

Scottish Screen

National Lottery Distribution Fund
Account and Report
2008/2009

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Presented to Parliament Pursuant to
Section 26(3), (3A), & (4) of the National Lottery Etc 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.

These accounts were authorised for issue on 17 September 2009.

National Lottery Distribution Fund

At 31 March 2009 the balance held under the stewardship of the National Lottery Distribution Fund available to Scottish Screen was £4.097 million (2007-2008, £5.496 million). During the year to 31 March 2009 £3.816 million (2007-2008, £2.515 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 2008/09 is higher than that of 2007/08, reflecting the range of investment strands 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 £2.350 million (2007-2008, £3.720 million) were made during the year in support of a range of projects.

Firm commitments made during the year included:

Content Production

Makar Productions Ltd	<i>Outcast</i>	447,655
Mead Kerr Ltd	<i>Wide Open Spaces</i>	<u>204,516</u>
		652,171

Express Film Fund

Raindog Ltd	<i>Wasted</i>	150,000
Synchronicity Films Ltd	<i>Crying With Laughter</i>	150,000
Edge City Films Ltd	<i>Skeletons</i>	<u>150,000</u>
		450,000

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 the Joint Board of the Scottish Screen and the Scottish Arts Council were appointed. These appointments will run for three years from 1 February 2007 to 1 February 2010. The directors who held office during the year were:

Richard Holloway
Ray Macfarlane
Dinah Caine
Donald Emslie
Steve Grimmond
Charles Lovatt
Barbara McKissack
James McSharry
John Mulgrew
Robert Noakes
Iain Smith (resigned 12/03/09)
Benjamin Twist

The External Assessors during the year were:

Michael Algar
Bill Allan
Peter Ansorge
Lee Brazier
Anne Buckland
Carrie Comerford

Mary T Daily
Hilary Davis
Henry Eagles
George Helyer
Leslie Hills
Mathew Justice
Shelley Lawrence
Ben Lyle
Noe Mendelle
Claire Mundell
Andrew Orr
Paul Sarony
Victor Schonfled
Roger Shannon

Scottish Screen's meeting and decision making structure, comprises of 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. These meetings consider investment applications for both Grant in Aid and Lottery, thereby ensuring consistency of approach across all decision making within Scottish Screen.

Scottish Screen recognises the importance of external experts' input into our decision making process and has established a strong resource of external experts, as listed above, covering a wide spectrum of industry knowledge and experience. This is a key component of our decision making process with the external assessors providing detailed assessments of projects to the Officers, to assist the Lead Officer in reaching their decision.

All external assessors are contracted and paid for their services.

Fixed Assets

No fixed assets are held solely for Lottery use.

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 2008/09 we maintained our monitoring and evaluation system into its fifth year, which comprises of the evaluation of each investment strand based on the collation of key quantitative and qualitative measures. The return of monitoring and evaluation documentation within specified timescales is a stipulated contractual requirement.

Since initial implementation of our monitoring and evaluation system we have undertaken subsequent reviews to ensure that we continue to capture information that is of relevance. This has included

expansion of the applicant information section; additional equality information relating to both the applicant and where applicable participants and sections on talent development and economic value. In addition the 'triggers' surrounding the issuing of forms was reviewed. Prior to this review evaluation forms were issued for every Scottish Screen award, irrespective of whether a project had obtained additional awards. Reflecting our drive to minimise reporting requirements for applicants and remove duplication, while still ensuring required data is collected, the process was amended so that in the event of a project receiving a subsequent award, the receipt of the first evaluation form for the latest award would halt the requirement for any outstanding forms for previous awards.

All data will be input into the CRM system thereby enabling improved effectiveness in our utilisation of the data captured.

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 2008/09 was £12,400. No non-audit work was undertaken by the auditors during the financial year.

Equal Opportunity in Employment

Scottish Screen's success is dependent on the skills and expertise of its employees and we are therefore committed to providing a workplace and an environment that attracts and retains the best people. We value the contribution of all employees and believe that organisational development and good people management is not a one off and we strive to identify continuous improvement opportunities. In recognising that supporting and developing our employees is key to our success, during 2008/09 we continued to invest in skills development, building on the extensive programme undertaken in 2007/08. This covered a wide range of skills including specialist and technical areas. In the delivery of this programme a wide range of development mechanisms were utilised - external training suppliers, internally developed training sessions, mentoring, as well as the expansion of a learning library comprising of a wide range of books and computer based training material, available for all staff to borrow. This is an ongoing commitment and we will be continuing this programme into 2009/10 and beyond.

Scottish Screen is an Investor in People and an equal opportunities employer and has monitoring procedures in place to ensure continual compliance in these areas. Providing and promoting equality of opportunity through the employment and services we provide is of fundamental importance to us and during the year Scottish Screen achieved re-accreditation of Disability 2 Ticks status and reported on our Disability Equality and Gender Equality Scheme plans in December 2008 and June 2008 respectively. To ensure we deliver against our commitments, and as part of our development programme, all Scottish Screen staff attend a day long Equality training session. In addition reflecting our focus on collaboration and sharing of services our Gender Equality Scheme was developed with the Scottish Arts Council (SAC) and we plan to take a similar approach for future development work.

Employee Consultation

During the year, the company maintained the practice of keeping employees informed about current activities and progress and encouraged employee involvement through formal communication channels: open staff meetings, staff development sessions and the distribution of information in written and electronic formats, including the company intranet and the staff newsletter – 'Screen Bites'. Additionally, to encourage open and transparent communication with all staff, we have weekly update meetings on

progress towards Creative Scotland, when staff can receive and request information in person or anonymously via our staff suggestion and communication box.

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 2009, 93% of invoices were paid within the terms of the payment policy (2007-2008, 85%).

In year, the Scottish Government issued an update to the Scottish Public Finance Manual requiring that invoices be paid within ten days of receipt of a valid invoice from 1 December 2008.

Between the period 1 April 2008 and 30 November 2008, 92% of invoices were paid within 30 days.

Between the period 1 December 2008 and 31 March 2009, 79% of invoices were paid within 10 days.

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
28 August 2009

Management Commentary

Scottish Screen has now been operational as a National Lottery Distributor for nine 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.

As part of this commitment we have continued to build on prior year reviews, adapting our investment activities to reflect the changing needs of the sector. During 2008/09 we made some minor adaptations to existing investment strands reflecting on evaluations of the 'successes' of 2007/08 and identified future sector needs; a new Market Development Fund was launched in July 2008, expanding on the previous Distribution Fund which had closed in March 2008; after a review in 2007/08 two changes were made, the Future Fund was incorporated into the Content Development Fund and the Festivals strand was incorporated with the Audience Development fund; after a half year review the Pilot Fund was also incorporated in the Content Development Fund in October 2008. In addition to these changes in investment strands, we also temporarily closed the Short Film Fund and Talent Development Funds strands in October 2008 due to the high level of good quality projects and all funds having been committed.

During the year our current investment strands were:

- Content development
- Content production
- Short film production (temp)
- Markets and Festivals
- Pilot Fund
- Slate Fund
- Express Film Fund
- Audience development
- Market Development Fund
- New Talent Development Fund

At the end of the financial year we concluded an extensive review of our Lottery guidelines and re-launched the new guidelines in April 2009. There were 2 main areas of review; recoupment levels, where we considered the fundamental objectives of our funding, the broader aspects of return of investment for Scottish Screen and the impact of recoupment requirements on the awardees and from that revised where applicable our recoupment conditions to best meet those areas of focus. The other key area for review was in relation to the configuration of the investment strands. This review was focused on, as always, the applicant and ensuring as simple an 'access' process as possible but also on the fact that we would need to deliver against our objectives in 2009/10 with a significantly reduced budget, due to the transfer from the Lottery Distribution Fund to the Olympic Distribution Fund. After consideration a reduced number of reconfigured investment strands have been launched in 2009/10. These are based on existing and some revised investment strands, but now rather than have a greater number of separate smaller funds, these have been rolled up into larger investment strands eg Short Film Fund and Express Film Fund now incorporated within the Content Production Fund. This means that the various funds are still available for access, but by consolidating, this gives Officers a greater degree of flexibility within the wider investment strand to support the best projects, within the restrictions of a significantly reduced pot of money.

