

Scottish Screen

National Lottery Distribution Fund
Account and Report
2006/07

Statement of Account Prepared Pursuant to
Section 26(3), (3A), & (4) of the National Lottery Act 1993

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**Scottish Screen
National Lottery Distribution Fund Account and Report
Statement of Account Prepared Pursuant
to Section 26(3),(3A), & (4) of the National Lottery Act 1993**

Directors Report

Scottish Screen was formed in 1997 and is the National Body responsible for distribution of public funds towards the support of the development of a sustainable screen industry in Scotland and to support Scotland's screen culture.

Scottish Screen's activities in support of the screen industry are financed by annual grant-in-aid from the Scottish Executive, by the National Lottery and from income generated by its own activities.

Under the National Lottery etc. Act 1993 (as amended), Scottish Screen is appointed to distribute National Lottery funds for expenditure on film production in Scotland, in accordance with its powers as a Non Departmental Public Body.

Under the Financial Directions issued by the Scottish Ministers all distributing bodies must prepare separate statements of accounts relating to these activities. An Annual Report for the National Lottery activity, as required by the Financial Directions, is incorporated within this Annual Report and Accounts.

The accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 35 of Part II of the National Lottery etc. Act 1993, and were authorised for issue on 10 September 2007.

National Lottery Distribution Fund

At 31 March 2007 the balance held under the stewardship of the National Lottery Distribution Fund available to Scottish Screen was £5.505 million (2006, £4.742million). During the year to 31 March 2007 £1.774 million (2005-2006, £2.901 million), was called down from the Distribution Fund for the payment of approved awards and administration of Scottish Screen's Lottery Fund. The drawdown figure for 2006/07 is significantly lower than that of 2005/06. This reflects the timescales of the individual projects as well as the impact of the vital comprehensive review of Lottery Investment strands undertaken in 2006 and the subsequent development and then staggered rollout throughout 2006/07 of the new investment strands. This resulted in a number of the funds not being available for access until late in the year or until 2007/08. These are now fully launched and open for applicants. The unallocated balance is added to future budgets for later allocation.

Review of Activities

Firm commitments of awards totalling £2.749 million (2005-2006, £2.986 million), were made during the year in support of a range of film production projects.

Firm commitments made during the year included:

Feature Films/Content Production

Advance Party Films Ltd	<i>Old Dogs</i>	300,000
Black Camel Picture Co	<i>Breathe</i>	375,000
Absolutely Productions Ltd	<i>Bonnie Boys (aka Scottsville)</i>	300,000
La Belle Allee Productions Ltd	<i>Valhalla Rising</i>	287,879
4 Way Pictures Ltd	<i>The Meat Trade</i>	<u>500,000</u>
		1,762,879

Outline of Procedures

To achieve their remit Scottish Screen's Board and external assessors include individuals with experience of both the Scottish and world-wide screen industries. As a result of this, potential conflicts of interest may arise. Scottish Screen has strict procedures for directors to register and declare their interests and to exclude themselves from considering any issues which may present a conflict. A register of Board, external assessors' and staff interests is held at Scottish Screen's registered office. Additionally the external assessors are contractually obligated to advise Scottish Screen immediately if they have any interest in any project they receive, and upon notification Scottish Screen will replace them for the review and completion of the assessment report. To avoid any potential conflict of interest within Scottish Screen, it is a condition of employment that staff are required not to work on any of their projects for the duration of their contract.

The related parties transactions are given at note 13 to the financial statements.

Board of Directors and senior management

From the 1st February 2007 a joint Board of Scottish Screen and the Scottish Arts Council was created. As well as their role as Directors of 2 companies, Scottish Screen and the Scottish Arts Council, the purpose of the joint board is to assist the Chair, Dr Richard Holloway, in managing the transition to the formation of the proposed new body Creative Scotland. These appointments will run for three years from 1 February 2007 to 1 February 2010.

During 2006/07 a number of Scottish Screen Board Members retired and we would like to thank them for their support over the period of their terms in office.

The directors who held office during the year were:

Richard Holloway	(Chair from 1 st February 2007)
Ray Macfarlane	(Chair to 31 st January 2007 / Deputy Chair from 1 st February 2007)
Dinah Caine	
April Chamberlain	(Retired 31 st January 2007)
Donald Emslie	
Richard Findlay	(Retired 31 st January 2007)
Steve Grimmond	(Appointed 1 st February 2007)
Paul Harris	(Retired 31 st January 2007)
Kay Henning	(Retired 31 st January 2007)
Karen Hogarty	(Retired 31 st January 2007)
Charles Lovatt	
Danny Meaney	(Resigned 29 th November 2006)
Barbara McKissack	
James McSharry	(Appointed 1 st February 2007)

John Mulgrew	(Appointed 1 st February 2007)
Robert Noakes	(Appointed 1 st February 2007)
Malcolm Ritchie	(Retired 31 st January 2007)
Iain Smith	
Benjamin Twist	(Appointed 1 st February 2007)
Paul Zealey	(Retired 31 st January 2007)

The External Assessors during the year were:

Michael Algar	(Appointed February 2007)
Bill Allan	
Peter Ansorge	(Appointed February 2007)
Lee Brazier	(Appointed February 2007)
Anne Buckland	(Appointed February 2007)
Carrie Comerford	(Appointed February 2007)
Mary T Daily	(Appointed February 2007)
Hilary Davis	
Henry Eagles	
Laurence Gornall	(Retired November 2006)
George Helyer	(Appointed February 2007)
Shirley Henry	(Retired November 2006)
Leslie Hills	(Appointed February 2007)
Mathew Justice	
Shelley Lawrence	(Appointed February 2007)
Ben Lyle	(Appointed February 2007)
Noe Mendelle	(Appointed February 2007)
Sharon Menzies	(Retired November 2006)
Claire Mundell	
Andrew Orr	
Nicola Pierson	(Retired November 2006)
Paul Sarony	(Appointed February 2007)
Victor Schonfled	(Appointed February 2007)
Roger Shannon	

Post a moratorium period in March and April, in May 2006 the revised Investment Guidelines and Application Forms were launched. Part of the wider review process undertaken in 2005/06 was a review of the meeting and decision making structure, the outcome of which was the disbandment of the external Lottery panel. This structure was replaced by the Investment Committee, with delegated authority to make awards of between £50,001 and £500,000, chaired by a member of the Board and attended by Officers of the Company, and the Investment Meeting, with delegated authority to make awards of up to £50,000, chaired by the CEO and attended by Officers of the Company. The first two meetings under this new structure were held on the 27th and 11th July, respectively. In addition to the implementation of the new meeting structure the content of the meetings was also changed to include decision making for Grant in Aid as well as Lottery, thereby ensuring consistency of approach across all decision making within Scottish Screen.

Another key difference in this structure was with regard to the participation of the external parties. The external assessors still provided detailed assessments of projects to the Officers, as they had previously, but instead of participating in the actual decision making process, their assessments instead assisted the Lead Officer to reach their decision for recommendation.

Scottish Screen recognised the importance of external experts' input to this process and wanted to ensure that this key resource was maintained within the new system, which I can report has been successfully achieved. Also recognising the widening of the areas of support covered by the investment

strands, a call was made for new assessors to add to the existing strong base. A good response resulted in the current listing which provides a wide spectrum of industry knowledge and experience.

Fixed Assets

No fixed assets are held solely for Lottery use. A percentage of depreciation is recharged from Scottish Screen to the Lottery accounts.

Pensions

Details of the treatment of pension liabilities are included within the accounting policy notes and in note 4 to the accounts.

Project Monitoring and Evaluation

Post award, all projects are monitored by the designated Officer and Business Affairs to ensure compliance with contractual agreements, Lottery funding only being released on completion of designated milestones. Officers are in regular contact with relevant companies and individuals to ensure that the project is progressing as planned.

In 2006/07 we maintained our current system into its third year, which comprises of the evaluation of each investment strand based on the collation of key quantitative and qualitative measurables. The return of monitoring and evaluation documentation within specified timescales is a stipulated contractual requirement. During 2006/07 we launched a number of new investment strands and since then have been developing new monitoring and evaluation forms to reflect both the expanded nature of the applicant, which for some strands now includes individuals as well as companies, as well as the nature and objective of the projects.

As well as reviewing the monitoring and evaluation forms for the new investment strands we also plan to review any existing forms to ensure that we continue to capture information that is of relevance. Additionally we will review the schedule of issue of both new and revised forms, to ensure the timing best reflects the 'life' of projects and therefore ensures optimum capture of evaluation material. This data once received will be input into the new CRM system which is currently in development thereby enabling improved effectiveness in our utilisation of the data captured.

