create an event in a classroom setting about the teaching of human rights involving two writers, a teacher and a chairperson, which proved a huge success.

Collaborating again with GLOW, the Scotland-wide education portal, a mini online Edinburgh International Book Festival was created. One event from each day of the RBS Schools Programme was filmed and broadcast on the portal. Reflecting the breadth of the programme, each day focused on a different age group and event type from debates to workshops to live drawing illustration events.

DIRECTORS' REPORT (CONTINUED)

DEVELOPING AUDIENCES, READERS AND WRITERS (continued)

EDUCATING PEOPLE ABOUT THE ENVIRONMENT

The Book Festival provides a forum for the discussion of environmental issues, while also leading by example with regard to recycling and reducing its impact on the environment. The Book Festival takes advantage of its influential position of being able to bring environmental issues to the attention of a wide and diverse audience. Through its programming and by working to minimise its own environmental impact, the Book Festival championed the need for action on environmental sustainability long before it became a widely recognised issue.

A series of events on environmental issues in 2012 included Stuart Sim discussing how the race for global riches endangers the planet, Fred Pearce investigating 'landgrabbing' and its consequences, T C Smout exploring our exploitative attitudes to wild nature and a debate on the value of the environment.

We chair the Festivals Edinburgh Environmental Sustainability Working Group, working closely with all Edinburgh's Festivals to jointly reduce our environmental impact and increase sustainability. The group has been working closely throughout 2012 with Creative Carbon Scotland to agree on reporting standards and strategies, and a new website designed to help festivals and arts organizations across Scotland to measure and manage their carbon emissions, the Green Arts Portal, will be launched in early 2013.

Our commitment to reducing impacts and creating an environmentally sustainable Festival has been further embedded into our core business through inclusion in our Strategic Plan 2012 – 2016, and in the job description of the Operations Manager post created in late 2011. Over the course of 2012, the Operations Manager attended a conference on sustainability in arts festivals along with training courses on waste management and carbon impact measurement run by Zero Waste Scotland and Creative Carbon Scotland, which resulted in a new policy alongside a number of improvements to energy efficiency and waste prevention in our year-round office.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL REVIEW

The 2012 Book Festival was a very successful festival. Ticketed capacity was significantly higher than previous years following an expansion of one of our key theatres, the ScottishPower Studio Theatre, and increased use of available slots in other venues. Ticket sales rose by 3% on 2011 and nearly 70% of capacity was achieved.

The Book Festival achieved growth in almost all income areas in 2012. Income from sponsors, trusts and individual donors in particular increased by £130,000 on 2011, following a second Appeal of Books (a public donation appeal begun in 2011), a drive to increase Friends memberships and more donations from high net worth individuals, and an 8% increase in sponsorship income.

In 2012 sales through our independent bookshops saw a modest increase against 2011, going against the current trend of declining sales in the high street.

Around 80% of our expenditure goes towards creating, staging, staffing and ticketing Festival events and delivering funded projects. This includes creating a temporary tented village in Charlotte Square Gardens with 8 stages, 3 bookshops and numerous other structures dedicated to author and public services. Wet summer weather was again responsible for increased site and reinstatement costs. As part of our 2012-16 Strategic Plan we also increased budgets for technical facilities and staffing and invested in new stage sets to support more ambitious programming and ensure the quality of our events.

Significant efficiency savings have been made in recent years through investment in technology and reviews of business processes. In 2012, we carried out a restructure of our administrative and operational team and added an additional post to boost our resilience and planning capacity. Following several years of growth in the scale and complexity of the Festival, we were also able to secure additional office space on the ground floor of 5 Charlotte Square. We continue to examine all areas of our operation to ensure the best application of charitable funds and ensure the sustainability of the organisation.

DIRECTORS' REPORT (CONTINUED)

FINANCIAL REVIEW(continued)

The total movement in funds at the year end includes £265,000 allocated towards project funding - in particular the Edinburgh World Writers' Conference - that run until August 2013. The Book Festival expects to spend the balance of these project funds in the 2013 financial year. The underlying surplus in unrestricted funds of £69,848 - due primarily to better than expected income generation activity - represents an important contribution to the Book Festival's free reserves following several years of deficits between 2007 and 2011 and will provide increased confidence and stability for the future planning and development of the festival.