We continue to roll out our standard processes across the organisation. This has enabled 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 has also ensured consistency and transparency in our application, evaluation and decision making processes.

As always we will continue to review all investment strands and processes 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.

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 English regional screen agencies.

Creative Scotland

Scottish Screen continues to work closely with the Scottish Government, the Scottish Arts Council and since its establishment Creative Scotland 2009 in moving towards the formation of Creative Scotland. Scottish Screen's priorities will continue to be to ensure that Creative Scotland fully incorporates 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 to support and play a key role in development of Creative Scotland to ensure that 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

In line with 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 of £496,938 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, 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;

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.

The delegation has now concluded at the end of its third year, 2008/09 and a review of the successes and impact of the fund is currently underway and due to report by the end of June 2009. Scottish Screen will continue to work closely with Skillset, building on the significant investment to date through continued financial support in 2009/10 to provide career support and training bursaries to the screen sector.

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 2009 was £2.427 million, (2007-2008, £2.325 million). A total of £0.107 million (2007-2008, £0.072 million) was recouped from projects funded in previous years. Interest and return on investments of £0.130 million (2007-2008, £0.222 million) brought the total income to £2.664 million (2007-2008, £2.619 million).

Commitments entered into during 2008-2009 totalled £2.350 million (2007-2008, £3.720 million). Expenditure on staff and other operating costs was £0.488 million (2007-2008, £0.461 million). De-commitments during 2008-2009 of prior year awards amounted to £0.259 million (2007-2008, £1.194 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. In addition, during the year there was a transfer of £0.126 million to the Olympic Lottery Distribution Fund bringing total expenditure to £2.705 million (2007-2008, £2,987 million)

The net result for the period is a loss of £0.041 million, (2007-2008, loss of £0.368 million).

Balance Sheet

The total net assets of £2.994 million (2007-2008, £3.035 million) are represented by a general fund balance for future commitments.

Environmental

Scottish Screen continues to maintain commitment to reducing the environmental impact of its operations and to promote resource efficiency, recognising the contribution that this will make to the wider sustainability agenda for Scotland.

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.

Scottish Screen continues to maintain commitment to reducing the environmental impact of its operations and to promote resource efficiency, recognising the contribution that this will make to the wider sustainability agenda and strategic objective for a 'Greener' Scotland. This ethos is now well established within Scottish Screen with good environmental practice and awareness embedded within the organisation and highly successful ongoing as well as new initiatives being developed and implemented by our Environmental Group, further building on the significant successes to date, which include; introduction of recycling points, office bins removed; all decommissioned electrical goods 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.

Further work continues in reviewing in-house policies and procedures to ensure they reflect our commitment to reducing environmental impact, a key area being travel where one option we are progressing is to, where possible, replace air with train travel. We have also continued to work with our landlords on joint programmes such as the building wide recycling scheme, sharing costs and facilities for the recycling points and collections facilities as well as the installation of plumbed in drinking water, which is a proven more environmentally sound practice as well as being more cost effective than traditional water coolers. We will continue to work with our landlords to seek opportunities for tying into and benefiting from developments in their Environmental policy. We also continue to communicate externally via our main website and locations website the importance of and the need to protect and preserve Scotland's biodiversity. During 2009/10 we will calculate our carbon footprint and develop plans to try and reduce that footprint year on year.

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 activities and projects we undertake and support and in the guidance we provide to others, 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. As part of our duty in this area, within 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 an equal opportunities policy which is available to all staff on our company intranet site as well as a standing development area for all new staff of participation in a day long Equality session, to raise awareness on equal opportunities and discrimination issues. We have recently completed a full review of our recruitment policy to ensure full compliance with all equality duties and undertaken an equal pay audit to ensure our salaries and salary evaluation systems meet the requirements of equality guidance and legislation.

In line with our legislative duty to promote disability, Scottish Screen developed and published in December 2006, our Disability Equality Scheme. This set out some of the work we had already undertaken 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 reporting requirements we published our second year report on the Disability Equality Scheme in December 2008 reflecting on our achievements in this area during the year. Continuing this work and recognizing our new gender equality duties we published our first year report on our Gender Equality scheme in June 2008 and are currently in the process of finalizing the second year report. This work is lead by our cross organisational Equalities Group which was established early 2007 to discuss disability and gender equality issues and to monitor, review and record achievement towards our Equality Scheme action plans. Although a significant element of the Group's focus is on meeting our legal duties within our published schemes, the Group's remit encompasses all equality areas. We have also continued to engage with colleagues at the Scottish Arts Council to explore opportunities for joint working, which has included early discussions on how to build on the good work to date within both organizations and ensure the most effective mechanisms and structures are in place within Creative Scotland to support our shared commitment to equality.

We have expanded this commitment externally both to those we support, with a requirement now as part of our essential documentation for all companies applying for investment to provide a copy of their Equal Opportunities Policy, but also to those who support us with all service providers asked to provide a copy of their Equal Opportunities Policy in advance of exchange of contracts.

We continue to provide support through our investments, by building on existing projects as well as identifying new opportunities to encourage diversity in participation. Through our Cinema Access Equipment Fund first launched in the summer of 2007, we have provided investment to cinemas across Scotland to install captioning and audio-description equipment. By September 2008 22 cinemas had installed equipment and the benefits were being enjoyed by both visually and hearing impaired cinema goers. This built on work in this area to date and has allowed greater access to films for people with sensory impairments, in line with our commitment to enable all sectors of the community to participate in and enjoy film culture. We also during 2008/09 continued supporting a wide diversity of Festivals throughout Scotland, representing a wide range of communities and groups, ranging from the Document 6 International Human Rights Festival, Africa in Motion, the Middle Eastern Film Festival, Birds Eye View Festival and the Magic Lantern presenting a programme of short films and artist videos exploring the themes of female experience, representation and power, to community based festivals such as The Ballerina Ballroom Cinema of Dreams, the Shetland based Screenplay 08 Film Festival, the Cromarty Film Societies Second Cromarty Film Festival and the Kingussie Food on Film Festival.

Remuneration report

Ken Hay (aged 44) was appointed Chief Executive on the 18 April 2005

	2008-09 £000s	2007-08 £000s
Emoluments of the Chief Executive		
Remuneration:	77	75
Other taxable benefits	-	-
Pension scheme contributions	<u>12</u>	<u>12</u>
	89	87

The Chief Executive is an ordinary member of the organisation's pension scheme. As at 31 March 2009, the pension accrued and Cash Equivalent Transfer Value was as follows:

Chief Executive – pension accrued as at 31 March	2008-09 £000s	2007-08 £000s
Pension	31	13
Lump sum	6	4
Widow's pension	<u>3</u>	<u>4</u>
	<u>40</u>	<u>21</u>
Cash equivalent transfer value as at 31 March	<u>48</u>	<u>29</u>

All of the above remuneration information is subject to audit.

The Chair receives remuneration per board meeting and attendance at other business events, culminating in an annual salary of £21,402. From 1 February 2009, the Chair's annual salary was uplifted to £22,137. The Chair is 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 Government 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, and ratified by 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 at the end of the objective period, via one to one meetings with the Chief Executive for the senior manager and by the Chair and Remuneration Committee for the Chief Executive. For Senior Management, 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 concludes whether satisfactory performance has been attained.