We have also undertaken further work on the collation of equality data which now includes not only information on the applicants but also, where applicable, information on project participants, enabling us to identify potentially under represented groups.

Data Protection Act requirements are fulfilled in the undertaking of this process.

Appointment of Auditors

The annual accounts are audited by Scott Moncrieff, as appointed by the Auditor General for Scotland. The fee for audit services for 2006/07 was £11,800. No non-audit work was undertaken by the auditors during the financial year.

Equal Opportunity in Employment and Disabled Employees

Scottish Screen is committed to providing a workplace and an environment that attracts and retains the best people. Scottish Screen values the contribution of all employees, we believe that organisational development and good people management is not a one off and we strive to identify continuous

improvement opportunities. Personal development and training of all employees is key to our success and we continue to invest in this area.

Scottish Screen is an Investor in People and an equal opportunities employer and has monitoring procedures in place to ensure continual compliance in this area. During the year Scottish Screen achieved re-accreditation of Investor in People and Disability 2 Ticks status as well as meeting the Disability Equality Duty in publishing our scheme in December 2006. During 2006/07 we are continuing our ongoing work on Disability Equality as well as working towards compliance of the Gender Equality Duty in June 2007. Providing and promoting equality of opportunity through the employment we provide is of fundamental importance to us. We are also undertaking an equal pay audit to ensure our salaries and salary evaluation systems meet the requirements of equality guidance and legislation.

Employee Consultation

During the year, the group maintained the practice of keeping employees informed about current activities and progress and encouraged employee involvement through formal communication channels, of open staff meetings, staff development sessions and the distribution of information in written and electronic formats, including the company intranet and the newly developed staff newsletter.

Payment of creditors

Scottish Screen's policy is to pay creditors within thirty days of a valid invoice or within alternative terms agreed at the point of transaction. During the year ended 31 March 2007, 88% of invoices were paid within the terms of the payment policy (2006, 77%). These percentages were calculated using the date stated on the invoice as opposed to the date the invoice was received.



Ken Hay
Chief Executive and Accountable Officer
31 August 2007

Management Commentary

Scottish Screen has now been operational as a National Lottery Distributor for seven years and continues to be committed to transparency and consistency in approach in the distribution of Lottery funds and committed to continual development and improvement.

During 2005/06 a full organisational review of all activities within Scottish Screen was undertaken to ensure they reflected the needs of the sector. Regulatory, technological and public policy developments have created a range of opportunities to significantly grow the sector, industrially, educationally and culturally. The potential is for more people to create, share and consume Scottish originated screen product than ever before and provide more communities across the country with the opportunity to access and appreciate a broader range of screen product from across the world. Scottish Screen's role (and in the future, Creative Scotland) is in driving the development and implementation of the strategy that will attempt to deliver this.

A key part of the organisational review was to widen the planned Lottery system review to include not only the revised Lottery processes but also to review the areas supported and to revise the systems in place. This enabled the best practices adopted in the Lottery application and decision making processes to be employed across the entire organisation, thus creating a standardised means of 'access' for organisations and individuals coming to Scottish Screen for financial support. It also ensured consistency and transparency in our application, evaluation and decision making processes.

Another important change to Lottery activity was the expansion of the areas of support, to continue our commitment to supporting content development and production, but to expand this support to include a wider range of areas within the screen industries. This was achieved during 2006/07 with the following new investment strands developed and launched:

- Content development
- Content production
- Short film production
- Exhibition
- Distribution
- Festivals
- Audience development
- Pilot fund
- Future fund
- New Talent development initiative
- Business development
- Markets and Festivals
- The Singles – joint Scottish Screen and BBC initiative
- Express Fund

Although we have only recently launched the new system we will be continuing to review it for effectiveness and reflect feedback received from the sector. Our aim in this exercise is to ensure that Lottery funds have the maximum level of impact within our areas of responsibility.

As always Scottish Screen will continue to work closely with the UK Film Council as well as with our sister bodies in Wales and Northern Ireland and the regional screen agencies. It is agreed that co-ordination of approach and policy is of vital importance and therefore during the year Scottish Screen participated in the regular '4 Nations' meetings with these bodies.

Creative Scotland

Scottish Screen is continuing to work closely with the Scottish Arts Council in moving towards the formation of the proposed new organisation, Creative Scotland. This relationship was further enhanced during 2006/07 by the creation on the 1st February 2007 of the joint Board of Scottish Screen and the Scottish Arts Council. Scottish Screen's priorities will continue to be to ensure that Creative Scotland fully addresses the very specific needs of the screen industries and that both the sector and the wider Scottish economy benefit from this important development. Scottish Screen will continue our work with our colleagues at the Scottish Arts Council to ensure the new body Creative Scotland is a dynamic, innovative organisation which helps to foster an environment where new ideas and risk taking are encouraged; successes are recognised and rewarded, and which champions creativity in all walks of life.

Skillset (Scotland) delegation

As an outcome of the extensive organisational review undertaken by Scottish Screen in 2005/06 and reflecting Scottish Screen's desire to best fulfill its ongoing commitment to the development of training and skills within the screen sector in Scotland, responsibility and resource was delegated to Skillset (Scotland). The purpose of this delegation was to address skills shortages and skills development needs in the screen industries in Scotland, specifically in screen businesses and freelancers working in the screen sector.

The delegation of National Lottery funds from Scottish Screen to Skillset (Scotland) is £600,000 over 2 years – 2006/08, which Skillset (Scotland) will be using to:

- develop and improve skills levels of freelancers working in the screen industries in Scotland;
- develop and improve skills levels within screen businesses through HR and training strategies;
- develop the provision of skills development and training through training providers in Scotland.

This will be delivered through:

Training Bursaries – freelancers and sole traders: bursaries for individuals to provide support to freelancers who are committed to developing their careers in a strategically focussed manner.

Continuing Professional Development – film, TV, interactive media, animation and computer games: to help the Skillset (Scotland) Training Fund to achieve its aim of developing the capacity of local provision across a range of areas outlined in our funding priorities.

Company Development - Human Resources and Training Strategies: to help the Skillset (Scotland) Training Fund to achieve its aim of bringing Scotland's screen industries a competitive edge, and thereby the ability to compete in the global market place on the basis of the highest level of skills.

Position of SSNLDF at the end of the year

Income and Expenditure Account

Scottish Screen's share of proceeds from the National Lottery Fund during the year to 31 March 2007 was £2.332 million, (2005-2006, £2.673 million). A total of £0.266 million (2005-2006, £0.287 million) was recouped from projects funded in previous years. Interest and return on investments of £0.218 million (2005-2006, £0.229 million) brought the total income to £2.859 million (2005-2006, £3.189 million).

Commitments entered into during 2006-07 totalled £2.749 million (2005-06, £2.986 million). Expenditure on staff and other operating costs was £0.361 million (2005-2006, £0.445 million). De-commitments during 2006-07 of prior year awards amounted to £0.624 million (2005-2006, £2.670 million). Staff and overhead costs were recharged from Scottish Screen's grant in aid funded statements on the basis of staff time spent on lottery activities during the year.

The net result for the period is a surplus of £0.330 million, (2005-2006, surplus of £2.428 million). This balance will be offset against commitments made to projects in future years.

Balance Sheet

The total net assets of £3.403 million (2005-06, £3.073 million), are represented by a general fund balance for future commitments.

Environmental

Scottish Screen continues to maintain commitment to reducing the environmental impact of operations and to promote resource efficiency, in line with the Environmental Performance initiative launched by Ross Finnie, Minister of Environment and Rural Development, on 26 August 2004. This initiative instructed Scottish Executive Agencies and Public Bodies to put in place environmental policies, procedures and targets. Scottish Screen took this on board and committed to reducing the environmental impact of our operations and to promote resource efficiency. Scottish Screen continues to be committed to the continual improvement of our environmental performance recognising the contribution that this will make to the wider sustainability agenda for Scotland, the strategy of which was launched in December 2005 - 'Choosing our future'.

This commitment has been made by the senior management of Scottish Screen who acknowledge their responsibilities in delivering our environmental policy and recognise the importance of engaging all staff in its implementation.

In delivering our commitment we are ensuring that we:

- Comply with all relevant legislation and the principles of the "Greening Government" policy.
- Adopt and promote more energy and resource efficient practices.
- Recognise that waste disposal has an environmental impact and cost and therefore seek to prevent it where possible.
- Recognise that the nature of our business requires the occasional use of hazardous substances and therefore endeavour to minimise their use by actively seeking alternatives where possible.
- Seek to minimise the impact that transport has on the environment, in particular recognising its contribution to global climate change, and therefore support more sustainable modes of travel.
- Recognise the importance of Scotland's biodiversity and seek ways of conserving and enhancing it.
- Encourage and influence businesses, organisations and individuals we work with across Scotland to adopt more sustainable business practices and protect the environment.
- Provide all the necessary resources for the effective delivery of this policy.
- Openly measure, audit, review and report on our progress.