PRINCIPAL FUNDING SOURCES

The Edinburgh International Book Festival is a Creative Scotland Foundation Organisation and receives revenue funding from the Culture and Sport department of the City of Edinburgh Council. 42 sponsors were on board for the 2012 Festival, with almost 70% of existing sponsors retained from 2011 and 13 new sponsors recruited. The Guardian continued its media partnership into its second year, and a new agreement with the Guardian for a further two years of partnership is in the final stages of negotiation.

Individuals make a significant contribution to our annual income – in 2012 there were 970 members of our Friends scheme and 13 members of our Benefactors scheme. 79 Festival participants chose to donate their appearance fees to support the charitable objectives of the Festival. Project funding from Creative Scotland, the Scottish Government's Festivals Expo Fund, Event Scotland and the City of Edinburgh Council enabled the Book Festival to stage an ambitious global Writers' Conference in partnership with the British Council, bringing a formidable group of writers together in Edinburgh in August and strengthening ties with global partner festivals and the Word Alliance. The Book Festival is extremely grateful to all its funders and supporters, without whose support the Book Festival would be a much reduced event.

Going forward we expect to continue to earn a significant portion of our own income. We are currently researching ways to increase individual giving such as telephone fundraising campaigns. We expect gift aid from the trading company, sponsorship and grants from cultural institutes to continue to make a major contribution to the Festival's funds. Our continued status as a Creative Scotland Foundation Organisation, confirmed after the Foundation Organisation review in 2011, contributes £252,000 per annum until March 2015. Public funding from the City of Edinburgh was at standstill in 2012 and will be followed by a phased reduction in future years as part of the Council's overall budget review.

The Book Festival continues to take place in Charlotte Square Gardens by kind permission of the Charlotte Square Proprietors. Permission has been given to hold the 2013 Book Festival in Charlotte Square Gardens with the intention that the 2014 and 2015 festivals will also be held in the gardens.

DIRECTORS' REPORT (CONTINUED)

INVESTMENTS – TRADING SUBSIDIARY

The charity has an investment in a wholly owned trading subsidiary, Book Festival Trading Limited, the results of which have been consolidated into these financial statements. Further information on the performance of the trading subsidiary is disclosed in note 2 to these financial statements and the directors confirm that they are happy with the current level of the return on investment achieved.

RESERVES POLICY

The Board of Directors has established the level of reserves that the charity ought to have at its disposal in order to deal with its legal and other contingent liabilities should the need arise. The Directors believe that the charitable company requires between 3 and 6 months of operating expenditure to be retained in reserves which, based on the 2013 budget, equates to between approximately £472,000 and £974,000. The current level of unrestricted 'free' reserves (being those unrestricted reserves not relating to amounts tied up in fixed assets and long term investments) is £472,632 (2011 - £414,692). The charity forecast a modest surplus in 2012 and exceeded this target, resulting in a significant improvement to the reserves position. The Directors intend to support the ongoing development and financial stability of the festival through prudent application of a proportion of the reserves to underwrite short-term risks and variations in the Book Festival's annual operating budget, while pursuing a medium-term strategy to bring the reserves position up to the target when possible.

PLANS FOR FUTURE PERIODS

Future plans for the Edinburgh International Book Festival will build on the success of the Festival in celebrating literature in all its forms, using innovative and ambitious programming to showcase the best of Scottish and international writing. The continuing journey of the Edinburgh World Writers Conference events around the globe will strengthen the links with our international network of literary festivals in the Word Alliance and beyond. Future projects will deepen our engagement with local audiences and new technologies, ensuring the Book Festival retains its position as a literary festival of excellence.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors (who are also trustees of The Edinburgh International Book Festival Limited for the purposes of charity law) are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES STATEMENT (continued)

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 charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps towards the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE TO THE AUDITOR

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

SMALL COMPANY RULES

The Directors have prepared this report in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

BY ORDER OF THE BOARD



SARAH LOVEDAY
Secretary

25 April 2013

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS AND THE DIRECTORS OF
THE EDINBURGH INTERNATIONAL BOOK FESTIVAL LIMITED**

We have audited the financial statements of The Edinburgh International Book Festival Limited for the year ended 31 December 2012 and the related notes as set out on pages 17 to 34. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made exclusively to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's directors, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charitable company's members and the directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 13 and 14, the directors (who are also the trustees of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards of 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 misstatement, whether caused by fraud or error. This includes an assessment of: whether accounting policies are appropriate to the group's and the parent charitable 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE DIRECTORS AND MEMBERS OF
THE EDINBURGH INTERNATIONAL BOOK FESTIVAL LIMITED**

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2012 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (applicable to smaller entities); 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 (as amended).