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 Skillset UK.
Donald Emslie	- is an STV shareholder and Chair of the Skillset Scotland National Board / Scottish Industry Skills Panel (to 1/4/09)
Iain Smith	- is Chairman of the Edinburgh International Film Festival (EIFF)

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
28 August 2009

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 (then) 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 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 Government 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 Government and other relevant bodies on the proper handling of public funds. It sets out the relevant statutory, parliamentary requirements, emphasises the need for economy, efficiency and effectiveness and promotes good practice and high standards of propriety.

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 guidance from the Scottish Ministers provided the SPFM and has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts.

Risk and Control Framework

All bodies to which the SPFM is directly applicable 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 on controls, new initiatives, reviews of risks and re-assessment 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.

In December 2008, Scottish Screen received from the Scottish Government the Cabinet Office's HMG Security Policy Framework. The purpose of this framework being to ensure that '*security risks are managed effectively, collectively and proportionality, to achieve a secure and confident working environment*'. Management continually review security requirements as part of our risk review process and schedule to ensure controls are appropriate to the nature and scale of operations.

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 annually. 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 2009 and up to the signing of the accounts, we concluded an extensive review of our Lottery guidelines and re-launched new guidelines in April 2009. There were two main areas of review and revision; recoupment levels and the configuration of the investment strands, more details of this review is reflected within the Management Commentary.

An ongoing successful development is the widening of the Lottery processes to include all GIA decision making activities. This has enabled 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 has also ensured consistency and transparency in our application, evaluation and decision making processes.

To address the requirements of the Financial Directions for project monitoring and evaluation, Scottish Screen 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.

Since initial implementation of our monitoring and evaluation system we have undertaken subsequent reviews to ensure that we continue to capture information that is of relevance. This has included expansion of the applicant information section; additional equality information relating to both the applicant and where applicable participants and sections on talent development and economic value. In addition the 'triggers' surrounding the issuing of forms was reviewed. Prior to this review evaluation forms were issued for every Scottish Screen award, irrespective of whether a project had obtained additional

awards. Reflecting our drive to minimise reporting requirements for applicants and remove duplication, while still ensuring required data is collected, the process was amended so that in the event of a project receiving a subsequent award, the receipt of the first evaluation form for the latest award would halt the requirement for any outstanding forms for previous awards.

Ongoing monitoring of agreed recoupments, continues as normal. This is an area of development, reflecting our work to date to review the information captured to ensure it best fits our reporting, research and analytical requirements.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My 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 regular 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 any weaknesses identified and to ensure the continuous improvement of the system.

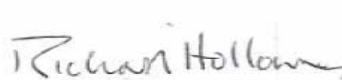
A Business Risk Assessment Register is in place, which identifies the organisation's risks, categorised as 'Business Critical', 'Important Risks' and 'Other Risks'. A control strategy has been established for each of the significant risks and the register is reviewed and updated to reflect any changes 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 2009 under the National Lottery etc Act 1993. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 Statement of Account, which includes the Remuneration 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 Chief Executive and Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited 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 to you 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 report to you whether, in our opinion, the information which comprises the Directors' report and management commentary, included in the Annual Report, is consistent with the financial statements. 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.

In addition, we report to you if, in our opinion, 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 Government's guidance, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls, or 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 Statement of Account and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' report, management commentary and the unaudited part of the Remuneration 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 Directors 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

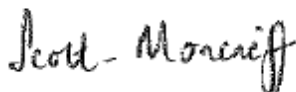
Financial statements

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 2009 and of its decrease in fund, recognised gains and losses and cash flows for the year then ended;
- 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.
- information which comprises the Directors' report and management commentary included with the Statement of Account is consistent with the financial statements.

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
17 Melville Street
Edinburgh
EH3 7PH

17 September 2009

Income and expenditure account
for the year ended 31 March 2009

	Notes	2008-09 £000s	2007-08 £000s
Income			
National Lottery Fund proceeds		2,427	2,325
Other income	2	<u>237</u>	<u>294</u>
		<u>2,664</u>	<u>2,619</u>
Expenditure			
Award commitments	3a	2,350	3,720
De-commitment of prior year awards	3b	(259)	(1,194)
Staff costs	4	292	277
Other Operating costs	5	196	184
Transfer to Olympic Lottery Distribution Fund		<u>126</u>	-
		<u>2,705</u>	<u>2,987</u>
Surplus / (Deficit) on ordinary activities		(41)	(368)
Notional interest payable		<u>5</u>	<u>11</u>
Surplus / (Deficit) on ordinary activities		(46)	(379)
Reversal of notional interest payable		<u>5</u>	<u>11</u>
Increase / (Decrease) in Fund		<u>(41)</u>	<u>(368)</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 22 to 31 form part of these financial statements.

Balance sheet
as at 31 March 2009

	Note	2008-09 £000s	2007-08 £000s
Current assets			
Balance held in NLDF	6	4,097	5,496
Debtors	7	31	104
Bank		<u>225</u>	<u>100</u>
		<u>4,353</u>	<u>5,700</u>
Creditors: amounts falling due within one year	8	<u>1,359</u>	<u>2,665</u>
Net current assets		<u>2,994</u>	<u>3,035</u>
Total assets less current liabilities		<u>2,994</u>	<u>3,035</u>
Represented by:			
General reserve	9	<u>2,994</u>	<u>3,035</u>



Ken Hay
Chief Executive and Accountable Officer
28 August 2009

The notes on pages 22 to 31 form part of these financial statements.

Cash flow statement

	2008-09 £000s	2007-08 £000s
Net cash inflow/(outflow) from operating activities	111	(373)
Returns on investments and servicing of finance		
Interest received	14	41
Increase/(Decrease) in cash in the period	<u>125</u>	<u>(332)</u>

Notes to the cash flow statement

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

Operating (deficit) surplus	(41)	(368)
Bank interest	<u>(14)</u>	<u>(41)</u>
	(55)	(409)
Decrease/(Increase) in debtors	73	21
Decrease/(Increase) in NLDF balances	1,399	9
(Decrease)/Increase in creditors	<u>(1,306)</u>	<u>6</u>
Net cash flow from operating activities	<u>111</u>	<u>(373)</u>

(2) *Analysis of changes in net funds*

	1 April 2008 £000s	Movement £000s	31 March 2009 £000s
Cash at bank and in hand	100	125	225
Bank overdrafts	-	-	-
	<u>100</u>	<u>125</u>	<u>225</u>
NLDF	<u>5,496</u>	<u>(1,399)</u>	<u>4,097</u>
Total	<u>5,596</u>	<u>(1,274)</u>	<u>4,322</u>

The notes on pages 22 to 31 form part of these financial statements.

Notes to the accounts for the year ended 31 March 2009

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.

(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 2008/09 by the National Lottery Commission.

- Completion of the audit of the National Lottery Distribution Fund accounts for 2008/09 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.

(g) Going concern

These accounts have been prepared on the going concern basis. The establishment of Creative Scotland is expected to lead to the winding up of Scottish Screen as a legal entity. The Board is of the view that the going concern basis remains appropriate as the assets, liabilities and operations of Scottish Screen National Lottery Distribution Fund are expected to transfer to the new organisation.

2 Other income

	2008-09 £000s	2007-08 £000s
Investment income	116	181
Bank interest	14	41
Award repayments	<u>107</u>	<u>72</u>
	<u>237</u>	<u>294</u>

3a Award Commitments (hard)

	2008-09	2007-08
	£000s	£000s
Shorts	231	74
Slate Funding 2008	113	-
Content Development	184	175
New Talent Development	150	225
Festivals	24	56
Audience Development	174	36
Markets and Festivals	27	25
Content Production	680	2,065
Skillset	-	510
Pilot Fund	75	20
Distribution	7	12
Business Development Loan	-	372
Future Fund	25	50
Express Film Fund	500	100
BBC Initiative	<u>160</u>	-
	<u>2,350</u>	<u>3,720</u>

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

This represents a total of £0.259 million of awards relating to prior year (hard) commitments, which were de-committed during 2008-09 (2007-08, £1.194 million).