The Environmental Group consisting of representatives from across the organisation and led by our Environmental Co-ordinator, have developed and implemented a number of initiatives throughout 2006/07 and have continued to raise awareness and ensure buy in from all staff. Some of the initiatives implemented during the year were: office catering and cleaning materials are now environmentally and ethically sourced; as part of introduction of the recycling points, office bins have been removed; a questionnaire was issued to all staff to gauge individuals commitment and understanding of environmental practice; all decommissioned electrical goods are now recycled; a replacement programme has been initiated for installation of low energy lighting in place of existing high usage spot lights; all photocopiers have been replaced with more environmentally efficient machines and a number of general initiatives are in place to reduce paper usage. This has all been accomplished by a drive to

wholly integrate environmental awareness into our day to day activities, which has proved a success with the Environmental Working Group and the wider organisation taking ownership of all initiatives. To emphasise our corporate commitment we are also considering the possibility of including on all staff personnel objectives an environmental and biodiversity obligation, linked to our current and future initiatives.

The Working Group has also widened this participation to include joint working with our landlords. This has resulted in the implementation of a building wide recycling scheme, with Scottish Screen sharing costs and facilities with our landlords for the recycling points and collections facilities. This has expanded our current paper recycling programme to now include, glass, aluminium and plastic. In 2007/08, we will be investigating another initiative in collaboration with our landlords in the removal of water coolers and the installation of plumbed in drinking water, which is a proven more environmentally sound practice. We will also continue to investigate other mechanisms to reduce our environmental impact internally, such as the 'cycle to work' scheme, as well as communicating externally via our main website and locations website the importance of and the need to protect and preserve Scotland's biodiversity.

Social and community

Scottish Screen, as the national screen agency for Scotland, has responsibility for the development of all aspects of screen culture and industry across the country and in that role we recognise that screen is no longer seen as purely film or even television. The digital age is here, and people now make, share and see moving images on digital formats and platforms at home, work, school, in the cinema and on the move in cars, planes and trains. Scottish Screen's job is to make sense of that new world and ensure that there continues to be opportunities for the widest possible diversity of people to participate in the making, viewing and understanding of screen content.

Providing and promoting equality of opportunity through the employment we provide, the work we do, the activities or projects we support and in the guidance we provide to others in our industry, is of fundamental importance to us.

Internally we have gained re-accreditation for Disability 2 Ticks and approval as a Disability Symbol user and during the next 12 months we will continue to meet the standard 5 commitments as well as work to increase awareness of Disability 2 Ticks amongst existing staff by creating an information section on the company intranet on Disability 2 Ticks.

In our recruitment process we monitor applications from disabled people and have a commitment, which we have enacted, to interview any applicant who meets the basic requirements for the post. We have also initiated a full review of our recruitment policy to ensure full compliance with all equality duties.

We have an equal opportunities policy which is available to all staff on our company intranet site, and as we committed to as part of our staff development programme for 2006/07, all staff participated in training and awareness raising on equal opportunities and diversity and access issues.

In line with our legislative duty to promote disability, Scottish Screen developed and published in December 2006, our Disability Equality Scheme. This sets out some of the work we have already conducted in the area of disability equality, but more importantly, sets out our plans and actions to ensure that we continually improve what we do, in relation to the general and specific duties we have. In line with this we established a Disability Equality Group within the organization which we have subsequently expanded to a wider Equality Group, which will encompass all the Equality areas. While this is beneficial and effective we recognise that, as outlined in 'Bringing Equality to Scotland: The Three Public Sector Duties', there are different legal requirements for each duty which we need to consider and while we will meet as a wider remit group we recognise that separate equality schemes must be produced to cover each of the three duties of Disability, Gender and Race.

We are working on the development of our Gender Equality Scheme in line with the completion deadline of 28th June 2007 and as part of our commitment to Shared Services within the Public Sector, we are undertaking this in collaboration with the Scottish Arts Council.

We are also currently undertaking an equal pay audit to ensure our salaries and salary evaluation systems meet the requirements of equality guidance and legislation.

The New Talent Development Initiative investment strand was launched in 2006/07 with the aim of broadening the opportunities and support available to emerging talent through investment in targeted development initiatives. In particular, an applicant's ability to increase the participation of currently under represented groups in the Scottish screen industries was monitored and assessed. Projects supported include Trouble Sleeping and Community Filmmaker's Project, both of which aim to increase the opportunities available for disenfranchised and asylum individuals in Scotland, through innovative training and filmmaking.

During 2006/07 we also launched the Cinema Access project, which we had developed with the support of the Royal National Institute for Deaf People (RNID) and Royal National Institute for Blind People (RNIB). This scheme provides grants to cinemas and cinema operators throughout Scotland to support the installation of captioning and audio-description equipment. This has built upon work in this area to date and will allow greater access to films for people with sensory impairments as well as being in line with our commitment to enable all sectors of the community to participate in and enjoy film culture.

A key partner in this work is the Local Authorities throughout Scotland and we will be seeking to further develop our relationships and partnership with them throughout 2007/08.

Remuneration report

Ken Hay (aged 42) was appointed Chief Executive on the 18 April 2005

	2006-07 £000s	2005-06 £000s
Emoluments of the Chief Executive		
Remuneration:	72	62
Other taxable benefits	-	-
Pension scheme contributions	<u>11</u>	<u>9</u>
	83	71

The Chief Executive is an ordinary member of the organisation's pension scheme. As at 31 March 2007, the pension accrued and Cash Equivalent Transfer Value was as follows:

	£'000s
Pension	8
Lump sum	2
Widow's pension	<u>2</u>
	12
Cash equivalent transfer value as at 31 March 2007	17

From the 1st February 2007 the Chair receives a remuneration set at a daily fee of £246.00 per board meetings and other business events, and is paid monthly culminating in an annual salary of £21,402k. During 2006/07 the Chair received £3,567, which was paid through the Scottish Arts Council and therefore is not presented within these accounts. The remaining directors of Scottish Screen are unpaid and received no remuneration or taxable emoluments during the year.

Remuneration Committee:

Richard Holloway - Chair
Ray MacFarlane
Donald Emslie
John Mulgrew
Charles Lovatt
Steve Grimmond

All senior management's remuneration, excluding the Chief Executive's, falls within the organisational pay grades. Remuneration increases are subject to attainment of satisfactory performance and are submitted to the Scottish Executive for approval through Scottish Screen's annual Pay Remit. The Chief Executive's performance is considered by the Remuneration Committee and submission for formal approval of increase in remuneration is sent to the Scottish Ministers.

Individual objectives are set for all senior management, by the Chief Executive and for the Chief Executive by the Chair, on behalf of the remuneration committee. The objectives set for individuals are directly linked to the organisational objectives as stated in the operational plan for the year. Satisfactory performance by attainment of set objectives is decided via one to one meetings with the Chief Executive for the senior manager and by the Chair for the Chief Executive. An initial meeting is held at a half way point during the year to determine progress to date with the final review meeting being held at the end of year, at that point the Chief Executive and Chair conclude whether satisfactory performance has been attained, by senior management and the Chief Executive, respectively.

The Chief Executive is eligible to receive an additional performance related payment in the form of an annual, one off non-pensionable bonus. The award of any such payment in any year is entirely at the discretion of the Board and will be determined on the appraisal carried out of the Chief Executive's performance in the previous appraisal year and his attainment of stretching targets and criteria. The maximum bonus payable is 5% of the Chief Executive's gross salary and is subject to approval of the Scottish Ministers.

The Chief Executive's and senior management's contracts are on a permanent basis reflecting legislation regarding fixed term contracts. All senior management are on a written notice period of one month, excluding the Chief Executive's of six months. All terminations of contracts will comply with contractual conditions. There are no conditions within any contracts regarding payments on termination.

Details of company directorships and significant interests held by members of the Board which may raise potential conflicts:

Dinah Caine	- CEO of Skillet UK
April Chamberlain	- Managing Director of the Comedy Unit
Donald Emslie	- was Chief Executive of SMG plc, and a Director of Scottish Television Ltd and Grampian Television Ltd until 12 April 2007 and a non-executive member of Skillset UK
Iain Smith	- is a Board Member of the UK Film Council.

Full details of related party transactions are stated in note 13 of this report.

No non audit work was undertaken by the auditors during the year.