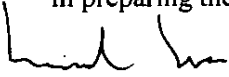
OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in 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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption available in preparing the Directors' Report.


Michael Crerar (Senior Statutory Auditor)
for and on behalf of Geoghegans
Chartered Accountants and Statutory Auditor
Eligible to act as an auditor in terms of section 1212
of the Companies Act 2006

25 April 2013
6 St Colme Street
Edinburgh
EH3 6AD

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	Restricted Funds £	Unrestricted Funds £	2012 Total Funds £	2011 Total Funds £
INCOMING RESOURCES					
Incoming resources from					
Generated Funds:-					
Voluntary Income:-					
Grants and Donations	3	59,502	229,363	288,865	213,580
Activities for generating funds:-					
Commercial Trading Operations	2	-	580,057	580,057	580,175
Sponsorship		-	603,779	603,779	547,927
Café and rental income		-	30,114	30,114	31,399
Investment Income	4	-	5,239	5,239	3,877
		59,502	1,448,552	1,508,054	1,376,958
Incoming Resources from Charitable Activities	5	266,448	994,881	1,261,329	1,130,233
TOTAL INCOMING RESOURCES		325,950	2,443,433	2,769,383	2,507,191
RESOURCES EXPENDED					
Cost of Generating Funds:					
Commercial Trading Operations	2	-	508,050	508,050	508,817
Charitable Activities	7	195,397	1,870,471	2,065,868	1,978,628
Governance Costs	6	-	17,528	17,528	14,255
TOTAL RESOURCES EXPENDED		195,397	2,396,049	2,591,446	2,501,700
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS					
	9	130,553	47,384	177,937	5,491
Transfers	18	(22,464)	22,464	-	-
NET MOVEMENT IN FUNDS		108,089	69,848	177,937	5,491
Total funds brought forward		-	460,461	460,461	454,970
Total funds carried forward	18	108,089	530,309	638,398	460,461

The notes on pages 21 to 34 form part of these audited financial statements.

**STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	Restricted Funds £	Unrestricted Funds £	2012 Total Funds £	2011 Total Funds £
INCOMING RESOURCES					
Incoming resources from Generated Funds:-					
Voluntary Income:-					
Grants and Donations	3	59,502	229,363	288,865	213,580
Activities for generating funds:-					
Sponsorship		-	603,779	603,779	547,927
Café and rental income		-	30,114	30,114	31,399
Investment Income	4	-	76,299	76,299	74,234
		59,502	939,555	999,057	867,140
Incoming Resources from Charitable Activities	5	266,448	994,881	1,261,329	1,130,233
TOTAL INCOMING RESOURCES		325,950	1,934,436	2,260,386	1,997,373
RESOURCES EXPENDED					
Charitable Activities	7	195,397	1,870,471	2,065,868	1,978,628
Governance Costs	6	-	17,528	17,528	14,255
TOTAL RESOURCES EXPENDED		195,397	1,887,999	2,083,396	1,992,883
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS					
	9	130,553	46,437	176,990	4,490
Transfers	18	(22,464)	22,464	-	-
NET INCOME FOR THE YEAR		108,089	68,901	176,990	4,490
OTHER RECOGNISED GAINS					
Gain on Investment Assets		-	947	947	1,001
NET MOVEMENT IN FUNDS		108,089	69,848	177,937	5,491
Total funds brought forward		-	460,461	460,461	454,970
Total fund carried forward	18	108,089	530,309	638,398	460,461

The notes on pages 21 to 34 form part of these audited financial statements.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012**

