

Scottish Screen

National Lottery Distribution Fund
Account and Report
2007/2008

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

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

Directors' Report

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

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

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

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

The accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 35 of Part II of the National Lottery etc. Act 1993.

National Lottery Distribution Fund

At 31 March 2008 the balance held under the stewardship of the National Lottery Distribution Fund available to Scottish Screen was £5.496 million (2006-2007, £5.505million). During the year to 31 March 2008 £2.515 million (2006-2007, £1.774 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 2007/08 is higher than that of 2006/07, reflecting the first full 'investment' year post the rollout of the new investment strands 2006/07. These investment strands are now fully launched and open for applicants. The unallocated balance is added to future budgets for later allocation.

Review of Activities

Firm commitments of awards totalling £3.720 million (2006-2007, £2.749 million), were made during the year in support of a range of projects.

Firm commitments made during the year included:

Content Production

Matador Pictures LLP	<i>The Book Of Blood</i>	500,000
The Mob Film Company Ltd	<i>Stone Of Destiny</i>	440,000
Hadrian Productions Ltd	<i>Doomsday</i>	300,000
Artists Independent Films Ltd	<i>New Town Killers</i>	<u>250,000</u>
		1,490,000

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

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
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. A percentage of depreciation is recharged from Scottish Screen to the Lottery accounts.

Pensions

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

Project Monitoring and Evaluation

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

In 2007/08 we maintained our monitoring and evaluation system into its fourth year, which comprises of the evaluation of each investment strand based on the collation of key quantitative and qualitative

measurables. The return of monitoring and evaluation documentation within specified timescales is a stipulated contractual requirement.

During the year we undertook a review of our existing forms to ensure that we continued to capture information that is of relevance. This resulted in the launch in November 2007 of an enhanced Closure Evaluation form across all the investment strands. The new form aims to capture additional information on each project with the main areas of change including an expanded applicant information section; additional equality information relating to both the applicant and where applicable participants and sections on talent development and economic value. Information captured on submitted forms feeds into the reporting of Cultural Successes to the Scottish Government.

In addition to this, 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 new 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 2007/08 was £11,900. No non-audit work was undertaken by the auditors during the financial year.

Equal Opportunity in Employment and Disabled Employees

Scottish Screen is committed to providing a workplace and an environment that attracts and retains the best people. Scottish Screen values the contribution of all employees, we believe that organisational development and good people management is not a one off and we strive to identify continuous improvement opportunities. Personal development and training of all employees is key to our success and we continue to invest in this area.

Scottish Screen is an Investor in People and an equal opportunities employer and has monitoring procedures in place to ensure continual compliance in this area. During the year Scottish Screen achieved re-accreditation of Disability 2 Ticks status as well as meeting the Gender Equality Duty in publishing our scheme in June 2007. During 2007/08 we continued our ongoing work on Disability Equality, having published our first annual report as well as working towards achievement of the Gender Equality scheme action plan. Providing and promoting equality of opportunity through the employment we provide is of fundamental importance to us.

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, of 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'. To encourage open and transparent communication with all staff we have introduced, in addition to our normal

communication channels, weekly update meetings on progress towards Creative Scotland providing staff with the opportunity to 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 2008, 85% of invoices were paid within the terms of the payment policy (2006-2007, 88%). These percentages were calculated using the date stated on the invoice as opposed to the date the invoice was received.

A handwritten signature in black ink, appearing to read 'Ken Hay', is written over a light grey rectangular background.

Ken Hay
Chief Executive and Accountable Officer
28 August 2008

Management Commentary

Scottish Screen has now been operational as a National Lottery Distributor for eight 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 the full organisational review of Scottish Screen undertaken in 2005/06 to ensure our activities reflect the changing needs of the sector. Part of this review was an extensive review of Scottish Screen's Lottery investment process which was undertaken in March and April 2006. From this in October 2006 Scottish Screen re-launched the investment process, part of which was the introduction of a number of new investment categories. This work has been continued with additional strands being added throughout 2006/07 and 2007/08 - New Talent Development Initiative, Short Film Production, Content Development, Pilot Fund, Future Fund, Express Film Fund, Content Production, Business Development Loan Fund, Slate Funding, Markets & Festivals, Audience Development, Festivals, Distribution and Market Development. Prior to the review, production companies could apply under funding strands such as, Script Development, Project Development, Short Film Production Funding, Short Film Award Schemes, and Feature Film Funding.

With regard to the former investment strands, these have now closed and, therefore, no new applications for these categories were submitted during the financial year of 2007/08. During the year in line with our commitment to ongoing evaluation and review of our investment strands and their impact, we made a number of further changes, with the Festivals investment strand now being incorporated into the Audience Development strand; applicants seeking Future Fund investment will now submit applications to the Content Development strand and the Distribution investment strand has been reviewed and re-launched in April 2008 as the Market Development strand.

A key part of the organisational review to highlight and which has proved successful, was the widening of the revised 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.