Ken Hay
Chief Executive and Accountable Officer
31 August 2007

Statement of Chief Executive and Directors' Responsibilities

Under Section 35 of Part II of the National Lottery etc Act 1993, the Scottish Ministers have directed Scottish Screen to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Scottish Screen and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

The Accountable Officer of the Scottish Executive Education Department has designated the Chief Executive as Accountable Officer of Scottish Screen. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Scottish Screen's assets, are set out in the Accountable Officer's Memorandum issued by the Scottish Ministers under S26 (3) of the National Lottery, etc, Act 1993.



Ken Hay
Chief Executive and Accountable Officer

Statement on internal control

Scope of Responsibility

As Accountable Officer and Chief Executive and in conjunction with the Board, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, set by the Scottish Ministers, whilst safeguarding the public funds and assets for which the Accountable Officer is personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. In addition, the Chief Executive is also personally responsible for ensuring compliance with the policy and financial directions issued under section 26 (1), (3), (3a) and (4) of the National Lottery Act 1993 (as amended).

As Accountable Officer, the Chief Executive chairs weekly meetings of the senior management team of Scottish Screen which effectively delivers on risk management for the organisation. Through a regular formal process key risks are identified, which are weighted and allocated to specific managers for control. The management of organisational risk is discussed at the senior management team meetings, with risk assessment being a standing agenda item and the risk schedule being updated on an ongoing basis. Risk assessment is also a substantive agenda item on a cyclical basis to allow for periodic in depth review. Further details are given below. High level risks, as appropriate, are notified to the Scottish Executive and where appropriate, communicated to the Scottish Ministers.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Executive and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Ministers.

Risk and Control Framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The Accountable Officer and Board have ultimate responsibility for the control of all identified organisational risks. The system of risk management is embedded within the organisation, with clearly defined processes and specific areas of responsibility identified. To ensure effective daily control, each identified risk is allocated to one or more members of the senior management team, based on their appropriate skills/knowledge within the area concerned. They have responsibility to ensure that current controls are maintained; initiatives for improvement are successfully undertaken and that any new risks identified within their areas or within the wider organisation are immediately highlighted to the Accountable Officer/Chief Executive. To fully support the senior management in this process, any newly identified risks; decisions for controls, new initiatives, reviews of risks and controls etc are discussed at the management team meetings and with the Accountable Officer/Chief Executive and further guidance is

given before any action is taken. Schemes funded with partner organisations are covered within Scottish Screen's normal risk management procedures.

Assessment of fraud is undertaken as part of our overall organisational risk review and assessment process. Extensive controls are in place and are working well which mitigate risk of fraud taking place. There have been no instances of fraud or suspected fraud during the financial year.

Scottish Screen has strict procedures for directors to register and declare their interests and to exclude themselves from considering any issues which may present a conflict. A register of Board, external assessors' and staff interests is held at Scottish Screen's registered office, and is updated twice yearly. Additionally the external assessors are contractually obligated to advise Scottish Screen immediately if they have any interest in any project they receive, and upon notification Scottish Screen will replace them for the review and completion of the assessment report. To avoid any potential conflict of interest within Scottish Screen, it is a condition of employment that staff are required not to work on any of their projects for the duration of their contract.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In particular, in the period covering the year to 31 March 2007 and up to the signing of the accounts the organisation has in addition to the weekly and scheduled periodic review, completed a further comprehensive and strategic review and revision of the risk schedule, this being undertaken by the Chief Executive and the Chief Operating Officer. Also during 2006/07 a wide range of new investment strands have been launched reflecting the outcomes from the extensive organisational review undertaken in 2005/06. Work has also continued on the development of the expanded investment system, the purpose of which being the creation of standardised means of 'access' for organisations and individuals coming to Scottish Screen for financial support, and ensuring consistency and transparency in our application, evaluation and decision making processes.

Review of Effectiveness

As Accountable Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control. His review is informed by:

- the managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit Committee reports which include an independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

The Accountable Officer has been advised of the effectiveness of the system of internal control by the Audit Committee and appropriate action is in place to address weaknesses identified and ensure continuous improvement of the system.

To address the requirements of the Financial Directions for project monitoring and evaluation, Scottish Screen currently monitors all projects. This is undertaken by designated Officers and Business Affairs, who ensure compliance with contractual agreements on an ongoing basis with Lottery investment only being released on completion of designated milestones.

Evaluation forms are issued to award recipients, at designated times, chosen to best reflect the 'life' of projects and ensure optimum capture of evaluation material. The completion and return of the evaluation material within a specified timescale is stipulated as a contractual requirement. The material is collated to enable review of the effectiveness of investment and scheme structures and also to provide key

reference material. The summary report can be found at the end of this document. Data protection requirements are fulfilled in the undertaking of this process.

The current system is under review to reflect the new investment strands and the expanded nature of the applicant, which for some strands now includes individuals as well as companies, as well as the fundamental nature and objectives of the projects. The schedule for issue of forms is also being reviewed to ensure the timing best reflects the 'life' of projects and therefore ensures optimum capture of evaluation material. This ability to utilise captured data will be further enhanced on the installation of the new CRM system which is currently in development.

Ongoing monitoring of agreed recoupments, continues as normal. This is an area of development, reflecting the launch during the year of the new investment strands but also in line with our intention to review the information captured to ensure it best fits our reporting, research and analytical requirements. The CRM system reflects specific reporting and monitoring requirements for investment recoupments, which will further enhance work to date.

A Business Risk Assessment Register is in place, which identifies the organisation's risks, categorised as 'Business Critical', 'Important Risks' and 'Other Risks'. A control strategy has been established for each of the significant risks and the register is reviewed and updated to reflect any changes in potential risks and or developments of the controls in place. Risk management is a standing agenda item at weekly senior management meetings and risk management is fully incorporated into the corporate planning and decision making processes of the organisation, as well as reviewed periodically by the Audit Committee.

The organisation's internal auditors submit stringent reports on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement. All recommendations from the audit process are responded to by management, the recommendations and responses for implementation being rigorously reviewed by the Audit Committee before being either approved or amended, for implementation. The findings from audit are then reported to the Board.

The controls in place have been, and are, working well and there are no significant matters arising which would require to be raised.



Ken Hay
Chief Executive and Accountable Officer



Richard Holloway
Chairman

Independent auditors' report to the members of the Scottish Screen National Lottery Distribution Fund, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the Scottish Screen National Lottery Distribution Fund for the year ended 31 March 2007 under the National Lottery etc Act 1993. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Directors, Chief Executive and auditors

The Directors and the Chief Executive are responsible for preparing the annual report and the financial statements in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. We also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Annual Report is not consistent with the financial statements, if the body has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the body's compliance with the Scottish Executive's guidance. We report if, in our opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises the Management Commentary, the unaudited part of the Remuneration Report and the Closure Evaluation Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers, of the state of affairs of the body as at 31 March 2007 and of its increase in fund, recognised gains and losses and cash flows for the year then ended; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers.

Regularity

In our opinion in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.



Scott-Moncrieff
Chartered Accountants
Registered Auditors
10 September 2007

17 Melville Street
Edinburgh
EH3 7PH

Income and expenditure account
for the year ended 31 March 2007

	Notes	2006-07 £000s	2005-06 £000s
Income			
National Lottery Fund proceeds		2,332	2,673
De-Commitment of SAC Awards	2a	43	-
Other income	2b	<u>484</u>	<u>516</u>
		<u>2,859</u>	<u>3,189</u>
Expenditure			
Award commitments	3a	2,749	2,986
De-commitment of prior year awards	3b	(581)	(2,670)
Staff costs	4	213	246
Other Operating costs	5	<u>148</u>	<u>199</u>
		<u>2,529</u>	<u>761</u>
Surplus on ordinary activities		330	2,428
Notional interest payable		<u>13</u>	<u>8</u>
Surplus on ordinary activities		317	2,420
Reversal of notional interest payable		<u>13</u>	<u>8</u>
Increase in Fund		<u>330</u>	<u>2,428</u>

All the results of the Fund relate to continuing activities.

Statement of recognised gains and losses

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

The notes on pages 23 to 29 form part of these financial statements.