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible Fixed Assets	12	45,161	32,650
CURRENT ASSETS			
Stock		2,614	2,613
Debtors	15	227,311	131,340
Cash at Bank		432,563	406,650
Cash in Hand		<u>127</u>	<u>971</u>
		662,615	541,574
CURRENT LIABILITIES			
Creditors (amounts falling due within one year)	16	<u>(69,378)</u>	<u>(113,763)</u>
NET CURRENT ASSETS		<u>593,237</u>	<u>427,811</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>638,398</u>	<u>460,461</u>
REPRESENTED BY			
Unrestricted Funds	18	530,309	460,461
Restricted Funds	18	<u>108,089</u>	<u>-</u>
		<u>638,398</u>	<u>460,461</u>

The financial statements, which have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and the Financial Reporting Standard for Smaller Entities (effective April 2008), were approved and authorised for issue by the Board of Directors on 25 April 2013 and signed on its behalf by



SUSAN RICE
Director

COMPANY REGISTRATION NUMBER: SC079939

The notes on pages 21 to 34 form part of these audited financial statements.

**CHARITY BALANCE SHEET
AS AT 31 DECEMBER 2012**

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible Fixed Assets	13	36,337	25,376
Investments	14	<u>21,340</u>	<u>20,393</u>
		57,677	45,769
CURRENT ASSETS			
Stock		-	502
Debtors	15	309,004	195,129
Cash at Bank – Current Accounts		8,950	8,344
Deposit Accounts		324,029	308,941
Cash in Hand		<u>27</u>	<u>69</u>
		642,010	512,985
CURRENT LIABILITIES			
Creditors (amounts falling due within one year)	16	<u>(61,289)</u>	<u>(98,293)</u>
NET CURRENT ASSETS		<u>580,721</u>	<u>414,692</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>638,398</u>	<u>460,461</u>
REPRESENTED BY			
Unrestricted Funds		508,974	440,074
- Revaluation reserve		21,335	20,387
Restricted Funds	18	<u>108,089</u>	<u>-</u>
		<u>638,398</u>	<u>460,461</u>

The financial statements, which have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006 and the Financial Reporting Standard for Smaller Entities (effective April 2008), were approved and authorised for issue by the Board of Directors on 25 April 2013 and signed on its behalf by



SUSAN RICE
Director

COMPANY REGISTRATION NUMBER: SC079939

The notes on pages 21 to 34 form part of these audited financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****1 ACCOUNTING POLICIES**Basis of Preparation

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the charity's investment in its wholly owned trading subsidiary.

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006 (as amended) and under the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) and the Financial Reporting Standard for Smaller Entities (effective April 2008).

Group Financial Statements

The consolidated Statement of Financial Activities and Balance Sheet include the financial statements of the Edinburgh International Book Festival Limited and its wholly owned trading subsidiary Book Festival Trading Limited. The results and balance sheet of the charity's subsidiary has been consolidated on a line by line basis.

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 years; 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.

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 performance conditions, and is recognised as earned. Grant income 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 fees or performance related grants are received in advance of the event to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012****1 ACCOUNTING POLICIES (CONTINUED)**Incoming Resources (Continued)

Intangible income, including donated services, facilities and other 'in kind' support is included within the Statement of Financial Activities where the benefit to the charity is reasonably quantifiable and measurable. The value placed on these resources is the estimated value of the service or facility received and is more fully disclosed in note 23 to the financial statements.

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 staging of the Edinburgh International Book Festival, and include both direct costs and support costs relating to that activity.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, i.e. with reference to staff time spent.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fee and costs linked to the strategic management of the charity.

Taxation

The charitable company is exempt from tax on income and gains to the extent that these are applied to its charitable objects. No tax charges have arisen in the charity.

The wholly owned trading subsidiary is subject to corporation tax. Any profits generated in the trading subsidiary however, over and above those which have been identified as required for the company's own needs, are donated up to the parent under Gift Aid.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012****1 ACCOUNTING POLICIES (CONTINUED)**Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. The costs of additions less than £500 are not capitalised.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset over its expected useful life as follows:-

Office Equipment	25% per annum
Exhibition Equipment and Furnishings	25% per annum

Stock

Stock is valued at the lower of cost and net realisable value.