4 Staff costs

	2008-09	2007-08
	£000s	£000s
Staff costs during the year		
Wages and salaries	240	230
Social security costs	20	17
Other pension costs	<u>32</u>	<u>30</u>
	<u>292</u>	<u>277</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 2009 were £1,271,817, the average number of staff employed during the year was 34.18. The amount recharged in respect of the National Lottery Distribution Fund's share of Scottish Screen's payroll costs was 23% (2007-08, 21%).

Number Number
2008-09 2007-08

Average number of persons employed on NLDF activities (FTE) during year ended 31 March 2009

8 8

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 2008/09. No asset or liability for Scottish Screen's pension scheme is held within these accounts.

5 Other operating expenses

	2008-09 £000s Direct	2008-09 £000s Recharged	2008-09 £000s Total	2007-08 £000s Direct	2007-08 £000s Recharged	2007-08 £000s Total
Legal & professional fees	57	-	57	70	-	70
Rent & overheads	-	63	63	-	50	50
Office administration	1	2	3	1	2	3
Auditors' remuneration:						
- External	13	-	13	12	-	12
- Internal	-	2	2	-	2	2
Staff expenses	22	-	22	17	-	17
Panel expenses	1	-	1	1	-	1
Irrecoverable VAT	16	-	16	11	-	11
Script assessment	16	-	16	18	-	18
Events	<u>3</u>	-	<u>3</u>	-	-	-
	<u>129</u>	<u>67</u>	<u>196</u>	<u>130</u>	<u>54</u>	<u>184</u>

6 Balance held in NLDF

	2008-09 £000s	2007-08 £000s
Brought forward at 1 April		
	5,496	5,505
Income received from Lottery	2,427	2,325
Investment Income	111	169
Funds Drawn Down	(3,816)	(2,515)
Transfer To Olympic Lottery Distribution Fund	<u>(126)</u>	-
Carried forward at 31 March	<u>4,092</u>	<u>5,484</u>
Share of unrealised gain / (losses)	<u>5</u>	<u>12</u>
Closing value at 31 March	<u>4,097</u>	<u>5,496</u>

7 Debtors

	2008-09 £000s	2007-08 £000s
Trade debtors	20	44
Recoupment debtors	11	31
Sundry debtors	-	<u>29</u>
	<u>31</u>	<u>104</u>

8 Creditors

	2008-09 £000s	2007-08 £000s
Awards outstanding (hard commitments)	1,280	2,575
Accruals & sundry creditors *	<u>79</u>	<u>90</u>
	<u>1,359</u>	<u>2,665</u>

*Sundry creditors balance includes £ 8,587 (2007-08 £8,587) relating to Scottish Arts Council awards

9 General reserve

	2008-09 £000s	2007-08 £000s
Balance at 1 April	3,035	3,403
Change in fund in year	<u>(41)</u>	<u>(368)</u>
Balance at 31 March	<u>2,994</u>	<u>3,035</u>

10 Soft commitments

	2008-09 £000s	2007-08 £000s
Balance at 1 April	629	1,108
Awards withdrawn	(478)	-
Accepted in year	(145)	(1,105)
Amounts committed in year*	<u>1,391</u>	<u>626</u>
Balance at 31 March	<u>1,397</u>	<u>629</u>

*Awards made but not accepted at 31 March 2009

11 Hard commitments

	2008-09 £000s	2007-08 £000s
Balance at 1 April	2,575	2,591
De-commitment of prior year awards	(259)	(1,194)
Committed in year	2,350	3,720
Paid in year	<u>(3,386)</u>	<u>(2,542)</u>
Balance at 31 March	<u>1,280</u>	<u>2,575</u>

12 Reconciliation of movement in funds for the year ended 31 March 2009

	Balances held in NLDF	Balances at Scottish Screen	Provisions for grant awards	Total
	£000s	£000s	£000s	£000s
Opening Balance	5,496	114	(2,575)	3,035
Unrealised gain on investment 07/08	12	-	-	12
NLDF proceeds	2,415	-	-	2,415
Drawn down funds	(3,816)	3,816	-	-
Transfer to Olympic Lottery Distribution Fund	(126)	-	-	(126)
Investment returns	116	-	-	116
Interest on cash balances	-	14	-	14
Other operating income	-	107	-	107
Grants paid	-	(3,386)	-	(3,386)
(Increase)Decrease in grant creditors	-	-	1,295	1,295
Expenditure	-	(488)	-	(488)
Closing Balance	4,097	177	(1,280)	2,994

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 (see notes 4 and 5 for details).

During the year ended 31 March 2009 the following transactions took place between Scottish Screen's Lottery Distribution Fund and related parties, principally directors.

Board members

Dinah Caine is CEO of Skillset and a Board Member of Scottish Screen. Skillset are in receipt of delegated Lottery investment from Scottish Screen. During the financial year 2008/09 the total sum of £247,860 Scottish Screen Lottery support was transferred to Skillset - this funding relating to the fulfilment of prior year awards.

Scottish Screen Lottery awarded £74,950 New Talent Development investment to Bridging the Gap 6 (Scottish Documentary Institute) in September 2008 of which Skillset UK were detailed as a co-investor investing £60,000.

In addition, Scottish Screen Lottery invoiced Skillset for £2,000 during the year as a contribution towards the Make It To Market Event held on 8th and 9th May 2008.

Donald Emslie is an STV shareholder, Chair of the Skillset Scotland National Board / Scottish Industry Skills Panel (to 1/4/09) and a Board member of Scottish Screen. Skillset are in receipt of delegated Lottery investment from Scottish Screen. During the financial year 2008/09 the total sum of £247,860 Scottish Screen Lottery support was transferred to Skillset - this funding relating to the fulfilment of prior year awards.

Scottish Screen Lottery awarded £74,950 New Talent Development investment to Bridging the Gap 6 (Scottish Documentary Institute) in September 2008 of which Skillset UK were detailed as a co-investor investing £60,000.

In addition, Scottish Screen Lottery invoiced Skillset for £2,000 during the year as a contribution towards the Make It To Market Event held on 8th and 9th May 2008.

Iain Smith is Chairman of the Edinburgh International Film Festival (EIFF) and was a Board Member of Scottish Screen until 12 March 2009. During the financial year 2008/09, Scottish Screen made a core grant to the EIFF of £250,000. A further Grant in Aid award of £30,000 was made to EIFF Ltd in March 2009 to assist with the development of the EIFF and Filmhouse partnership.

During the year, EIFF invoiced Scottish Screen for £4,700 for advertising, £786 for the cost of various receptions, £5,288 for tables at the EIFF gala dinner and £1,498 for delegate passes for NETS trainees. In the normal course of business, during financial year 2008/09, Scottish Screen invoiced the EIFF for £225 to cover a share of the photographer for the Cannes reception.

Ray Macfarlane is a Trustee of the National Galleries of Scotland and a Board Member of Scottish Screen. During the financial year 2008/09, Scottish Screen Lottery awarded Modernity & Tradition: Film in Interwar Europe (National Galleries of Scotland) £7,750 in April 2008.

Richard Holloway is a Director of the Centre for Contemporary Arts (CCA) in Glasgow, a Director of Creative Scotland 2009 Limited and Chair of the Board of Scottish Screen. During the financial year 2008/09, Scottish Screen Lottery awarded Document 6 (Document Ltd) £5,000 Audience Development support in October 2008 and CCA are detailed as providing in kind venue hire support totalling £6,470 to this project. Scottish Screen Lottery awarded The Magic Lantern (The Magic Lantern Ltd) £8,000 Audience Development support in September 2008 and CCA are detailed at the time of application as providing £12,442 in kind support to this initiative.