During 2007/08 in order to comply with the recently launched British Film Qualifying Criteria, we undertook an exercise to work towards the disbandment of the qualifying points system. The points system had been developed and launched in May 2006, to improve the decision making by bringing greater clarity to the process and had proved very effective, however the launch of the new revised British Film Qualifying Criteria meant that we could no longer use the points system. In October 2007 we launched the new guidelines to reflect this change and also took the opportunity to introduce a rolling deadline programme, removing the static set deadlines to further improve access for applicants.

Reflecting the changes during the year, our current investment strands as at March 2008 are:

- Content development
- Content production
- Short film production
- Markets and Festivals
- Pilot Fund
- Slate Fund
- Express Film Fund
- Audience development
- Market Development Fund (reviewed 2007/08 – launched April 2008)

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.

As always Scottish Screen will continue to work closely with the UK Film Council as well as with our sister bodies in Wales and Northern Ireland and the English regional screen agencies.

Creative Scotland

Scottish Screen is working closely with the Scottish Government and the Scottish Arts Council in moving to the formation of the proposed new organisation, Creative Scotland. During the year a Transition Director was appointed by the Joint Board of Scottish Screen and the Scottish Arts Council and a Transition Project Team established to manage the transition to the new body. Scottish Screen's priorities will continue to be to ensure that Creative Scotland fully addresses the very specific needs of the screen industries and that both the sector and the wider Scottish economy benefit from this important development. Scottish Screen will continue to work with, and as part of, the Transition Project Team and transition process 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 £600,000 was delegated to Skillset (Scotland). The purpose of this delegation was to address skills shortages and skills development needs in the screen industries in Scotland, specifically in screen businesses and freelancers working in the screen sector.

The delegation of National Lottery funds from Scottish Screen to Skillset (Scotland) of £600,000 over 2 years – 2006-08, was 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 been extended to a third year, 2008/09 utilising a carried forward balance of £356,118 from 2007/08. The extension to a third year will enable the distribution of this carry forward through the

three funding strands above and conduct a review of the successes and impact of the fund over the previous two years. This will inform the development of a revised sector skills agreement for the creative media sector in Scotland, within the wider context of the new skills strategy for Scotland and the launch of the new national skills agency.

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 2008 was £2.325 million, (2006-2007, £2.332 million). A total of £0.072 million (2006-2007, £0.266 million) was recouped from projects funded in previous years. Interest and return on investments of £0.222 million (2006-2007, £0.218 million) brought the total income to £2.619 million (2006-2007, £2.859 million).

Commitments entered into during 2007-08 totalled £3.720 million (2006-07, £2.749 million). Expenditure on staff and other operating costs was £0.461 million (2006-2007, £0.361 million). De-commitments during 2007-08 of prior year awards amounted to £1.194 million (2006-2007, £0.581 million). Staff and overhead costs were recharged from Scottish Screen's grant in aid funded statements on the basis of staff time spent on lottery activities during the year.

The net result for the period is a loss of £0.368 million, (2006-2007, surplus of £0.330 million).

Balance Sheet

The total net assets of £3.035 million (2006-07, £3.403 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.

We have a well established Environmental Group consisting of representatives from across the organisation and led by our Environmental Co-ordinator. To date the Environmental Group have developed and implemented a wide range of highly successful initiatives. A key part of their role is to continue to raise awareness and ensure buy in from all staff, which they have achieved, with good environmental practice now embedded with the organisation. Some of the initiatives implemented to date are: office catering and cleaning materials are now environmentally and ethically sourced; as part of the introduction of the recycling points, office bins have been removed; a questionnaire was issued to all staff to gauge individuals commitment and understanding of environmental practice; all decommissioned electrical goods are now recycled; a replacement programme has been initiated for installation of low energy lighting in place of existing high usage spot lights; all photocopiers have been replaced with more environmentally efficient machines and a number of general initiatives are in place to reduce paper usage. This has all been accomplished by a drive to wholly integrate environmental awareness into our day to day activities, which has proved a success with the Environmental Working Group and the wider organisation taking ownership of all initiatives.

The Working Group continues its widened participation through joint working with our landlords. The successes to date include the implementation of a building wide recycling scheme, with Scottish Screen sharing costs and facilities with our landlords for recycling points and collections facilities, expanding our current paper recycling programme to include, glass, aluminium and plastic as well as the removal of water coolers and the installation of plumbed in drinking water, which is a proven more environmentally sound practice as well as being more cost effective. We will continue to work with our landlords to seek opportunities for tying into and benefiting from developments in their Environmental policy. We will continue to investigate other mechanisms to reduce our environmental impact internally, as well as communicating externally via our main website our commitment to best practice and through our Locations website the importance of and the need to protect and preserve Scotland's biodiversity. In 2008/09 Scottish Screen will maintain its Environmental commitment by calculating our carbon footprint and developing 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 work we do, the activities or projects we support and in the guidance we provide to others in our industry, is of fundamental importance to us.

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

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

We have an equal opportunities policy which is available to all staff on our company intranet site, and as part of our staff development programme, all staff participated in training and awareness raising on equal opportunities and discrimination issues. This is now a standing development area for all new staff.