Investments

The fixed asset investment represents the charity's shareholding in its wholly owned trading subsidiary, Book Festival Trading Limited. This is disclosed at a carrying value of the underlying net assets in accordance with the recommendations of the SORP. The unrealised gain or loss on revaluation is accounted for through the Statement of Financial Activities

Leasing Commitments

Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

Pensions

The charity operates a money purchase (defined contribution) pension scheme, or as an alternative provides an option for employees to receive contributions to suitable personal pensions. Contributions payable are charged to the income and expenditure account in the year to which they relate. These contributions are invested separately from the charity's assets.

Unrestricted Funds

Unrestricted funds are available for use at the discretion of the Directors in the furtherance of the general objectives of the charity. Unrestricted funds in the charity's balance sheet include a revaluation reserve representing the revaluation of the investment in the trading subsidiary to its underlying net asset value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (CONTINUED)

Designated Funds

Designated funds are unrestricted funds earmarked by the Directors for a particular purpose.

Restricted Funds

Restricted funds are subject to restrictions on their expenditure imposed by the donor or through the terms of the grant award.

2 INCOMING RESOURCES FROM ACTIVITIES FOR GENERATING FUNDS

The charity owns 100% of the issued ordinary share capital of Book Festival Trading Limited, a company registered in Scotland. The subsidiary is used for non-primary purpose trading activities, namely retail book sales at the Edinburgh International Book Festival. A sum of £71,212 (2011: £70,496) was gift-aided to the charity. A summary of the results of the subsidiary is shown below:-

	2012 £	2011 £
Turnover	580,057	580,175
Cost of Sales	<u>(390,835)</u>	<u>(387,755)</u>
Gross Profit	189,222	192,420
Administrative Expenses	(117,214)	(121,062)
Gifted to Charity	(71,212)	(70,496)
Tax	-	-
Interest Received	<u>151</u>	<u>139</u>
Profit for the year	<u>947</u>	<u>1,001</u>

The assets and liabilities of the subsidiary were:-

Fixed Assets	8,824	7,274
Current Assets	112,945	104,259
Creditors: Amounts falling due within one year	<u>(100,429)</u>	<u>(91,140)</u>
	<u>21,340</u>	<u>20,393</u>
Representing:-		
Share Capital	6	6
Profit and Loss Account	<u>21,334</u>	<u>20,387</u>
	<u>21,340</u>	<u>20,393</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

3

VOLUNTARY INCOME – GROUP AND CHARITY		2012	2011
		£	£
Donations		57,510	52,657
Benefactors		120,057	88,740
Charitable Trusts and Cultural Institutes		<u>111,298</u>	<u>72,183</u>
		<u>288,865</u>	<u>213,580</u>

4

	GROUP		CHARITY	
	2012	2011	2012	2011
	£	£	£	£
Bank Interest	5,239	3,877	5,087	3,738
Donation from Subsidiary	<u>-</u>	<u>-</u>	<u>71,212</u>	<u>70,496</u>
	<u>5,239</u>	<u>3,877</u>	<u>76,299</u>	<u>74,234</u>

5

INCOMING RESOURCES FROM CHARITABLE ACTIVITIES - GROUP AND CHARITY			2012	2011
			£	£
Creative Scotland Core Investment			252,000	235,668
CEC Grants			71,841	51,841
Ticket Sales			644,518	621,165
Friends Membership			46,372	42,739
Creative Scotland Project Grant – Resilience Fund			-	5,796
Edinburgh Festivals Expo Fund – Project Grants			160,000	164,400
Creative Scotland Project Grant – Expo Project			60,000	-
Other Public Funding			25,000	-
Innovation Lab Grant – Mobile Site Project			-	2,000
In kind contributions			1,448	6,624
Other Income			<u>150</u>	<u>-</u>
			<u>1,261,329</u>	<u>1,130,233</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

6 ALLOCATION OF SUPPORT COSTS – GROUP AND CHARITY

The charity allocates its support costs as shown below.

Support costs are allocated on a direct basis consistent with use of resources with the exception of staff costs which are reallocated to governance on the basis of estimated time spent.