External assessors

Andrew Orr is the Managing Director (Film Sales) of Artists Independent Films Ltd and an external assessor for Scottish Screen. During the financial year 2008/09, Scottish Screen provided Content Development support for the feature film MacBeth (Independent Film Productions Ltd), which was awarded £17,000 in February 2009.

Claire Mundell is Co-Creative Director and founder of Synchronicity Films, Deputy Chair of BAFTA Scotland and an external assessor for Scottish Screen. During the financial year 2008/09 Scottish Screen Lottery awarded £150,000 express film fund investment to Crying with Laughter (Synchronicity Films Ltd).

Hilary Davis is Co-Director of Bankside Films and an external assessor for Scottish Screen. During the financial year 2008/09 Scottish Screen awarded Content Production support of £447,655 to Outcast (Makar Productions Ltd) in June 2008 of which Bankside Films provided a sales advance of £174,000. Scottish Screen Lottery also awarded a content development award of £20,000 to Outcast (Makar Productions Ltd) in January 2009.

Leslie Hills is a Board Member of the both the EIFF and Edinburgh Filmhouse and is an external assessor for Scottish Screen. During the financial year 2008/09, Scottish Screen awarded Audience Development support of £7,750 to Modernity & Tradition: Film in Interwar Europe (National Galleries of Scotland) in April 2008 of which Filmhouse provided £6,250 in kind support. Filmhouse also provided in kind support of £3,000 to Africa in Motion: Edinburgh African Film Festival (Stop and Stir Arts Ltd) of which Scottish Screen invested £15,000 in June 2008. In April 2009 Scottish Screen awarded Audience Development support of £20,000 to Take One: Action (World Development Movement Trust Ltd) and Filmhouse provided £2,000 in kind support. Middle Eastern Film Festival (Edinburgh International Centre for Spirituality & Peace) was awarded £6,000 Audience Development support from Scottish Screen Lottery in September 2008 and Filmhouse provided in kind support totalling £4,790. Scottish Screen Lottery awarded £11,320 Audience Development support to Reel Iraq (Edinburgh University Settlement) in March 2009 and Filmhouse provided an in kind contribution of £4,000. A Scottish Screen Audience Development award of £19,910 was made in March 2009 to Dance: Film 2009 (Dance Base & Filmhouse) and Filmhouse made an in kind contribution of £10,050 and cash investment of £3,780.

Noe Mendelle is a Director of the Scottish Documentary Institute (SDI) and an external assessor for Scottish Screen. During the financial year 2008/09, Scottish Screen awarded Talent Development support of £75,000 to Bridging the Gap 6 (Scottish Documentary Institute) in September 2008.

Scottish Screen provided Market & Festivals support of £1,500 to allow a team from the Scottish Documentary Institute to attend the HotDocs Market in Toronto in April 2008. Scottish Screen provided Market & Festivals support of £1,500 to allow a team from the Scottish Documentary Institute to attend the Sheffield Documentary Festival / Meet the Market in October 2008. A Markets & Festival award of £993 was awarded in November 2008 to allow a team to attend the International Documentary Film Festival Amsterdam (IDFA) in November 2008. SDI at Sundance Film Festival 2009 was awarded £1,500 Markets & Festival support in January 2009.

Content Production support of £67,000 was awarded in June 2008 to Future for Sale (SDI Productions Ltd).

Staff

Gordon Barnes has provided occasional IT consultancy services to BAFTA Scotland and Brocken Spectre Ltd. Gordon is the Systems Manager for Scottish Screen.

During the financial year 2008 / 09 Scottish Screen Lottery awarded £1,379 Cannes Film Festival Attendance 2008 (Brocken Spectre Ltd) from Markets & Festivals. Content production support of £500,000 was awarded to White Male Heart (Brocken Spectre Ltd) in May 2008. Content Development awards of £11,780 were made to Shell (Brocken Spectre Ltd) in August 2008 and Heritage (Brocken Spectre Ltd) in February 2009. A Talent Development award of £75,000 was made to Digicult (Brocken Spectre Ltd) in September 2008.

Ken Hay is a member of the British Screen Advisory Council, a member of the Management Board of Screen Academy Scotland, a member of the Skillset Scotland National Board and his wife is Project Manager for Creative Loop, who are a tenant of Scottish Screen. Scottish Screen is represented on Creative Loop's Advisory Board. Ken is the Chief Executive of Scottish Screen.

Skillset are in receipt of delegated Lottery investment from Scottish Screen. During the financial year 2008/09 the total sum of £247,860 Scottish Screen Lottery support was transferred to Skillset - this funding relating to the fulfilment of prior year awards.

Scottish Screen Lottery awarded £74,950 New Talent Development investment to Bridging the Gap 6 (Scottish Documentary Institute) in September 2008 of which Skillset UK were detailed as a co-investor investing £60,000.

In addition, Scottish Screen Lottery invoiced Skillset for £2,000 during the year as a contribution towards the Make It To Market Event held on 8th and 9th May 2008.

During the year, Creative Loop provided cash support of £2,000 to It's Hot in Scotland – Scottish Showcase at Sheffield Documentary Festival (Highlands & Islands Enterprise). Scottish Screen awarded Market Development support of £8,160 in October 2008 to this initiative.

Scottish Arts Council

The following details relate to transactions undertaken between Scottish Screen and the Scottish Arts Council (SAC) between 1 April 2008 and 31 March 2009. They relate to all Board members in post during this time.

During the financial year 2008/09 Scottish Screen Lottery awarded Artists Film & Video Award Scheme 2008-09 (Scottish Arts Council) £30,000 in July 2008 of which the SAC match funded. The award was reduced to £21,199 and this reduction was, matched by the SAC in January 2009.

Scottish Screen Lottery awarded Kill Your Timid Notion (Arika Heavy Industries Ltd) £19,651 Audience Development support in August 2008 and at the time of application the SAC were detailed as investing £44,274 broken down across departments as follows:

- Music - £20,000
- Visual Arts - £10,000
- Visual Arts Engagement - £5,000

- Audience Development - £6,274
- Commissioning - £3,000

Scottish Screen Lottery awarded Brand New (Diversity Films) £75,000 Talent Development Fund support in October 2008 and the SAC invested £30,608 in this initiative.

During the financial year 2008/09 Scottish Screen Lottery awarded the following three writers, Adrian Mead, Janice Galloway and Colin McClaren £300 each to attend the Screenwriters Festival held in Cheltenham in July 2008. The SAC invested £246.80 per writer making a total investment in this initiative of £740.40.

Scottish Screen awarded Central Station (ISO Ltd) £250,000 (£125,000 from Grant in Aid support and a further £125,000 from Scottish Enterprise) on 27 March 2009 and at the time of application the SAC were detailed as investing £200,000 to this project.