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 conducted in the area of disability equality, but more importantly, sets out our plans and actions to ensure that we continually improve what we do, in relation to the general and specific duties we have. In line with reporting requirements we published our first year report on the Disability Equality Scheme in January 2008, reflecting on our achievements in this area during the year. During the year we also developed and completed our Gender Equality Scheme on schedule for 28th June 2007. As part of our commitment to Shared Services within the Public Sector, we undertook this in collaboration with the Scottish Arts Council. We have an established Equality Group, which encompasses all the Equality areas and while this is beneficial and effective we recognise that, as outlined in 'Bringing Equality to Scotland: The Three Public Sector Duties', there are different legal requirements for each duty which we need to consider and while we will meet as a wider remit group we recognise that separate equality schemes must be produced to cover each of the duties.

During the year we carried out an equal pay audit to ensure our salaries and salary evaluation systems meet the requirements of equality guidance and legislation.

The New Talent Development Initiative investment strand was first launched first in 2006/07 with the aim of broadening the opportunities and support available to emerging talent through investment in targeted development initiatives. In particular, an applicant's ability to increase the participation of currently under represented groups in the Scottish screen industries was monitored and assessed. Projects supported to date include Trouble Sleeping, which is being premiered at the 2008 Edinburgh International Film Festival and Community Filmmaker's Project, both of which aim to increase the opportunities available for disenfranchised and asylum individuals in Scotland, through innovative training and filmmaking.

In 2006/07 we launched the Cinema Access project, which we had developed with the support of the Royal National Institute for Deaf People (RNID) and Royal National Institute for Blind People (RNIB). This scheme provided grants to cinemas and cinema operators throughout Scotland to support the installation of captioning and audio-description equipment. This built on work in this area to date and has allowed greater access to films for people with sensory impairments as well as being in line with our commitment to enable all sectors of the community to participate in and enjoy film culture. This scheme is now reaching its successful conclusion with all equipment funded now installed within venues.

We also continue to provide support to a wide diversity of Festivals throughout Scotland, representing a wide range of communities and groups, ranging from the Document 5 International Human Rights Festival, the Discovery International Film Festival for Children & Young People, the Birds Eye View Film Festival to the Duseri Dharkhan-Pakistani Film, Media & Arts Festival, Africa in Motion, Reel Afghanistan and the Tsai Ming-Liang Retrospective.

A key partner in this work is the Local Authorities throughout Scotland and we will be seeking to further develop our relationships and partnership with them throughout 2008/09.

Remuneration report

Ken Hay (aged 43) was appointed Chief Executive on the 18 April 2005

	2007-08 £000s	2006-07 £000s
Emoluments of the Chief Executive		
Remuneration	75	72
Other taxable benefits	-	-
Pension scheme contributions	<u>12</u>	<u>11</u>
	87	83

The Chief Executive is an ordinary member of the organisation's pension scheme. As at 31 March 2008, the pension accrued and Cash Equivalent Transfer Value was as follows:

Chief Executive – pension accrued as at 31 March	2007-08 £000s	2006-07 £000s
Pension	13	8
Lump sum	4	2
Widow's pension	<u>4</u>	<u>2</u>
	<u>21</u>	<u>12</u>
Cash equivalent transfer value as at 31 March	<u>29</u>	<u>17</u>

All of the above remuneration information is subject to audit.

The Chair receives a remuneration set at a daily fee of £246.00 per board meeting and other business events, and is paid monthly culminating in an annual salary of £21,402. 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, on behalf of the Remuneration committee. The objectives set for individuals are directly linked to the organisational objectives as stated in the operational plan for the year. Satisfactory performance by attainment of set objectives is decided at the end of the objective period, via one to one

meetings with the Chief Executive for the senior manager and by the 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 - was Managing Director of SMG plc, STV Central Ltd and STV North Ltd until 12 April 2007 and is a non-executive Director of Skillset UK.

Iain Smith - was a Board Member of the UK Film Council (UKFC) until 31 July 2007, a Director of the Edinburgh International Film Festival (EIFF) from 5 November 2007.

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 2008

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 Government Accounting. In addition, the Chief Executive is also personally responsible for ensuring compliance with the policy and financial directions issued under section 26 (1), (3), (3a) and (4) of the National Lottery Act 1993 (as amended).

As Accountable Officer, the Chief Executive chairs weekly meetings of the senior management team of Scottish Screen which effectively delivers on risk management for the organisation. Through a regular formal process key risks are identified, which are weighted and allocated to specific managers for control. The management of organisational risk is discussed at the senior management team meetings, with risk assessment being a standing agenda item and the risk schedule being updated on an ongoing basis. Risk assessment is also a substantive agenda item on a cyclical basis to allow for periodic in depth review. Further details are given below. High level risks, as appropriate, are notified to the Scottish 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 is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

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

The process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with guidance from the Scottish Ministers.