Balance sheet
as at 31 March 2007

	Note	2006-2007 £000s	2005-2006 £000s
Current assets			
Balance held in NLDF	6	5,505	4,742
Debtors	7	125	159
Bank	8	<u>432</u>	<u>308</u>
		<u>6,062</u>	<u>5,209</u>
Creditors:			
amounts falling due within one year	9	<u>2,659</u>	<u>2,136</u>
Net current assets			
		<u>3,403</u>	<u>3,073</u>
Total assets less current liabilities			
		<u>3,403</u>	<u>3,073</u>
Represented by:			
General reserve	10	<u>3,403</u>	<u>3,073</u>



Ken Hay
Chief Executive and Accountable Officer
31 August 2007

Cash flow statement

	2006-07 £000s	2005-06 £000s
Net cash inflow/(outflow) from operating activities	111	54
Returns on investments and servicing of finance		
Interest received	13	9
Increase/(Decrease) in cash in the period	<u>124</u>	<u>63</u>

Notes to the cash flow statement

(1) *Reconciliation of operating surplus to net cash inflow*

Operating (deficit) surplus	330	2,428
Bank interest	<u>(13)</u>	<u>(9)</u>
	317	2,419
Decrease/(Increase) in debtors	34	(113)
Decrease/(Increase) in NLDF balances	(763)	8
(Decrease)/Increase in creditors	<u>523</u>	<u>(2,260)</u>
Net cash flow from operating activities	<u>111</u>	<u>54</u>

(2) *Analysis of changes in net funds*

	1 April 2006 £000s	Movement £000s	31 March 2007 £000s
Cash at bank and in hand	308	124	432
Bank overdrafts	-	-	-
	<u>308</u>	<u>124</u>	<u>432</u>
NLDF	<u>4,742</u>	<u>763</u>	<u>5,505</u>
Total	<u>5,050</u>	<u>887</u>	<u>5,937</u>

The notes on pages 23 to 29 form part of these financial statements.

Reconciliation of movement in funds for the year ended 31 March 2007

	Balances held in NLDF	Balances at Scottish Screen	Provisions for grant awards	Total
	£000s	£000s	£000s	£000s
Opening Balance	4,742	311	(1,980)	3,073
NLDF proceeds	2,332	-	-	2,332
Drawn down funds	(1,774)	1,774	-	-
Investment returns	205	-	-	205
Interest on cash balances	-	13	-	13
Other operating income	-	266	-	266
De-Commitment of SAC Awards	-	43	-	43
Grants paid	-	(1,557)	-	(1,557)
(Increase)Decrease in grant creditors	-	-	(611)	(611)
Expenditure	-	(361)	-	(361)
Closing Balance	5,505	489	(2,591)	3,403

The notes on pages 23 to 29 form part of these financial statements.

Notes to the accounts for the year ended 31 March 2007

1. Accounting Policies

(a) Basis of Accounting

These financial statements are prepared under the historical cost convention. The accounts have been prepared in accordance with the Accounts Direction issued by the Scottish Ministers and they meet the requirements of the Financial Reporting Manual (FRM) and of the Statements of Standard Accounting Practice/Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as those requirements are appropriate.

Separate accounts have been prepared for the activities funded from grant-in-aid, in accordance with the directions issued by the Scottish Ministers. Consolidated accounts have not been prepared.

(b) Accruals convention

All income and expenditure is taken into account in the financial year to which it relates.

Accounting for funding awards

As required by the Scottish Ministers, a distinction is made in respect of National Lottery Fund awards between *hard commitments*, where Scottish Screen has made a firm offer of grant which (together with the appropriate conditions) has been accepted by the recipient and the *soft commitments* where Scottish Screen has agreed to fund a project and made an offer but the offer has not yet been formally accepted.

Hard commitments are recognised in the income and expenditure account, whereas soft commitments are disclosed by way of a note. Due to the nature of the projects supported it is not possible to reliably identify creditors over 12 months, therefore all hard commitments payable are prudently recognised in the balance sheet as current liabilities.

Project development awards

Scottish Screen makes awards which are for the development of projects to progress them to production. Some or all of these awards may be repayable in the event of a project reaching completion. Income is only accrued when the repayment conditions are fulfilled.

(c) Tangible fixed assets and depreciation

No fixed assets are held solely for Lottery use. A percentage of depreciation is recharged from Scottish Screen to the Lottery accounts representing assets bought in 2004/05 held in Scottish Screen.

(d) National Lottery Distribution Fund

Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media and Sport. However, the share of these balances attributable to Scottish Screen is as shown in the Accounts and, at the Balance Sheet date has been certified by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments subject to:

- Completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2006/07 by the National Lottery Commission.
- Completion of the audit of the National Lottery Distribution Fund accounts for 2006/07 by the National Audit Office.

The NLDF balance is brought to account at the lower of cost and market value.

(e) Pension costs

Pension costs for Scottish Screen staff are recharged to the Lottery Distribution Fund for staff employed on lottery related activities. Scottish Screen is an admitted body of the Strathclyde Pension Fund, a defined benefit scheme whose assets are held independently, being invested in managed funds. The pension fund is valued by actuaries, the rates of contribution payable being determined by the Trustees on the advice of the actuaries. Contributions to the pension fund are calculated so as to provide the cost of providing pensions over the period during which admitted bodies benefit from the employees services.

(f) Notional costs

In line with the accounts guidance issued by HM Treasury, notional costs in relation to the cost of capital have been charged to the income and expenditure account.

The cost of capital provision has been calculated by applying a rate of 3.5% to the average total assets less current liabilities, excluding grant creditors and NLDF balances.

2a De-commitment of Scottish Arts Council Awards (SAC)

This represents awards made by SAC, which were withdrawn during 2006/07, by Scottish Screen, as authorised by the Delegated Agreement between SAC and Scottish Screen.

2b Other income

	2006-07 £000s	2005-06 £000s
Investment income	205	220
Bank interest	13	9
Award repayments	<u>266</u>	<u>287</u>
	<u>484</u>	<u>516</u>

3a Award Commitments (hard)

	2006-07 £000s	2005-06 £000s
Features	675	2,016
Shorts	5	131
Project Development	20	143
Short film production schemes	225	223
Supplementary funding	85	115
Script Development	22	358
Content Development	136	-
New Talent Development	270	-
Festivals	75	-
Audience Development	37	-
Markets and Festivals	9	-
Content Production	1,100	-
Skillset	<u>90</u>	<u>-</u>
	<u>2,749</u>	<u>2,986</u>

3b De-commitment of prior year awards (hard)

This represents a total of £0.581 million of awards relating to prior year (hard) commitments, which were de-committed during 2006-07 (2005-06, £2.670 million).

4 Staff costs

	2006-07 £000s	2005-06 £000s
Staff costs during the year		
Wages and salaries	179	205
Social security costs	13	16
Other pension costs	<u>21</u>	<u>25</u>
	<u>213</u>	<u>246</u>

All staff costs are recharged from Scottish Screen grant-in-aid funded activities on the basis of staff time spent on lottery related activities. Scottish Screen's total payroll costs for the year to 31 March 2007 were £1,416,000, the average number of staff employed during the year was 46.4. The amount recharged in respect of the National Lottery Distribution Fund's share of Scottish Screen's payroll costs was 15% (2005-06, 16%).

	Number 2006-07	Number 2005-06
Average number of persons employed on NLDF activities (FTE) during year ended 31 March 2007	6	9

Scottish Screen Lottery does not operate its own pension scheme but participates in a defined benefit scheme, Strathclyde Pension Fund, provided by Scottish Screen for all its employees. The scheme is funded by payments from Scottish Screen and its employees to a trust administered fund, independent of

Scottish Screen's finances. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company.

Further details on Scottish Screen's pension scheme can be found in Scottish Screen's Annual Report and Accounts 2006/07. No asset or liability for Scottish Screen's pension scheme is held within these accounts.

5 Other operating expenses

	2006-07 £000s Direct	2006-07 £000s Recharged	2006-07 £000s Total	2005-06 £000s Direct	2005-06 £000s Recharged	2005-06 £000s Total
Legal & professional fees	38	-	38	76	-	76
Rent & overheads	-	44	44	-	48	48
Depreciation	-	3	3	-	3	3
Office administration	2	2	4	7	5	12
IT costs	-	-	-	-	-	-
Auditors' remuneration:						
- External	12	-	12	12	-	12
- Internal	-	2	2	-	-	-
Staff expenses	14	-	14	14	-	14
Panel expenses	2	-	2	4	-	4
Irrecoverable VAT	10	-	10	16	-	16
Script assessment	7	-	7	13	-	13
Consultancy fees	<u>12</u>	-	<u>12</u>	<u>1</u>	-	<u>1</u>
	<u>97</u>	<u>51</u>	<u>148</u>	<u>143</u>	<u>56</u>	<u>199</u>

6 Balance held in NLDF

	2006-07 £000s	2005-06 £000s
Brought forward at 1 April	4,742	4,750
Income received from Lottery	2,332	2,673
Investment Income	271	252
Funds Drawn Down	<u>(1,774)</u>	<u>(2,901)</u>
Carried forward at 31 March	<u>5,571</u>	<u>4,774</u>
Share of unrealised losses	<u>(66)</u>	<u>(32)</u>
Closing market Value at 31 March	<u>5,505</u>	<u>4,742</u>