SCOTTISH SCREEN

National Lottery Distribution Fund

List of awards made during the year ended 31 March 2009

Decision body	Applicant	Project Title	Project Type	Award (£)
HARD COMMITMENTS				
Audience Development				
	The University Of Edinburgh (Film Studies)	Diversions: Festival of Experimental Film & Video	Audience Development	2,480
	National Galleries of Scotland	Modernity & Tradition – Film In Interwar Central Europe	Audience Development	6,126
	Hi-Arts Ltd	Regional Screen Scotland	Audience Development	85,786
	World Development Movement Ltd	Take One: Action	Audience Development	5,000
	Stop & Stir Arts Ltd	Africa In Motion: Edinburgh African Film Festival	Audience Development	15,000
	4Way Pictures Scotland Ltd	The Ballerina Ballroom Cinema of Dreams	Audience Development	10,000
	Arika Heavy Industries Ltd	Kill Your Timid Notion	Audience Development	19,651
	Shetland Arts Development Agency	Screenplay 08 Film Festival	Audience Development	4,000
	The Magic Lantern	The Magic Lantern	Audience Development	8,000
	Edinburgh International Centre for Spirituality & Peace	Middle Eastern Film Festival	Audience Development	6,000
	Document Ltd	Document 6	Audience Development	5,000
	Cromarty Film Society	The Second Cromarty Film Festival 2008	Audience Development	4,775
	Auld Alliance Gourmet Academy	Kingussie Food On Film Festival 2009	Audience Development	2,000
				173,818

BBC Initiative				
	Machine Productions Ltd	Zig Zag Love (aka Get F**d)	BBC Initiative (The Singles)	160,000
Content Development				
	Young Films Ltd	The Strangest Thing	Content Development	24,956
	Edge City Films Ltd	Lore	Content Development	20,421
	Eureka Films Ltd	A Family Day Out	Content Development	12,024
	Gabriel Films Ltd	Stevenson Under The Palm Trees	Content Development	18,738
	Wilder Films Ltd	Laid Off	Content Development	10,770
	La Belle Allee Productions Ltd	Fires	Content Development	9,313
	Flying Scotsman Films Ltd	Renegade	Content Development	11,375
	Brocken Spectre Ltd	Shell	Content Development	11,780
	Iris Pictures Ltd	Beast	Content Development	10,254
	Flying Scotsman Films Ltd	Justified Sinner	Content Development	15,000
	Pelricula Films Ltd	The Ballad of No Man's Land (aka Promised Land)	Content Development	10,109
	Delirious Productions Ltd	Die Laughing	Content Development	9,500
	Makar Productions Ltd	Outcast	Content Development	20,000
				184,240
Content Production				
	Sixteen Films Ltd	Summer	Content Production (Supplementary)	17,751
	Mead Kerr Ltd	Wide Open Spaces	Content Production	204,516
	Makar Productions Ltd	Outcast	Content Production	447,655
	4Talent Scotland	4Talent Pilot: Stacked	Content Production (Supplementary)	10,000
				679,922
Distribution				
	Guerilla Films Ltd	Gamerz Theatrical Release	Distribution	7,273

Express Film Fund				
	Raindog Ltd	Wasted	Express Film Fund	150,000
	Synchronicity Films Ltd	Crying With Laughter	Express Film Fund	150,000
	Amy Hardie Productions Ltd	My Year Of Living Dangerously (aka Dangerous Dreams)	Express Film Fund	50,000
	Edge City Films Ltd	Skeletons	Express Film Fund	150,000
				500,000
Festivals				
	Birds Eye View Film Festival Ltd	Birds Eye View Film Festival	Festivals	8,800
	Projectorfest Ltd	Projector 2008	Festivals	15,000
				23,800
Future Fund				
	Design Is Central Ltd	SiNs	Future Fund	25,000
Markets & Festivals				
	Synchronicity Films Ltd	Strategic Partners 2008	Markets & Festivals	735
	Glasgow Media Access Centre Ltd	Attendance at Clermont Ferrand Festival 2008	Markets & Festivals	451
	Sigma Films Ltd	Attendance at Clermont Ferrand Festival 2008	Markets & Festivals	862
	Scottish Documentary Institution	Hotdocs Market Attendance 2008	Markets & Festivals	1,500
	True TV & Film Ltd	MIP08 Market Attendance	Markets & Festivals	1,442
	Faisal Aziz	Hotdocs Market Attendance 2008	Markets & Festivals	592
	Eyeline Media	Galway Media Festival 2008	Markets & Festivals	372
	David Newbigging	Roma Independent Film Festival 2008	Markets & Festivals	531
	Ko Lik Films Ltd	Cannes Film Festival Attendance 2008	Markets & Festivals	1,433
	Mead Kerr Ltd	Cannes Film Festival Attendance 2008	Markets & Festivals	1,031
	Kate Burton	The Ice Plant (Seattle International Film Festival 2008)	Markets & Festivals	593

	Sigma Films Ltd	Cannes Film Festival Attendance 2008	Markets & Festivals	1,500
	Bard Entertainments Ltd	Cannes Film Festival Attendance 2008	Markets & Festivals	592
	Brocken Spectre Ltd	Cannes Film Festival Attendance 2008	Markets & Festivals	1,379
	Once Were Farmers Ltd	MIFA at Annecy 2008	Markets & Festivals	912
	Junebug Films Ltd	Hamburg International Film Festival 2008 (Fuming)	Markets & Festivals	404
	Janice Galloway	Screenwriter's Festival 2008	Markets & Festivals	300
	Adrian Mead	Screenwriter's Festival 2008	Markets & Festivals	300
	Colin McLaren	Screenwriter's Festival 2008	Markets & Festivals	300
	Jigsaw Productions Ltd	Man On The Side Of The Road / Palm Springs International Short Film Festival 2008	Markets & Festivals	1,500
	Mothcatcher Productions Ltd	Film4 Frightfest 2008 (The Dead Outside)	Markets & Festivals	846
	Hopscotch Films Ltd	Strategic Partners 2008	Markets & Festivals	1,217
	Roaring Fire Productions Ltd	Montreal World Film Festival 2008	Markets & Festivals	1,000
	Uisdean Murray	Sessions Of The Mind @ New York Independent Film & Video Festival 2008	Markets & Festivals	553
	ConnectFilm Ltd	Sheffield Documentary Festival 2008	Markets & Festivals	559
	Scottish Documentary Institute	Sheffield Documentary Festival 2008	Markets & Festivals	1,500
	Scottish Documentary Institute	IDFA Attendance 2008	Markets & Festivals	993
	Tattiemoon Ltd	Hippos House – Kidscreen 2009 Attendance	Markets & Festivals	1,500
	Black Camel Picture Co Ltd	Berlin International Film Festival 2009	Markets & Festivals	1,482
	Iris Pictures Ltd	Beast At Berlin International Film Festival 2009	Markets & Festivals	881
				27,260

Talent Development				
	Brocken Spectre Ltd	Digicult	Talent Development	75,000
	Diversity Films Ltd	Brand New	Talent Development	75,000
				150,000
Pilot Fund				
	Hopscotch Films Ltd	The Story Of Film: China	Pilot Fund	24,950
	Tern TV Productions Ltd	One Star	Pilot Fund	50,000
				74,950
Short Film Production				
	Brocken Spectre Ltd	The Bedfords	Short Film Production	50,000
	Glasgow Media Access Centre Ltd	Night School	Short Film Production	10,000
	Young Films Ltd	Believe	Short Film Production	50,000
	Scottish Arts Council	Artists Film & Video 2008 / 09	Short Film Production	21,199
	Sigma Films Ltd	I Love Luci	Short Film Production	49,979
	Once Were Farmers Ltd	Mondos Search For The Sun	Short Film Production	50,000
				231,178
Slate Funding				
	Sigma Films Ltd		Slate Funding 2008	112,500
TOTAL OF HARD COMMITMENTS				2,349,941