Risk and Control Framework

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

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

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 2008 and up to the signing of the accounts the organisation has continued to build on the full organisational review of Scottish Screen undertaken in 2005/06 to ensure our activities reflect the changing needs of the sector. During 2007/08 this has involved additional investment strands being added; revision to existing strands; a re-launch in October 2007 of revised guidelines to reflect the new British Film Qualifying Criteria and also introduction of a rolling deadline programme, removing the static set deadlines to further improve access for applicants.

A key success from the organisational review has been the widening of the revised 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.

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.

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

Evaluation forms are issued to award recipients, at designated times, chosen to best reflect the 'life' of projects and ensure optimum capture of evaluation material. The completion and return of the evaluation material within a specified timescale is stipulated as a contractual requirement. The material is collated to enable review of the effectiveness of investment and scheme structures and also to provide key reference material. The summary report can be found at the end of this document. Data protection requirements are fulfilled in the undertaking of this process.

During the year a review of our existing forms was completed to ensure that we continued to capture information that is of relevance. This resulted in the launch in November 2007 of an enhanced Closure Evaluation form across all the investment strands. The new form aims to capture additional information on each project with the main areas of change including an expanded applicant information section; additional equality information relating to both the applicant and where applicable participants and sections on talent development and economic value. Information captured on submitted forms feeds into the reporting of Cultural Successes to the Scottish Government.

In addition to this, 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. This ability to utilise captured data will be further enhanced through the new CRM system.

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. The CRM system reflects specific reporting and monitoring requirements for investment recoupments, which will further enhance work to date.

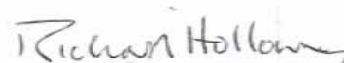
A Business Risk Assessment Register is in place, which identifies the organisation's risks, categorised as 'Business Critical', 'Important Risks' and 'Other Risks'. A control strategy has been established for each of the significant risks and the register is reviewed and updated to reflect any changes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

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

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



Ken Hay
Chief Executive and Accountable Officer



Richard Holloway
Chairman

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

We have audited the financial statements of the Scottish Screen National Lottery Distribution Fund for the year ended 31 March 2008 under the National Lottery etc Act 1993. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. 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 there under 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 our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. We also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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 Management Commentary, the unaudited part of the Remuneration Report and the Closure Evaluation Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements. It also includes an assessment of the significant estimates and judgements made by 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 2008 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
Chartered Accountants
Registered Auditors
14 September 2008

17 Melville Street
Edinburgh
EH3 7PH

Income and expenditure account
for the year ended 31 March 2008

	Notes	2007-08 £000s	2006-07 £000s
Income			
National Lottery Fund proceeds		2,325	2,332
De-Commitment of SAC Awards	2a	0	43
Other income	2b	<u>294</u>	<u>484</u>
		<u>2,619</u>	<u>2,859</u>
Expenditure			
Award commitments	3a	3,720	2,749
De-commitment of prior year awards	3b	(1,194)	(581)
Staff costs	4	277	213
Other Operating costs	5	<u>184</u>	<u>148</u>
		<u>2,987</u>	<u>2,529</u>
Surplus / (Deficit) on ordinary activities		(368)	330
Notional interest payable		<u>11</u>	<u>13</u>
Surplus / (Deficit) on ordinary activities		(379)	317
Reversal of notional interest payable		<u>11</u>	<u>13</u>
Increase / (Decrease) in Fund		<u>(368)</u>	<u>330</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 30 form part of these financial statements.

Balance sheet
as at 31 March 2008

	Note	2007-08 £000s	2006-07 £000s
Current assets			
Balance held in NLDF	6	5,496	5,505
Debtors	7	104	125
Bank		<u>100</u>	<u>432</u>
		<u>5,700</u>	<u>6,062</u>
Creditors:			
amounts falling due within one year	8	<u>2,665</u>	<u>2,659</u>
Net current assets		<u>3,035</u>	<u>3,403</u>
Total assets less current liabilities		<u>3,035</u>	<u>3,403</u>
Represented by:			
General reserve	9	<u>3,035</u>	<u>3,403</u>



Ken Hay
Chief Executive and Accountable Officer
28 August 2008

The notes on pages 22 to 30 form part of these financial statements.

Cash flow statement

	2007-08 £000s	2006-07 £000s
Net cash inflow/(outflow) from operating activities	(373)	111
Returns on investments and servicing of finance		
Interest received	41	13
Increase/(Decrease) in cash in the period	<u>(332)</u>	<u>124</u>

Notes to the cash flow statement

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

Operating (deficit) surplus	(368)	330
Bank interest	<u>(41)</u>	<u>(13)</u>
	(409)	317
Decrease/(Increase) in debtors	21	34
Decrease/(Increase) in NLDF balances	9	(763)
(Decrease)/Increase in creditors	<u>6</u>	<u>523</u>
Net cash flow from operating activities	<u>(373)</u>	<u>111</u>

(2) *Analysis of changes in net funds*

	1 April 2007 £000s	Movement £000s	31 March 2008 £000s
Cash at bank and in hand	432	(332)	100
Bank overdrafts	<u>-</u>	<u>-</u>	<u>-</u>
	432	(332)	100
NLDF	<u>5,505</u>	<u>(9)</u>	<u>5,496</u>
Total	<u>5,937</u>	<u>(341)</u>	<u>5,596</u>

The notes on pages 22 to 30 form part of these financial statements.