	Book Festival Operation £	Governance Costs £	2012 Total £	2011 Total £
SUPPORT COSTS				
General Office	110,266	-	110,266	62,497
Premises Expenses	24,657	-	24,657	20,300
IT Costs	39,093	-	39,093	39,701
Staff Costs	-	9,440	9,440	9,240
Bad Debts	1,606	-	1,606	-
Professional Fees	-	2,588	2,588	4,015
Accountancy Fees	-	1,050	1,050	1,050
Audit Fee – Current Year	-	4,250	4,250	3,650
Audit Fee – Prior Year	-	200	200	300
	<u>175,622</u>	<u>17,528</u>	<u>193,150</u>	<u>140,753</u>

7 DIRECT CHARITABLE EXPENDITURE – GROUP AND CHARITY

	Restricted Funds £	Unrestricted Funds £	2012 £	2011 £
Site Costs	5,767	440,413	446,180	421,709
Programme Cost	152,518	328,595	481,113	486,254
Publicity & Marketing	5,287	278,133	283,420	287,005
Staff Costs	31,825	630,741	662,566	642,557
Depreciation	-	16,967	16,967	14,605
Support Costs (Note 6)	-	<u>175,622</u>	<u>175,622</u>	<u>126,498</u>
	<u>195,397</u>	<u>1,870,471</u>	<u>2,065,868</u>	<u>1,978,628</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

8 ANALYSIS OF SUPPORT FOR CHARITABLE ACTIVITIES

	Book Festival Operation £
Costs	1,870,471
Grants	(303,841)
Trusts	(52,750)
Ticket Sales and Other Income	<u>(691,040)</u>
Net Costs funded from Other Income	<u>822,840</u>

9 MOVEMENT IN TOTAL FUNDS FOR THE YEAR (GROUP)

	2012 £	2011 £
This is stated after charging:-		
Depreciation	21,361	21,250
Auditors' Remuneration	5,688	5,100
Operating Lease Rentals – Land and Buildings	15,009	10,000
Operating Lease Rentals – Other	5,936	5,936

10 STAFF COSTS

	GROUP		CHARITY	
	2012 £	2011 £	2012 £	2011 £
Wages and Salaries	701,348	682,535	607,424	588,181
Social Security Costs	53,592	52,965	46,640	46,096
Pension Costs (Note 11)	<u>19,598</u>	<u>19,267</u>	<u>17,942</u>	<u>17,520</u>
	<u>774,538</u>	<u>754,767</u>	<u>672,006</u>	<u>651,797</u>

The average number of employees during the year, calculated on the basis of full time equivalents, was as follows:

	2012	2011
Management	10	10
Operations	12	11
Administration	<u>10</u>	<u>9</u>
Total	<u>32</u>	<u>30</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

10 STAFF COSTS (CONTINUED)

There were no employees with emoluments of £60,000 or more in the year (2011: None).

11 PENSION COSTS

Money Purchase (defined contribution) pension scheme.

The company operates a money purchase (defined contribution) pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and personal pension arrangements and amounted to £17,942 (2011 - £17,520) after recharges made to the trading subsidiary.

12 FIXED ASSETS – GROUP

	Office Equipment £	Exhibition Equipment £	Total £
COST			
At 1 January 2012	130,838	79,580	210,418
Additions	11,442	21,786	33,228
Disposals	-	(454)	(454)
At 31 December 2012	142,280	100,912	243,192
DEPRECIATION			
At 1 January 2012	112,286	65,482	177,768
Charge for year	9,889	10,828	20,717
On disposals	-	(454)	(454)
At 31 December 2012	122,175	75,856	198,031
NET BOOK VALUE			
At 31 December 2012	20,105	25,056	45,161
At 31 December 2011	18,552	14,098	32,650

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

13 FIXED ASSETS – CHARITY

	Office Equipment £	Exhibition Equipment £	Total £
COST			
At 1 January 2012	130,838	28,889	159,727
Additions	11,442	16,486	27,928
Disposals	-	(454)	(454)
At 31 December 2012	142,280	44,921	187,201
DEPRECIATION			
At 1 January 2012	112,286	22,065	134,351
Charge for year	9,889	7,078	16,967
On disposals	-	(454)	(454)
At 31 December 2012	122,175	28,689	150,864
NET BOOK VALUE			
At 31 December 2012	20,105	16,232	36,337
At 31 December 2011	18,552	6,824	25,376