SOFT COMMITMENTS				
	The Mental Health Foundation (Scotland)	Scottish Mental Health Arts & Film Festival 2008	Audience Development	10,000
	The Arches	Glasgow Music & Film Festival 2009	Audience Development	7,000
	Edinburgh University Settlement	Reel Iraq	Audience Development	11,320
	Young Miracle Films Ltd T/A Indelible Inc	The Listen	Content Development	3,000
	Autonomi Ltd	Elaine Anderson (aka The Good Times)	Content Development	3,000
	Slate North Ltd	Me & Ma Gal	Content Development	7,720
	Sixteen Films Ltd	Kingsway	Content Development	20,000
	Picture Palace North Ltd	Venus As A Boy	Content Development	5,175
	Media Co-Op Ltd	The Boy From Georgia	Content Development	15,978
	Independent Film Production Ltd	MacBeth	Content Development	17,000
	Axis Animation Ltd	Colin & Cumberland	Content Development	3,180
	Hopscotch Films Ltd	Boyracers	Content Development	14,000
	Brocken Spectre Ltd	Heritage	Content Development	9,380
	Move On Up Ltd	The Stornoway Way	Content Development	1,600
	Kenny Glenaan Ltd	Dirt Road To Lafayette	Content Development	18,750
	Goosepimple Productions (Enerssance) Ltd	To Have And To Hold	Content Development	14,974
	Diva Films Ltd	Alice Opens The Box	Content Development	18,900
	Brocken Spectre Ltd	White Male Heart	Content Production	500,000
	SDI Productions Ltd	Future For Sale	Content Production	67,000
	Blindside Productions Ltd	Wasted Documentary	Express Film Fund	7,500
	Media Co-Op Ltd	Man For A Day	Express Film Fund	26,968
	Highlands & Islands Enterprise	It's Hot In Scotland	Market Development	8,160
	Media Co-Op Ltd	Sheffield Documentary Festival 2008	Markets & Festivals	1,465

	Digicult Ltd	Encounters Film Festival 2008	Markets & Festivals	1,331
	Scottish Documentary Institute	SDI at Sundance Film Festival 2009	Markets & Festivals	1,500
	Imagine Pictures Ltd	Imagine Pictures At Sundance Film Festival 2009	Markets & Festivals	1,416
	Flying Scotsman Films Ltd	Berlin International Film Festival 2009	Markets & Festivals	633
	Dabhand Films Ltd	Running In Traffic At Berlin Film Festival 2009	Markets & Festivals	584
	Kinetic Media Ltd	Social Circles Celtic Media Festival 2009	Markets & Festivals	304
	Scottish Documentary Institute	Bridging The Gap 6: Future	Talent Development	75,000
	Hopscotch Films Ltd	Ana	Pilot Fund	25,000
	Hopscotch Films Ltd	My Hitler	Short Film Production	50,000
	Black Camel Picture Co Ltd		Slate Funding 2008	100,000
	Crab Apple Films Ltd		Slate Funding 2008	99,000
	Fundakowski Last LLP		Slate Funding 2008	150,000
	Tern Television Ltd		Slate Funding 2008	100,000
TOTAL OF SOFT COMMITMENTS				1,396,838
OTHER COMMITMENTS				
	Dance Bass & Filmhouse	Dance : Film 2009	Audience Development	19,910
	Lichen Films Ltd	Is Everybody Alright?	Content Production	50,000
	blueLight Neds Ltd	Neds	Content Production	500,000
	Wasted Productions Ltd	Wasted	Express Film Fund	7,000
	Visible Ink Television Ltd	Attendance at MIPTv 2009	Markets & Festivals	1,500
TOTAL OF OTHER COMMITMENTS				578,410

CLOSURE EVALUATION REPORT 2008/09

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.

A review of Scottish Screen's Lottery investment process was undertaken in March and April 2006. In October 2006 Scottish Screen re-launched the investment process, including the introduction of a number of new funding categories, with additional strands added throughout 2007/08 and 2008/09. Previous and current investment strands are detailed below in Table 1. During the financial year of 1 April 2008 to 31 March 2009 applications were only accepted to the funding categories noted under the 2008/09 column in Table 1. No new applications for the previous categories were submitted during this financial year.

Table 1: Investment Strands Available

Table detailing current and previous Investment strands:

- Funds noted under the 2005/06 column are categories available prior to the investment process review.
- Funds denoted with an asterisk are one-off strands with dedicated application deadline date(s) that have now been fully allocated and are closed to further applications.
- Strands that have been incorporated into other strands are detailed within footnotes. Applicants who would have previously sought funding from these closed categories can now submit applications to the alternative funds.

Financial year				
Investment Strands Available	2005/06	2006/07	2007/08	2008/09
	Script Development	Content Development	Content Development	Content Development ^{1,3}
	Project Development	Short Film Production	Short Film Production	Short Film Production ⁵
	Short Film Production Funding	Content Production	Content Production	Content Production
	Short Film Award Schemes	Distribution	Distribution ⁴	Audience Development ²
	Feature Film Funding	Festivals	Festivals ²	Markets and Festivals
		Audience Development	Audience Development	New Talent Development Fund ⁵
		Markets and Festivals	Markets and Festivals	Slate Funding*
		New Talent Development Initiative	New Talent Development Fund	

		Future Fund	Future Fund ¹	Market Development Fund ⁴
		Business Development Loan*	Business Development Loan*	Express Film Fund
			Pilot Fund	Pilot Fund ³
			Express Film Fund	
			The Singles*	

¹ The Future Fund strand was incorporated into the Content Development strand for the financial year 2008/09.

² The Festivals strand was incorporated into the Audience Development strand for the financial year 2008/09.

³ The Pilot Fund strand was incorporated into the Content Development strand in October 2008.

⁴ The Market Development Fund strand replaced and expanded upon the Distribution strand in July 2008. The Distribution strand was closed in March 2008.

⁵ The Short Film Production and Talent Development Fund strands were fully allocated in October 2008, to be reopened in 2009/10.

Scottish Screen's 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. A monitoring and evaluation process has been devised which aims to capture information on each project at closure and in the following months. This process involves the completion and submission of evaluation report forms by the award recipient. These forms capture information on areas such as talent development and economic value.

Reports are requested at project closure (phase one), and then at 6 (phase two), 12 (phase three), 24 (phase four) and 36 (phase five) month intervals. The duration of the monitoring and evaluation period is dependent on the type of project and the investment strand from which an award is made. Applicants who do not return their forms as scheduled may not be eligible for future funding from Scottish Screen.

Closure evaluation reports were sent to all recipients of Lottery funding in the financial year of 1 April 2008 to 31 March 2009. Recipients who had completed their project within this year or previous financial years returned evaluation reports as a delivery requirement and in line with the pre-determined schedule.

During the financial year 2008/09 118 evaluation forms were issued to award recipients for completion and 52 (44%) have been returned. Of this total 29 phase one and 6 phase two forms were returned, with the remaining 17 being phase three and four. No phase five forms were returned. A spreadsheet detailing when evaluation forms are due to be issued and returned is available for reference.

None of the projects awarded Express Film Fund, Future Fund, Business Development Loan, Market Development Fund, The Singles, Distribution or Slate Fund investment have yet reached completion. Results from these strands will be reflected in following reports. Applicants which receive Markets and Festivals awards are not required to complete evaluation forms due to the nature of this investment strand.

CONTENT DEVELOPMENT

The Content Development investment strand aims to assist Scottish talent with the development of screen content to take to the marketplace.

During the financial year 2008/09 twenty applicants were awarded Content Development investment. Three of these projects have now reached completion and phase one evaluation forms have been returned for each. Two of these projects are currently seeking production finance and one has been awarded further development support from Scottish Screen.

Prior to the investment process review applications to this fund would have been submitted via the Script Development and Project Development strands. Twenty-three Content Development, Script Development and Project Development forms have been returned during the financial year 2008/09 from awards made in previous financial years.

Fourteen of the projects which were awarded investment prior to 1 April 2008 remain in development, with three securing further development funding from Scottish Screen. Two of the projects are seeking financial support to move into production and two have obtained production investment from Scottish Screen. One of the projects awarded production finance from Scottish Screen is virtually complete and will be screened during the Edinburgh International Film Festival in June 2009. Five projects are currently on hold.

The total number of forms received, together with the average project budget and Scottish spend is detailed below in Table 2.

Table 2: Total Forms Received with Average Total Budget and Scottish Spend

Table detailing the total number of evaluation forms received for each phase from applicants awarded Content Development, Script Development and Project Development investment. The final project budget and Scottish spend was only consistently recorded on the phase one forms. Phase five forms are not requested under this investment strand.