7 Debtors

	2006-07 £000s	2005-06 £000s
Trade debtors	88	105
Recoupment debtors	37	52
Sundry debtors	<u>0</u>	<u>2</u>
	<u>125</u>	<u>159</u>

8 Cash at bank

	2006-07 £000s	2005-06 £000s
Cash at bank	<u>432</u>	<u>308</u>

9 Creditors

	2006-07 £000s	2005-06 £000s
Awards outstanding (hard commitments)	2,591	1,980
Accruals & sundry creditors *	<u>68</u>	<u>156</u>
	<u>2,659</u>	<u>2,136</u>

*Sundry creditors balance includes £ 8,587 (2005–06 £63,372) relating to Scottish Arts Council awards

10 General reserve

	2006-07 £000s	2005-06 £000s
Balance at 1 April	3,073	645
Change in fund in year	<u>330</u>	<u>2,428</u>
Balance at 31 March	<u>3,403</u>	<u>3,073</u>

11 Soft commitments

	2006-07 £000s	2005-06 £000s
Balance at 1 April	302	211
Awards withdrawn	0	(200)
Accepted in year	(302)	(11)
Amounts committed in year*	<u>1,108</u>	<u>302</u>
Balance at 31 March	<u>1,108</u>	<u>302</u>

*Awards made but not accepted at 31 March 2007

12 Hard commitments

	2006-07 £000s	2005-06 £000s
Balance at 1 April	1,980	4,244
De-commitment of prior year awards	(581)	(2,670)
Committed in year	2,749	2,986
Paid in year	<u>(1,557)</u>	<u>(2,580)</u>
Balance at 31 March	<u>2,591</u>	<u>1,980</u>

13 Related party transactions

Scottish Screen administers the Scottish Screen National Lottery Distribution Fund.

Scottish Screen is regarded as a related party by the Scottish Screen National Lottery Distribution Fund. During the year, Scottish Screen's National Lottery Fund had material transactions with Scottish Screen.

During the year ended 31 March 2007 the following transactions took place between Scottish Screen's Lottery Distribution Fund and related parties, principally directors.

The following transactions relate to transactions undertaken between Scottish Screen and the Scottish Arts Council since the appointment of the joint Board Members as at 1 February 2007, and therefore relate to all Board Members in post between 1 February 2007 and 31 March 2007:

Scottish Screen awarded £75,000 New Talent Development support to **Trouble Sleeping (Theatre Workshop)** in March 2007 of which the Scottish Arts Council were also a co-investor. Scottish Screen awarded £4,500 Audience Development support to **Kill Your Timid Notion (Arika)** in February 2007 which the Scottish Arts Council were also co-investors.

Dinah Caine is CEO of Skillset is a Board member of Scottish Screen. During the financial year 2006/07 Skillset received delegated Lottery investment of £300,000. Scottish Screen also awarded £75,000 New Talent Development investment to **GMAC Shorts (Glasgow Media Access Centre)** in August 2006 of which Skillset Scotland were detailed as a co-investor, investing £3,500.

April Chamberlain is Managing Director of the Comedy Unit and was a Board member of Scottish Screen until 31 January 2007. April's son is an employee of Tern Television Productions and in this period Scottish Screen awarded £25,000 content development in **Raven's Wing (Tern Television Productions)**.

Donald Emslie was Chief Executive of SMG plc, and a Director of STV Central Ltd and STV North Ltd until 12 April 2007, a non-executive member of Skillset UK and a Board member of Scottish Screen. Scottish Screen provided supplementary investment for the two jointly commissioned with STV projects, **New Found Films – Gamerz (Pure Magic Films Ltd)** and **Night People (Mead Kerr Ltd)**. Scottish Screen awarded **Gamerz** £28,650 and **Night People** £23,402 in April 2006 to assist with the generation of 2 x 35mm prints to allow the teams to take the projects to the marketplace and international film festival circuit. A Market & Festivals award of £2,000 was made available to **Gamerz (Pure Magic Films Ltd)** in September 2006 to allow the team to attend the Lund International Fantastic Film Festival and FantasticFest in Austin, Texas.

Scottish Screen awarded Festival finance totalling £20,000 to the **Celtic Film & Television Festival (Skye 2007)** in August 2006 which also received support from STV.

A Content Development award of £8,000 was made to **Granny Flat (Made Up North Productions Ltd)** in October 2006. This project was originally developed through the first round of **New Found Films** and made it to the final shortlist in 2002.

During the financial year 2006/07 Skillset received delegated Lottery investment of £300,000. Scottish Screen also awarded £75,000 New Talent Development investment to **GMAC Shorts (Glasgow Media Access Centre)** in August 2006 of which Skillset Scotland were detailed as a co-investor investing £3,500.

Prof Paul Harris is Chair and Director of Angus Digital Media Centre, founder partner in the Bridging the Gap scheme and was a Board member of Scottish Screen until 31 January 2007. Scottish Screen awarded £70,000 to **Bridging the Gap 4 (Scottish Documentary Institute)** in August 2006 of which Angus Digital Media Centre invested in kind support. At this time Prof Harris was also the Chair of the

Lottery Investment Meetings for awards over £50,000, however, he was not present at the decision making meeting held on 8 August 2006 and the award was ratified by the Scottish Screen Chair, Ray Macfarlane.

Malcolm Ritchie is a Non-Executive Director of Tern Television and was a Board Member of Scottish Screen until 31st January 2007. In this period Scottish Screen awarded £25,000 content development to **Raven's Wing (Tern Television Productions)**.

Iain Smith is a Board Member of the UK Film Council and a Board member of Scottish Screen. Scottish Screen awarded supplementary funding of £15,420 in April 2006 to **Red Road (Red Road Films Ltd)**, the film was co-funded with the UK Film Council. The **GMAC Shorts Scheme (GMAC)** was awarded £75,000 in August 2006 with the UK Film Council New Cinema Digital Shorts initiative, being a funding partner in this scheme. Scottish Screen awarded £8,000 Content Development support to **Granny Flat (Made Up North Productions Ltd)** in October 2006 and at the time of application the UKFC were detailed as conditional co-investors.

The following Board Members retired on 31 January 2007 and the transactions detailed are only to that date:

- **April Chamberlain**
- **Malcolm Ritchie**
- **Richard Findlay**
- **Prof Paul Harris**

Likewise the transactions listed for the new Board Members only relate to transactions undertaken after their appointment date of 1 February 2007.

Henry Eagles, SMG plc, STV Central Ltd and STV North Ltd and an external assessor for Scottish Screen. During the financial year 2006/07 Scottish Screen provided supplementary investment for the two jointly commissioned with STV projects - **New Found Films – Gamerz (Pure Magic Films Ltd)** and **Night People (Mead Kerr Ltd)**. Scottish Screen awarded **Gamerz** £28,650 and **Night People** £23,402 in April 2006 to assist with the generation of 2 x 35mm prints to allow the teams to take the projects to the marketplace and international film festival circuit. A Market & Festivals award of £2,000 was made available to **Gamerz (Pure Magic Films Ltd)** in September 2006 to allow the team to attend the Lund International Fantastic Film Festival and FantasticFest in Austin, Texas. Scottish Screen awarded Festival finance totalling £20,000 to the **Celtic Film & Television Festival (Skye 2007)** in August 2006 and this project received support from STV. An award of £8,000 was made to **Granny Flat (Made Up North Productions Ltd)** in October 2006. This project was originally developed through the first round of **New Found Films** and made it to the final shortlist in 2002.

Matthew Justice, Lunar Films Ltd is an Executive Producer on **Hallam Foe (Sigma Films Ltd)** and an external assessor for Scottish Screen. **Hallam Foe (Sigma Films Ltd)** received £1,500 Markets & Festivals support from Scottish Screen in February 2007.

Claire Mundell is a director of Synchronicity Films, a board member of the Glasgow Film Theatre and an external assessor for Scottish Screen. A Content Development award of £29,500 was made to **The Brotherhood of the Book (Synchronicity Films Ltd)** in August 2006.