14 INVESTMENTS

The trading subsidiary is wholly owned by the charity and operates retail book sales at the Edinburgh International Book Festival. The majority of the profit of the subsidiary has been gifted to the charity with a small sum retained in the subsidiary as working capital. The subsidiary has been valued in the accounts at the original nominal value plus fixed assets and amounts retained as working capital. At 31 December 2012 the Net Asset Value of Book Festival Trading Limited was £21,340 (2011 - £20,393).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

15 DEBTORS – GROUP AND CHARITY

	GROUP		CHARITY	
	2012	2011	2012	2011
	£	£	£	£
Trade Debtors	40,242	97,626	35,121	89,210
Amount due from subsidiary	-	-	92,340	75,670
Other Debtors	<u>187,069</u>	<u>33,714</u>	<u>181,543</u>	<u>30,249</u>
	<u>227,311</u>	<u>131,340</u>	<u>309,004</u>	<u>195,129</u>

The amount due from Book Festival Trading Limited is principally in respect of the Gift Aid donation for the year.

16 CREDITORS (amounts falling due within one year)
- GROUP AND CHARITY

	GROUP		CHARITY	
	2012	2011	2012	2011
	£	£	£	£
Trade Creditors	30,487	30,765	22,879	18,453
Other Taxation and Social Security Costs	11,506	11,752	11,506	11,752
Other Creditors	26,385	57,866	25,904	54,708
Deferred Income (Note 17)	<u>1,000</u>	<u>13,380</u>	<u>1,000</u>	<u>13,380</u>
	<u>69,378</u>	<u>113,763</u>	<u>61,289</u>	<u>98,293</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

17	DEFERRED INCOME – GROUP AND CHARITY	2012 £	2011 £
	Balance at 1 January 2012	13,380	60,196
	Amount released	(13,380)	(60,196)
	Amount deferred	<u>1,000</u>	<u>13,380</u>
	At 31 December 2012	<u>1,000</u>	<u>13,380</u>

Prior year deferred income relates to support from the Australia Arts Council for the appearance of authors at the 2012 festival. Current year deferred income relates to support from the Crerar Hotels Trust for transport and outreach activities for the 2013 festival.

18 FUNDS – GROUP

	As at 31.12.2011 £	Incoming Resources £	Resources Expended £	Transfers £	As at 31.12.2012 £
Unrestricted Funds:-	460,461	2,434,661	(2,387,277)	10,197	518,042
Designated Funds:-					
Edinburgh World Writers' Conference Website Development	-	8,772	(8,772)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,267</u>	<u>12,267</u>
	460,461	2,443,433	(2,396,049)	22,464	530,309
Restricted Funds:-					
Edinburgh World Writers' Conference	-	269,470	(153,290)	(20,021)	96,159
Wellcome Trust 2012	-	15,000	(8,070)	-	6,930
Expo 2011 Unbound Festivals	-	1,448	(1,448)	-	-
Edinburgh Project Lab	-	5,000	-	-	5,000
Awards for All	-	6,108	(5,910)	(198)	-
Country Specific	-	28,924	(26,679)	(2,245)	-
	<u>-</u>	<u>325,950</u>	<u>(195,397)</u>	<u>(22,464)</u>	<u>108,089</u>
Total Funds	<u>460,461</u>	<u>2,769,383</u>	<u>(2,591,446)</u>	<u>-</u>	<u>638,398</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012****18 FUNDS – GROUP (CONTINUED)**

Transfers represent contributions from restricted project funds towards unrestricted support costs necessary for the successful completion of the restricted projects, less contributions towards overall project budgets from unrestricted income.

A consortium of funders comprising the Scottish Government's Festivals Expo Fund, Creative Scotland, Event Scotland and the City of Edinburgh Council supported the Edinburgh World Writers' Conference, organised in a major partnership with the British Council. The project runs from August 2012 to August 2013, presenting conference events in Edinburgh and at literary festivals in 16 different countries through the year, many of them live streamed online to a global audience via a dedicated microsite. The balance of this project fund will be spent in 2013.

The Festivals Edinburgh Project Lab award was the result of a successful bid to fund the development of a mobile phone app to aid staff on site during the Festival. The tool will link to the Festival's events databases and allow easy access for staff with smart phones who may otherwise have limited access to computers in the Gardens. The funds will be spent in 2013 on the development of this tool in time for August; the Festival is currently in discussion with a potential developer regarding the technical specifications.