Notes to the accounts for the year ended 31 March 2008

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 (FRoM) and of the Statements of Standard Accounting Practice/Financial Reporting Standards issued and adopted by the Accounting Standards Board, so far as those requirements are appropriate.

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

(b) Accruals convention

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

Accounting for funding awards

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

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

Project development awards

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

(c) Tangible fixed assets and depreciation

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

(d) National Lottery Distribution Fund

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

- Completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2007/08 by the National Lottery Commission.

- Completion of the audit of the National Lottery Distribution Fund accounts for 2007/08 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.

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

This represents awards made by SAC, which were withdrawn during 2006/07, by Scottish Screen, as authorised by the Delegated Agreement between SAC and Scottish Screen. As at 31 March 2008, these awards were fully de-committed.

2b Other income

	2007-08 £000s	2006-07 £000s
Investment income	181	205
Bank interest	41	13
Award repayments	<u>72</u>	<u>266</u>
	<u>294</u>	<u>484</u>

3a Award Commitments (hard)

	2007-08	2006-07
	£000s	£000s
Features	0	675
Shorts	74	5
Project Development	0	20
Short film production schemes	0	225
Supplementary funding	0	85
Script Development	0	22
Content Development	175	136
New Talent Development	225	270
Festivals	56	75
Audience Development	36	37
Markets and Festivals	25	9
Content Production	2,065	1,100
Skillset	510	90
Pilot Fund	20	0
Distribution	12	0
Business Development Loan	372	0
Future Fund	50	0
Express Film Fund	<u>100</u>	<u>0</u>
	<u>3,720</u>	<u>2,749</u>

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

This represents a total of £1.194 million of awards relating to prior year (hard) commitments, which were de-committed during 2007-08 (2006-07, £0.581 million).

4 Staff costs

	2007-08	2006-07
	£000s	£000s
Staff costs during the year		
Wages and salaries	230	179
Social security costs	17	13
Other pension costs	<u>30</u>	<u>21</u>
	<u>277</u>	<u>213</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 2008 were £1,290,043, the average number of staff employed during the year was 35.7. The amount recharged in respect of the National Lottery Distribution Fund's share of Scottish Screen's payroll costs was 21% (2006-07, 15%).

	Number 2007-08	Number 2006-07
Average number of persons employed on NLDF activities (FTE) during year ended 31 March 2008	8	6

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 2007/08. No asset or liability for Scottish Screen's pension scheme is held within these accounts.

5 Other operating expenses

	2007-08 £000s Direct	2007-08 £000s Recharged	2007-08 £000s Total	2006-07 £000s Direct	2006-07 £000s Recharged	2006-07 £000s Total
Legal & professional fees	70	-	70	38	-	38
Rent & overheads	-	50	50	-	44	44
Depreciation	-	-	-	-	3	3
Office administration	1	2	3	2	2	4
Auditors' remuneration:						
- External	12	-	12	12	-	12
- Internal	-	2	2	-	2	2
Staff expenses	17	-	17	14	-	14
Panel expenses	1	-	1	2	-	2
Irrecoverable VAT	11	-	11	10	-	10
Script assessment	18	-	18	7	-	7
Consultancy fees	-	-	-	<u>12</u>	-	<u>12</u>
	<u>130</u>	<u>54</u>	<u>184</u>	<u>97</u>	<u>51</u>	<u>148</u>

6 Balance held in NLDF

	2007-08 £000s	2006-07 £000s
Brought forward at 1 April		
	5,505	4,742
Income received from Lottery	2,325	2,332
Investment Income	169	271
Funds Drawn Down	<u>(2,515)</u>	<u>(1,774)</u>
Carried forward at 31 March	<u>5,484</u>	<u>5,571</u>
Share of unrealised gain / (losses)	<u>12</u>	<u>(66)</u>
Closing value at 31 March	<u>5,496</u>	<u>5,505</u>

7 Debtors

	2007-08 £000s	2006-07 £000s
Trade debtors	44	88
Recoupment debtors	31	37
Sundry debtors	<u>29</u>	<u>0</u>
	<u>104</u>	<u>125</u>

8 Creditors

	2007-08 £000s	2006-07 £000s
Awards outstanding (hard commitments)	2,575	2,591
Accruals & sundry creditors *	<u>90</u>	<u>68</u>
	<u>2,665</u>	<u>2,659</u>

*Sundry creditors balance includes £ 8,587 (2006–07 £8,587) relating to Scottish Arts Council awards

9 General reserve

	2007-08 £000s	2006-07 £000s
Balance at 1 April	3,403	3,073
Change in fund in year	<u>(368)</u>	<u>330</u>
Balance at 31 March	<u>3,035</u>	<u>3,403</u>

10 Soft commitments

	2007-08 £000s	2006-07 £000s
Balance at 1 April	1,108	302
Awards withdrawn	0	0
Accepted in year	(1,105)	(302)
Amounts committed in year*	<u>626</u>	<u>1,108</u>
Balance at 31 March	<u>629</u>	<u>1,108</u>