SCOTTISH SCREEN

National Lottery Distribution Fund

List of awards made during the year ended 31 March 2007

Decision body	Applicant	Project Title	Project Type	Award (£)
Hard Commitments				
	Advance Party Films Ltd	Old Dogs	Features	300,000
	Black Camel Picture Co	Breathe	Features	375,000
				675,000
	4 Way Pictures Ltd	The Man Who Walks	Project Development	19,450
	Imagine Pictures Ltd	No Coke	Shorts	5,000
	Indelible Inc Ltd	Hope Street Heist	Script Development	11,000
	Loud Mouse Productions Ltd	Never Enough	Script Development	10,800
				21,800
	55 Degrees Ltd	The Harvest	Short Film Award Scheme	20,000
	Glasgow City Council	Reel Lives	Short Film Award Scheme	29,550
	Su Greirson / Angus Digital Media Centre	Aerial Roots	Short Film Award Scheme	32,845
	SIC Technologies	Servitech	Short Film Award Scheme	32,075
	Scottish Arts Council	Artists Film And Video 2006	Short Film Award Scheme	25,000
	Brocken Spectre Ltd	Shell	Short Film Award Scheme	45,000
	Sigma Films Ltd	Dog Altogether	Short Film Award Scheme	35,000

	Ideal World Ltd	Gypsy Trail (aka Rogues, Rascals, Runaways)	Short Film Award Scheme	5,770
				225,240
	The Comedy Unit Ltd	Bad Brown Owl	Supplementary	750
	Sprocketeers Ltd	Sweetie	Supplementary	1,500
	Makar Productions Ltd	True North (aka Dragnet)	Supplementary	15,579
	Pure Magic Films Ltd	Gamerz	Supplementary	28,650
	Mead Kerr Ltd	Night People	Supplementary	23,402
	Red Road Films Ltd	Red Road	Supplementary	15,420
				85,301
	Saltire Film & TV Productions Ltd	The Lantern Bearers	Content Development	20,250
	Synchronicity Films Ltd	Brotherhood Of The Book	Content Development	24,950
	Brocken Spectre Ltd	Heritage	Content Development	6,500
	Made Up North Productions Ltd	Granny Flat	Content Development	8,000
	Saltire Film & TV Productions Ltd	The Cone Gatherers	Content Development	25,200
	Makar Productions Ltd	Saint Abandon's	Content Development	7,650
	Tern TV Productions Ltd	Raven's Wing	Content Development	25,000
	Slate North Ltd	Me & Ma Gal	Content Development	18,750
				136,300
	Scottish Documentary Institute	Bridging The Gap 4	New Talent Development	70,000
	GMAC	GMAC Shorts	New Talent Development	75,000

	Diversity Training (Scotland)	Community Filmmakers Project	New Talent Development	49,979
	Theatre Workshop	Trouble Sleeping	New Talent Development	75,000
				269,979
	Celtic Film & TV Festival	Celtic Film & TV Festival (Skye)	Festivals	20,000
	Cowal Walking Festival Assoc	CowalFest	Festivals	3,000
	DCA	Discovery Intl Film Festival	Festivals	20,000
	Projectorfest Ltd	Projector	Festivals	10,000
	Cinema China	Cinema China	Festivals	20,000
	Document 4	Int. Human Rights Doc Fest	Festivals	2,000
				75,000
	Docspace Outreach	Docspace Outreach	Audience Development	9,825
	Filmhouse	Reel 2006	Audience Development	3,500
	DCA	Discovery Intl Film Festival	Audience Development	7,500
	Document 4	Int. Human Rights Doc Fest	Audience Development	1,000
	Glasgow Film Festival	Glasgow Film Festival	Audience Development	15,000
				36,825
	Autonomi Ltd	Run	Markets & Festivals	973
	Pure Magic Films Ltd	Gamerz	Markets & Festivals	2,000
	Young Films Ltd	Foighidinn	Markets & Festivals	840
	Sigma Films Ltd	Trout	Markets & Festivals	938
	Matt Pinder	Snakebite	Markets & Festivals	1,500

	GMAC	Me & Her	Markets & Festivals	500
	GMAC	Happy	Markets & Festivals	700
	Sigma Films Ltd	Hallam Foe	Markets & Festivals	1,500
				8,951
	Young Films Ltd	The Inaccessible Pinnacle	Content Production	12,500
	Absolutely Productions	Bonnie Boys (aka Scottsville)	Content Production	300,000
	La Belle Allee Productions Ltd	Valhalla Rising	Content Production	287,879
	4 Way Pictures Ltd	The Meat Trade	Content Production	500,000
				1,100,379
	Skillset	Delegation of National Lottery Funds		89,375
Total of Hard commitments				2,748,600
Soft Commitments				
	Young Miracle Films Ltd	The Listen	Content Development	3,000
	Arika	Kill Your Timid Notion	Audience Development	4,500
	Red Kite Animations Ltd	The Imp	Markets & Festivals	1,030
	Hadrian Productions Ltd	Doomsday	Content Production	300,000
	The Mob Film Co Ltd	Stone Of Destiny	Content Production	440,000
	La Belle Allee Productions Ltd		Business Development Loan	19,810
	Slate North Ltd		Business Development Loan	50,000

	MnE Television		Business Development Loan	80,000
	Skillset	Delegation of National Lottery Funds		210,094
Total of Soft commitments				1,108,434

CLOSURE EVALUATION REPORT 2006/07

A review of Scottish Screen's Lottery investment process was undertaken in March and April 2006 and therefore no funding applications were accepted during this period. Following the moratorium Scottish Screen re-launched the investment process, part of which was the introduction of a number of new investment categories. A number of these were launched immediately with further rolled out during the course of 2006/07.

Scottish Screen is responsible for the distribution of National Lottery funding towards the support of the development of a sustainable screen industry in Scotland and to support Scotland's screen culture. Prior to the review, applications could be made to funding strands which included Script Development, Project Development, Short Film Production Funding, Short Film Award Schemes, and Feature Film Funding. Following the review these categories were replaced with new investment strands; New Talent Development Initiative, Short Film Production, Content Development, Pilot Fund, Future Fund, Express Film Fund, Content Production, Business Development Loan Fund, Audience Development, Festivals, Distribution, Exhibition and Education Development.

Both the preceding and current Lottery funding processes are subject to strict guidelines at the application stage, and are closely monitored and evaluated throughout the course of the funding and delivery process.

Closure Evaluation reports were sent to all recipients of Lottery funding investments in the financial year of 1 April 2006 to 31 March 2007. Recipients that had completed their project within this year returned Evaluation reports as a delivery requirement. Reports are requested at closure, and then at 6, 12, 24 and 36-month intervals, which varies dependent on the type of project. To date, only two projects from the new investment strands have completed and returned a Closure Evaluation report, one of which was allocated an award from the Audience Development investment strand, the other from the Festivals investment strand. Results from these will be reflected in next years report. With regard to the former investment strands, requests for evaluation reports will continue to be issued in line with the pre-determined schedule.

During 2006/07 forms for the initial completion and 6, 12, and 24-month updates have been sent out to recipients of awards as scheduled. Of the 178 reports issued 134 (75%) have been returned. Phase one and phase two forms comprised 81 of the returned reports, with the remaining 53 being phase three and four. A spreadsheet detailing when evaluation forms are due to be issued and returned is available for reference.

SCRIPT DEVELOPMENT

This stage of development was designed to take an early draft of a script or treatment to the next draft stage. No new applications for this category were submitted during the financial year of 1 April 2006 to 31 March 2007 due to the re-evaluation of the Investment process and the launch of new funding strands. Companies who would have previously sought funding from this category can now submit an application to one of the new investment strands, details of which are available from the Scottish Screen website.

Sixty Script Development forms have been returned during the financial year. Of this total, nineteen of the forms submitted were phase one updates, twenty-three were phase two updates, seventeen were phase three updates and one phase four update was returned.

Twenty-four of the projects remain in development, with nine obtaining further development funding from Scottish Screen. Two of these awards were granted from the new Content Development investment strand. Twelve of the projects are currently seeking financial support in order to move into production, two of which presently have applications pending with Scottish Screen under Content Production and the Express Film Fund. Thirteen projects are currently on hold, with seven being shelved.

Variance between the intended development spend and the actual development spend was only recorded on the first phase forms and seven of the sixteen forms returned showed a variance. Although under spend was noted on three of the forms an increase of 7.9% was seen on the cumulative budget of £165,980.64. This increase was reported as being due to high script editor fees, legal costs and travel expenses. In all cases any overspend was covered by the production company.

PROJECT DEVELOPMENT

Project Development at this stage allowed producers to approach other funding partners, with the view of going into production. No new applications for this category were submitted during the financial year of 1 April 2006 to 31 March 2007 due to the re-evaluation of the Investment process and the launch of new funding strands. Companies who would have previously sought funding from this category can now submit an application to one of the new investment strands, details of which are available from the Scottish Screen website.

A total of thirty-six forms have been returned since the last report. Eight of these were phase one forms, ten were phase two forms, seventeen were phase three forms, and one phase four form was submitted.

Four of these projects are now complete, with one receiving additional Feature Film fund finance from Scottish Screen. A further nine projects have secured or are in the process of securing finance in order to move into production; two of which have been awarded production finance from the new Content Production investment strand, with one project currently seeking finance from this fund. In addition, two of the seven projects continuing development have been awarded additional Content Development funds from Scottish Screen. Eight of the projects are on hold and five have been shelved.