Content Development, Script Development and Project Development Forms Received				
	Total Forms Received	Average Scottish Screen Award (£)	Average Final Project Budget (£)	Average Scottish Spend (£)
Phase 1	14	10,192	16,106	12,057
Phase 2	5			
Phase 3	3			
Phase 4	4			
TOTAL	26			

SHORT FILM PRODUCTION

The Short Film Production investment strand aims to encourage the development of filmmakers with strong cinematic voices to create projects that are capable of winning international recognition and significantly raising the profile of the team attached.

Six applicants were awarded Short Film Production investment during the financial year 2008/09. Of the successful applicants two of the projects have now reached completion and have returned phase one evaluation forms. Both shorts have been selected to screen at the Edinburgh International Film Festival 2009.

Applicants to this category prior to the review applied to the Short Film Production Funding and Short Film Award Scheme strands. Four Short Film Production, Short Film Production Funding and Short Film Award Scheme forms have been returned during the financial year 2008/09 from awards made in previous financial years.

All completed projects awarded investment prior to 1 April 2008 have been screened at festivals such as Cannes Film Festival, Venice International Film Festival and Edinburgh International Film Festival. A number of the shorts have received awards, including the Best Short Film Award at BAFTA and the UK Film Council Audience Award at Encounters. Nominations for the projects also include Best British Short at British Independent Film Awards and BAFTA Scotland Award for Best New Screenplay.

The total number of forms received, together with the average project budget and Scottish spend is detailed below in Table 3.

Table 3: Total Forms Received with Average Total Budget and Scottish Spend

Table detailing the total number of evaluation forms received for each phase from applicants awarded Short Film Production, Short Film Production Funding and Short Film Award Scheme investment. The final project budget and Scottish spend was only consistently recorded on the phase one forms. Phase five forms are not requested under this investment strand.

Short Film Production, Short Film Production Funding and Short Film Award Scheme Forms Received				
	Total Forms Received	Average Scottish Screen Award (£)	Average Final Project Budget (£)	Average Scottish Spend (£)
Phase 1	4	21,949	38,599	22,199
Phase 2	1			
Phase 3	0			
Phase 4	1			
TOTAL	6			

CONTENT PRODUCTION

The Content Production investment strand provides support to production companies to assist with the physical production of feature projects.

During the financial year 2008/09 eight applicants were awarded Content Production investment. Two of these were supplementary awards to projects that had been awarded production finance in a previous financial year. None of these projects have yet reached completion and therefore no Content Production

closure forms have been returned. One project has since been withdrawn by the applicant after failing to attach additional production finance.

Applications for the Content Production strand previously applied to the Feature Film Funding category. Two Content Production and Feature Film Funding evaluation forms have been returned from awards made in previous financial years. Both were phase one forms. Both projects have been screened at international festivals, with one being broadcast on UK and European terrestrial television. One of the features won the BAFTA Scotland Audience Award.

The total number of forms received, together with the average project budget and Scottish spend is detailed below in Table 4.

Table 4: Total Forms Received with Average Total Budget and Scottish Spend

Table detailing the total number of evaluation forms received for each phase from applicants awarded Content Production and Feature Film Funding investment. The final project budget and Scottish spend was only consistently recorded on the phase one forms.

Content Production and Feature Film Funding Forms Received				
	Total Forms Received	Average Scottish Screen Award (£)	Average Final Project Budget (£)	Average Scottish Spend (£)
Phase 1	2	121,547	294,811	227,526
Phase 2	0			
Phase 3	0			
Phase 4	0			
Phase 5	0			
TOTAL	2			

PILOT FUND

The Pilot Fund investment strand provided support to production companies to develop and produce innovative pilots of projects for either a feature film or a television series. This investment strand was incorporated into the Content Development investment strand in the October 2008.

One applicant was awarded Pilot Fund investment in the financial year 2008/09. This project is not yet complete and the recipient is yet to return an evaluation form.

One phase one form has been returned from a project awarded investment in a previous financial year. The applicant is currently seeking further development finance from the UK Film Council.

The total number of forms received, together with the total project budget and Scottish spend is detailed below in Table 5.

Table 5: Total Forms Received with Total Budget and Scottish Spend

Table detailing the total number of evaluation forms received for each phase from applicants awarded Pilot Fund investment. Phase five forms are not requested under this investment strand.

Pilot Fund Forms Received				
	Total Forms Received	Scottish Award (£)	Screen Final Project Budget (£)	Scottish Spend (£)
Phase 1	1	24,950	33,150	27,311
Phase 2	0			
Phase 3	0			
Phase 4	0			
TOTAL	1			

NEW TALENT DEVELOPMENT FUND

The New Talent Development Fund aims to provide opportunities for emerging Writers, Producers and Directors to benefit from a combination of training and to create innovative work. Applications are accepted from companies who will then manage the production of a number of short films.

Three applicants were awarded New Talent Development Fund investment during the financial year 2008/09. Evaluation reports are requested for each short produced by each scheme. None of the schemes have completed and therefore no phase one forms have been returned. Results from these schemes will be reflected in next years report.

Nine phase three forms have been returned from schemes run in previous financial years. All nine completed shorts have been screened at festivals, including Edinburgh International Film Festival, Milano Film Festival and Amsterdam International Documentary Film Festival.

All key personnel attached to the nine completed shorts have continued to develop their careers in the film industry with a number producing short or feature documentaries, one producing a television series for Channel 4 and contributing to the feature length documentary *The New Ten Commandments*. Other individuals are currently developing new documentary ideas and one is employed as a sound recordist.

The total number of forms received is detailed below in Table 6.

Table 6: Total Forms Received with Average Total Budget and Scottish Spend

Table detailing the total number of evaluation forms received for each phase from applicants awarded New Talent Development Fund investment. The final project budget and Scottish spend was only consistently recorded on the phase one forms and will have been noted on the phase one forms when originally submitted and reflected in a previous report. Phase five forms are not requested under this investment strand.

New Talent Development Fund Forms Received				
	Total Forms Received	Average Scottish Screen Award (£)	Average Final Project Budget (£)	Average Scottish Spend (£)
Phase 1	0			
Phase 2	0			
Phase 3	9			
Phase 4	0			
TOTAL	9			

AUDIENCE DEVELOPMENT

The Audience Development investment strand aims to widen awareness of the range of moving image content available, increase networking opportunities, bring communities together and boost local economies. The Festivals investment strand was incorporated into the Audience Development investment strand for the financial year 2008/09.

Sixteen applicants were awarded Audience Development investment during the financial year. Three of these projects have now been completed and phase one evaluation forms have been returned for each.

This was the inaugural year for two of the festivals with audiences of approximately 2,000 and 4,000 recorded. The third festival recorded an audience of 1,881, showing an increase of 17.5% on the previous year. All three festivals will be held again, with one having already hosted a sister festival in China.

An additional five Audience Development and Festivals phase one forms have been returned during the financial year 2008/09 from awards made in previous financial years. Audience figures recorded vary according to the style and focus of the festivals, with the average audiences figure being 1,547.

The total number of forms received is detailed below in Table 7.

Table 7: Total Forms Received with Average Total Budget and Scottish Spend

Table detailing the total number of forms received for each phase from applicants awarded Audience Development and Festivals investment. The final project budget and Scottish spend are not requested on the evaluation forms for this investment strands due to the nature of the project. Phase four and five forms are not requested under this investment strand.

Content Production and Feature Film Funding Forms Received				
	Total Forms Received	Average Scottish Screen Award (£)	Average Final Project Budget (£)	Average Scottish Spend (£)
Phase 1	8			
Phase 2	0			
Phase 3	0			
TOTAL	8			



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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