*Awards made but not accepted at 31 March 2008

11 Hard commitments

	2007-08 £000s	2006-07 £000s
Balance at 1 April	2,591	1,980
De-commitment of prior year awards	(1,194)	(581)
Committed in year	3,720	2,749
Paid in year	<u>(2,542)</u>	<u>(1,557)</u>
Balance at 31 March	<u>2,575</u>	<u>2,591</u>

12 Reconciliation of movement in funds for the year ended 31 March 2008

	Balances held in NLDF	Balances at Scottish Screen	Provisions for grant awards	Total
	£000s	£000s	£000s	£000s
Opening Balance	5,505	489	(2,591)	3,403
NLDF proceeds	2,325	0	0	2,325
Drawn down funds	(2,515)	2,515	0	0
Investment returns	181	0	0	181
Interest on cash balances	0	41	0	41
Other operating income	0	72	0	72
De-Commitment of SAC Awards	0	0	0	0
Grants paid	0	(2,542)	0	(2,542)
(Increase)Decrease in grant creditors	0	0	16	16
Expenditure	0	(461)	0	(461)
Closing Balance	5,496	114	(2,575)	3,035

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 2008 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. During the financial year 2007/08, Skillset received delegated Lottery investment of £299,649. Scottish Screen also awarded £74,950 New Talent Development investment to Bridging the Gap 5 (Scottish Documentary Institute) in July 2007 of which Skillset Scotland were detailed as a co-investor investing £66,060. Festival support of £15,000 was made to Projector 2008 (Projectorfest Ltd) in January 2008 and Skillset are detailed as investing £2,000 in this initiative.

Donald Emslie was Managing Director of SMG plc, STV Central Ltd and STV North Ltd until 12 April 2007, a non-executive Director of Skillset UK and a Board member of Scottish Screen. During the financial year 2007/08, Donald Emslie was involved in the joint commissioning of the New Found Film – Gamerz (Pure Magic Films Ltd) to which Scottish Screen awarded distribution support of £7,272.50 to Guerilla Films Ltd in January 2008. During the financial year 2007/08, Skillset received delegated Lottery investment of £299,649. Scottish Screen also awarded £74,950 New Talent Development investment to Bridging the Gap 5 (Scottish Documentary Institute) in July 2007 of which Skillset Scotland were detailed as a co-investor investing £66,060. Festival support of £15,000 was made to Projector 2008 (Projectorfest Ltd) in January 2008 and Skillset are detailed as investing £2,000 in this initiative.

Iain Smith is a Board Member of the UK Film Council (UKFC), a Director of the Edinburgh International Film Festival (EIFF) and a Board Member of Scottish Screen. During the financial year, Scottish Screen awarded Content Production support of £9,975 in June 2007 and further support of £5,000 in December 2007 to Seachd - The Inaccessible Pinnacle Ltd (Young Films Ltd), the film was co-funded with the UK Film Council. The GMAC Shortcuts Scheme (GMAC) was awarded £75,000 in September 2007 and the UK Film Council New Cinema Digital Shorts initiative, was a funding partner in this scheme. The feature film New Town Killers (Artists Independent Films Ltd) was awarded £250,000 in December 2007, £100,000 in January 2008 and a further £36,948 in March 2008 and was also co-financed by the UK Film Council. Scottish Screen awarded £95,000 Content Production investment to Summer (Sixteen Midlands Ltd) in June 2007, the film was co-funded with the UK Film Council. Scottish Screen awarded £24,956 Content Development support to The Strangest Thing (Young Films Ltd) in December 2007 and the UKFC are detailed as co-investors.

James McSharry was a screen writer on the Trouble Sleeping production for Theatre Workshop and is a Board member of Scottish Screen. In September 2007, Scottish Screen awarded £6,250 Content Production support to Trouble Sleeping (Makar Productions / Theatre Workshop). The Scottish Arts Council were also a co-investor in this project.

Richard Holloway is Chair of the Centre for Contemporary Arts (CCA) in Glasgow and Chair of the Board of Scottish Screen. During the financial year 2007/08, Scottish Screen awarded the Glasgow Film Festival £25,000 of Festival support in February 2008 and the CCA are detailed as providing £600 in kind support to this project. During the year Scottish Screen awarded £100,000 Pilot Fund support to Purves and Pekkala (aka New Town) (Pirate Productions), Richard Holloway played the part of a minister in this television pilot.

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 2007/08, Scottish Screen provided Content Production support for the feature film *New Town Killers* (Artists Independent Films Ltd) which was awarded £250,000 in December 2007, £100,000 in January 2008 and a further £36,948 in March 2008.

Ben Lyle is an external assessor for Scottish Screen. His partner is Annalise Davis who is to produce *Laid Off* through her production company Wilder Films Ltd. In March 2008, Scottish Screen made a Content Development award of £10,770 to this project.