Variance between intended budget and actual budget was only requested on the first phase forms and five of the seven forms returned noted a difference in budget. The variance represented a rise of 7.6% of the totalled budget of £154,325.91 and was stated as being due to additional research and travel requirements. In each instance the production company sourced the extra investment.

SHORT FILM PRODUCTION

The production of short films is rewarding for most people involved, providing valuable experience, both for the key creative team of producer, writer and director and for most of the cast and crew, who are often able to work at a higher grade with more responsibility. No new applications for this category were submitted during the financial year of 1 April 2006 to 31 March 2007 due to the re-evaluation of the Investment process and the launch of new funding strands. Companies who would have previously sought funding from this category can now submit an application to one of the new investment strands, details of which are available from the Scottish Screen website.

Fifty-three short film evaluations were returned, with twenty-seven being phase one and two updates and twenty-four being phase three updates. Two phase four updates were returned. Twelve (23%) of the fifty-three projects with forms returned were produced through a short film scheme such as GMAC Shorts, This Scotland or Bridging the Gap. Independent production companies produced the remainder. All of the projects were completed and either broadcast on UK terrestrial television or screened at a wide range of international film festivals. Many received awards which included Best Comedy Short at the Santa Monica Film Festival, the BAFTA award for Best Short Film and Best Documentary Film Award at Britspotting, Berlin.

Only one project stated a variance between the intended budget and the actual budget, representing an increase of 2.7% of the budget of £20,000. The increase in budget was noted as being due to additional location costs and the production company covered all additional costs.

FEATURE PRODUCTION

This funding strand provided support to production companies to assist with the physical production of feature projects. No new applications for this category were submitted during the financial year of 1 April 2006 to 31 March 2007 due to the re-evaluation of the Investment process and the launch of new funding strands. Companies who would have previously sought funding from this category can now submit an application to one of the new investment strands, details of which are available from the Scottish Screen website.

A total of twelve forms have been returned within the financial year. Three phase one forms, two phase two forms and six phase three forms were submitted. No phase four forms were returned.

All twelve features have reached completion, with ten being screened at international festivals and two being broadcast on UK terrestrial television. Six of the projects have received awards, including the Best Actor award at the Tribeca Film Festival and the Banff Rockie Award for Best Arts Documentary.

Variance between intended budget and actual budget was only requested on the first phase forms and two of the three forms indicated a variance. The increase of 11% of the combined budget of £5,658,913 was stated as being due to an increase in production and postproduction costs and market screenings. Additional finance from Scottish Screen was granted from the Feature Film Fund to one of the projects to assist with completion. The relevant production companies sought additional finance from other sources for the remaining projects.



SCOTTISH SCREEN

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 35 of Part II of the National Lottery etc. Act 1993, hereby give the following direction.
2. The statement of accounts which, it is the duty of Scottish Screen to prepare in respect of its National Lottery distribution activities for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. Clarification of the additional disclosure requirements are set out in Schedule 1 attached.
5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - 5.1 Fixed assets at their value to the business by reference to current costs; and
 - 5.2 Stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
6. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 18 August 2000 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated March 2006

SCHEDULE 1

ADDITIONAL DISCLOSURE REQUIREMENTS

1. This schedule details the non-standard accounting policies, any special treatment needed, and any additional disclosure requirements as agreed by the Scottish Ministers and Scottish Screen, in respect of its National Lottery Fund distribution activities.
2. The **Income and Expenditure Account** shall show inter alia:
 - a. the total amount of Lottery proceeds receivable;
 - b. any other income (detailed between bank interest, recoveries of grant and other income);
 - c. the total amount of new Lottery grants paid in the period (i.e. amounts paid in respect of projects which have been approved during the year);
 - d. the change in the provision for net grant commitments;
 - e. the total expenses incurred by the body in respect of its National Lottery distribution activities, separately identifying direct costs and costs initially incurred elsewhere in the organisation and apportioned to the National Lottery distribution activity. The calculation of the costs to Scottish Screen's National Lottery activities will be on a full cost recovery basis and should cover all costs that are directly and demonstrably related to Lottery activities.
3. The **Balance Sheet** shall show, inter alia:
 - a. under the heading "Current assets": shown as an investment the balance held on behalf of the body at the National Lottery Distribution Fund;
 - b. under the heading "Represented by":
 - i) the provision for grants committed on a hard basis and falling due for payment after more than one year; (see note 6 below on commitments)
 - ii) the balance on the Income and Expenditure Account.
4. The **Notes to the Accounts** shall, inter alia, include:
 - a. a statement of the accounting policies. This must include a statement explaining the nature of the balances held on the body's behalf in the National Lottery Distribution Fund as follows:

"Balances held in the National Lottery Distribution Fund remain under the stewardship of the Secretary of State for Culture, Media & Sport. However, the share of these balances attributable to Scottish Screen is as shown in the Accounts and, at the Balance Sheet date has been certified by the Secretary of State for Culture, Media & Sport as being available for distribution by the body in respect of current and future commitments.";
 - b. an analysis of the income and expenditure relating to the Lottery;

- c. an analysis of the “other operating charges” over appropriate subject headings (write-offs, audit fee, leasing charges, travel, subsistence and hospitality (costs for staff and body members should be separately identified);
 - e. the amounts “committed in respect of capital expenditure for administrative purposes”, and “amounts authorised in respect of capital expenditure for administrative purposes but not contracted”;
 - f. the amounts committed in respect of National Lottery grants split between hard and soft commitments identifying the amount falling due (see note 5 below). Where these commitments exceed available resources shown on the Balance Sheet, there should also be a note explaining the rationale for the over-commitment in terms of the benchmark being applied and the assumptions behind it, taking into account any advice received from the Scottish Ministers as appropriate.
5. The nature of the Distributing Bodies' Lottery activities means that they will be making commitments for future expenditure which will need to be shown in the annual financial statements. Commitments should be categorised and shown as follows:

6. **Soft Commitments**

These will occur when there is agreement in principle by Scottish Screen to fund a scheme. Once a formal offer and acceptance of the terms and conditions of the grant has been concluded this will become a hard commitment. The total of soft commitments will be shown in a note to the Balance Sheet. Changes in soft to hard commitments which arise after the accounting year end and before publication of the Accounts will not be adjusting events in terms of FRS 21 (Events after the balance sheet date). A tabulation should accompany the Notes to the Accounts and show:

- i) Soft commitments brought forward;
- ii) Soft commitments transferred to hard commitments;
- iii) Soft de-commitments;
- iv) Soft commitments made;
- v) Balance of soft commitments outstanding carried forward.

a) **Hard Commitments**

A hard commitment is analogous to a commitment arising from a legally binding contract, carrying with it an obligation on the distributor to pay the agreed Lottery grant provided only that all the conditions of grant are met, and that the National Lottery continues to operate. For the purposes of recording a charge in the Income and Expenditure Account, a hard commitment arises when a firm offer of a grant from the National Lottery proceeds has been made by Scottish Screen and accepted in writing by the recipient. A firm offer will only be made if there is a reasonable expectation that conditions attached to the offer will be met. A provision for grant commitments should be shown on the Balance Sheet and would be written down as the commitments mature. As part of the notes to the Balance Sheet a tabulation illustrating the changes in hard commitments should be shown as follows:

- i) Hard commitments brought forward;
- ii) Hard commitments met in the last year;
- iii) Hard de-commitments (withdrawal of an offer);
- iv) Hard commitments made;
- v) Balance of hard commitments outstanding carried forward;

- vi) A breakdown of the provision for the grant commitments should be reported separately for each year up to and including 5 years and for over 5 years.

b) **De-commitments**

i) Soft Commitments

If a soft commitment fails to become hard for any reason and there is no prospect of a formal offer letter being issued and accepted then the soft commitment should be deleted from Scottish Screen's records. It will be shown in the table accompanying the notes to the Balance Sheet in the soft de-commitments line.

ii) Hard Commitments

Should a hard commitment fail to become a cash payment within the expected time frame, and there is little possibility of it crystallising, Scottish Screen may withdraw the offer formally in writing. A reverse entry to the commitment should then be made in the Income and Expenditure Account. The table in the Notes to the Accounts will correspondingly be reduced.

c) **Repayments**

The circumstances of a grant repayment are as described in the Statement of Financial Requirements. A repayment will not affect commitment unless the payment is part of a phased scheme for which commitments for later phases have been included in the Balance Sheet. A repayment will be reflected as an adjustment in the Income and Expenditure Account. If a repayment occurs after the year end but before the Accounts have been signed by Scottish Screen's Accountable Officer and is material (5% of the total grants paid in the year or £1m which ever is the lower,) it will be necessary to treat the repayment as an adjusting event in terms of FRS 21.



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