Awards for All supported the development of free activities for children and families in the expanded Activity Corner in the Storybox venue. The award enabled a new partnership with the National Museum of Scotland to bring artefact handling boxes into the Gardens, and links with Craigmillar Books for Babies and Edinburgh City Libraries to bring families from Edinburgh's more deprived areas to experience live storytelling and author events.

The Wellcome Trust fund supported five events in the 2012 programme exploring the relationship between literature and science under the strand 'When Science Meets Fiction'. Event recordings were promoted online with an aim of increasing the audience for the Festival's media archive and grow the number of followers of various social media channels. A balance remains from 2012 and the Festival is currently negotiating with the Wellcome Trust regarding the utilisation of these remaining funds.

The Country Specific fund relates to grants awarded by cultural institutes, foreign governments and others to support the travel, accommodation and fees of specific authors or authors of a specified nationality.

Income generated through ticket sales from the public attending the events associated with the Edinburgh World Writer's Conference Project was separately designated on receipt by the Directors and has been used to meet the associated expenses incurred on these events by the charity.

The website development designated fund relates to stability work and development of essential functionality on the Book Festival website.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

19 ANALYSIS OF NET ASSETS – GROUP

	Unrestricted £	Restricted £	2012 £	2011 £
Tangible Fixed Assets	45,161	-	45,161	32,650
Net Current Assets	<u>485,148</u>	<u>108,089</u>	<u>593,237</u>	<u>427,811</u>
Total	<u>530,309</u>	<u>108,089</u>	<u>638,398</u>	<u>460,461</u>

20 ANALYSIS OF NET ASSETS – CHARITY

	Unrestricted £	Restricted £	2012 £	2011 £
Fixed Assets	57,677	-	57,677	45,769
Net Current Assets	<u>472,632</u>	<u>108,089</u>	<u>580,721</u>	<u>414,692</u>
Total	<u>530,309</u>	<u>108,089</u>	<u>638,398</u>	<u>460,461</u>

21 OTHER FINANCIAL COMMITMENTS

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below:-

GROUP AND COMPANY	Land & Buildings		Other	
	2012 £	2011 £	2012 £	2011 £
Operating leases which expire -				
Within one year	-	-	-	-
Within two to five years	-	10,000	12,590	5,936
In over five years	<u>18,956</u>	-	-	-
	<u>18,956</u>	<u>10,000</u>	<u>12,590</u>	<u>5,936</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012

22 TRANSACTIONS WITH RELATED PARTIES

The Directors act in an honorary capacity and are not remunerated for their services as Directors and Trustees of the charitable company. However, during the year ended 31 December 2012 four Directors were reimbursed expenses for travelling to Directors meetings totaling £1,571 (2011 - two Directors reimbursed £457). No Directors were reimbursed for expenses incurred while representing the Book Festival to authors and stakeholders (2011 - one Director reimbursed £167).

In addition two Directors (2011 - three Directors) received payment for other services provided to the charitable company during the year. These payments, comprising fees for chairing events and author appearance fees at the Festival, amounted to £850 in the current year (2011 - £1,550).

Maclay Murray & Spens LLP, of which one Director is a member, provided legal services to the charitable company in connection with the negotiation of formal leases for the Festival's offices in Charlotte Square. The payments for these services amounted to £2,574 in the current year (2011 - £Nil).

In December 2012 the Book Festival appointed inGenerator Ltd, a company in which outgoing Administrative Director Andrew Coulton has a 50% shareholding and is sole director, to provide website development and support services to December 2013. The contract was awarded by a panel of Book Festival staff and an external advisor and was ratified by the Board. At 31 December 2012 the company was owed £1,525 by the Book Festival for work undertaken during December 2012.

All transactions with Directors and related parties are conducted on an arms length, commercial basis at rates approved by the Board.

23 SPONSORSHIP IN KIND

Sponsorship in kind has been recognised in the Statement of Financial Activities where the benefit to the charity is reasonably quantifiable and measurable. The value placed on these resources is the estimated value of the service or facility received as follows:

	2012 £	2011 £
Site equipment & costs	7,530	7,530
Other programme related costs	3,006	2,000
Development	333	7,333
Marketing	<u>131,960</u>	<u>120,350</u>
Total for the year	<u>142,829</u>	<u>137,213</u>