Claire Mundell is a director of Synchronicity Films, a Board Member of the Glasgow Film Theatre (GFT) and an external assessor for Scottish Screen. During the financial year 2007/08, Scottish Screen made a number of awards to Synchronicity Films. These were:

- Markets & Festival award of £1,500 for Synchronicity attendance at the Cannes Film Festival in May 2007,
- Content Development award of £24,768 to *White Fang*;
- Business Development Loan award of £40,000 made in June 2007;
- Content Development award of £2,000 made to *Crying with Laughter* in August 2008; and
- Markets & Festival award of £1,098 made to assist with costs to attend Strategic Partners in Canada.

In addition, during the financial year 2007/08 Scottish Screen awarded the GFT Festival Support of £5,600 to the Document 5 International Human Rights Festival (Document) in May 2007 and at the time of application GFT indicated that they would provide £1,200 in kind support. In February 2008 Scottish Screen awarded Festival Support of £25,000 to Glasgow Film Festival (Glasgow Film Theatre) and the GFT provided approximately £39,000 in kind support.

Henry Eagles, SMG plc, STV Central Ltd and STV North Ltd and an external assessor for Scottish Screen and was involved in the joint commissioning of the *New Found Film – Gamerz* (Pure Magic Films Ltd) which Scottish Screen awarded distribution support of £7,272.50 to Guerilla Films Ltd in January 2008.

Leslie Hills is Chair of the Edinburgh Filmhouse Board, Director/Owner of Skyline Productions Ltd and an external assessor for Scottish Screen. During the financial year 2007 / 08 Scottish Screen awarded Audience Development support of £8,000 to *Africa in Motion* (Stop and Stir Arts Ltd) in May 2007 of which Filmhouse provided £1,000 in kind support. Filmhouse also provided in kind support of £2,000 and £2,200 cash investment to *Dance on Film Season 2007* (Dance Base / Filmhouse Ltd) of which Scottish Screen invested £7,700 in July 2007. In September 2007 Scottish Screen awarded Audience Development support of £1,200 to *Tsai Ming-Liang Retrospective* (Filmhouse Ltd) and Filmhouse provided £1,250 cash investment and £1,200 in kind support. *Reel Afghanistan* (Education Through Art) was awarded £8,000 Audience Development support from Scottish Screen in December 2007 and Filmhouse provided in kind support totalling £4,750.

Matthew Justice, is an Executive Producer on *Hallam Foe* (Sigma Films Ltd) and an external assessor for Scottish Screen. During the financial year 2007/08, Sigma Films received £1,500 Markets & Festivals support from Scottish Screen to attend the Cannes Film Festival and promote *Hallam Foe*.

Noe Mendelle is a Director of the Scottish Documentary Institute (SDI), a Board Member of SDI Productions, Head of Film & TV at Edinburgh College of Art and an external assessor for Scottish Screen. During the financial year 2007 / 08, Scottish Screen awarded New Talent Development support of £75,000 to Bridging the Gap 5 (Scottish Documentary Institute) in July 2007. Content Development support of £11,250 was awarded in August 2007 to Future for Sale (SDI Productions Ltd) of which SDI Productions was a co-investor. An Express Film Fund investment of £100,000 was made to The New Ten Commandments (SDI Productions Ltd) in January 2008.

Scottish Screen provided Market & Festivals support of £716 to Yasmin Fedda to attend the Sundance Film Festival in January 2008 with her short film Breadmakers, which was produced through the Bridging the Gap 4 initiative, which Noe Mendelle is Executive Producer

Staff

Gordon Barnes has provided IT consultancy services to BAFTA Scotland, Brocken Spectre Ltd and the Glasgow Film Theatre (GFT). Gordon is the Systems Manager for Scottish Screen. During the financial year 2007/08 Festival support of £15,000 was made to Projector 2008 (Projectorfest Ltd) and BAFTA Scotland at the time of application were detailed as investing £1,000 in this initiative. Brocken Spectre Ltd were awarded £50,000 Short Film Production support for The Bedfords in March 2008 as well as £6,467 Content Development support for the project Shell in November 2007. In addition, Brocken Spectre were awarded Markets and Festivals support of £3,000 for attendance at the Berlin Film Festival and the Strategic Partners event in Halifax, Canada. A further £278 was awarded to support attendance at the Cannes Film Festival.

In July 2007 Scottish Screen awarded a New Talent Development award of £75,000 to PILOT (Channel 4's Talent Scotland), a new initiative for best new drama writers to compete to win a commission for a pilot for a Channel 4 6-part drama series, to be broadcast on the 4Talent slot. In March 2008, Brocken Spectre were successful in securing the commission with the project entitled *Stacked* written by Bryony Ives.

During the financial year 2007/08 Scottish Screen awarded the GFT Festival Support of £5,600 to the Document 5 International Human Rights Festival (Document) in May 2007 and at the time of application GFT indicated that they would provide £1,200 in kind support. In February 2008 Scottish Screen awarded Festival Support of £25,000 to Glasgow Film Festival (Glasgow Film Theatre) and the GFT provided approximately £39,000 in kind support.

Morgan Petrie is a committee member of BAFTA Scotland and is the Head of Market Development for Scottish Screen. During the financial year 2007/08 Festival support of £15,000 was made to Projector 2008 (Projectorfest Ltd) and BAFTA Scotland at the time of application were detailed as investing £1,000 in this initiative

The following transactions relate to transactions undertaken between Scottish Screen and the Scottish Arts Council during the year reflecting the appointment of the joint Board from the 1 February 2007:

Scottish Arts Council

Scottish Screen awarded £6,250 Content Production support to Trouble Sleeping (Makar Productions / Theatre Workshop) in September 2007 of which the Scottish Arts Council were also a co-investor. During the financial year 2007 / 08 Scottish Screen also awarded Artists Film & Video Award Scheme 2007 (Scottish Arts Council) £25,000 in June 2007 of which the SAC match funded. Scottish Screen awarded The New Ten Commandments (SDI Productions Ltd) £100,000 Express Film Fund support in January 2008 and at the time of application the SAC were detailed as investing £29,000.

SCOTTISH SCREEN

National Lottery Distribution Fund

List of awards made during the year ended 31 March 2008

Decision body	Applicant	Project Title	Project Type	Award (£)
HARD COMMITMENTS				
Short Film Production				
	Autonomi Ltd	Banda Europa	Short Film Production	2,000
	Scottish Arts Council	Artists Film & Video	Short Film Production	25,000
	55 Degrees Ltd	Amame	Short Film Production	44,788
	Ko Lik Films Ltd	Ujbaz Izbeneki Has Lost His Soul	Short Film Production	1,969
				73,757
Content Development				
	Elemental Films Ltd	Tokushika	Content Development	14,862
	Fantastic Films Ltd	Outcast	Content Development	5,000
	Sigma Films Ltd	Swung	Content Development	21,150
	London Pictures Ltd	Ask The Cosmos	Content Development	6,840
	Iris Pictures Ltd	Beast	Content Development	14,700
	Muckle Hen Productions Ltd	Family Planning	Content Development	10,190
	Sigma Films Ltd	The Ordinary	Content Development	18,765
	Synchronicity Films Ltd	White Fang	Content Development	24,768
	Catherine Bailey Ltd	Flip	Content Development	1,000
	The Bonga Bonga Company Ltd	The Bonga Bongas	Content Development	10,000
	Synchronicity Films Ltd	Crying With Laughter	Content Development	2,000

	Big Box Network Ltd	Balancing On The Edge Of The World	Content Development	4,250
	SDI Productions Ltd	Future For Sale	Content Development	11,250
	Move On Up Ltd	The Stornoway Way	Content Development	5,200
	Black Camel Picture Company Ltd	Blood Makes Noise	Content Development	15,273
	Code 81 Films Ltd	A Chinese Case	Content Development	2,993
	Brocken Spectre Ltd	Shell	Content Development	6,489
				174,730
New Talent Development Initiative				
	Scottish Documentary Institute	Bridging The Gap 5	New Talent Development Initiative	74,950
	Channel 4's 4Talent Scotland	Pilot	New Talent Development Initiative	75,000
	Glasgow Media Access Centre Ltd	GMAC Shortcuts	New Talent Development Initiative	75,000
				224,950
Festivals				
	Document	Document 5 International Human Rights Festival	Festivals	5,600
	Small Islands Film Trust Ltd	Small Islands Festival 2007	Festivals	5,152
	Cowal Walking Festival Association	CowalfestFILM 2007	Festivals	3,060
	Dundee Contemporary Arts Ltd	Discovery International Film Festival for Children & Young People	Festivals	12,000
	Heer Productions Ltd	Duseri Dharkan-Pakistani Film, Media & Arts Festival	Festivals	5,000
	Glasgow Film Theatre	Glasgow Film Festival	Festivals	25,000
				55,812

Audience Development				
	Arika	Kill Your Timid Emotion	Audience Development	4,500
	Stop and Stir Arts Ltd	Africa In Motion	Audience Development	8,000
	Resolis Community Arts	This Time, This Place	Audience Development	4,000
	Dance Base / Filmhouse Ltd	Dance On Film Season 2007	Audience Development	7,700
	Filmhouse Ltd	Tsai Ming-Liang Retrospective	Audience Development	1,200
	The Auld Alliance Gourmet Academy	Kingussie Food On Film Festival	Audience Development	2,600
	Education Through Art (umbrella group of Firefly)	Reel Afghanistan	Audience Development	8,000
	The Magic Lantern	Short Film Programming	Audience Development	425
				36,425
Markets & Festivals				
	Red Kite Animation Ltd	The Imp	Markets & Festivals	989
	Sigma Films Ltd	Cannes Film Festival Attendance	Markets & Festivals	1,500
	Jan Nimmo	Catalonia International Environmental Film Festival	Markets & Festivals	300
	Tern TV Productions Ltd	b.TWEEN 07 Attendance	Markets & Festivals	250
	MnE Media Ltd	b.TWEEN 07 Attendance	Markets & Festivals	250
	Showstream Productions Ltd	b.TWEEN 07 Attendance	Markets & Festivals	250
	Basil Khalil	A Chinese Case	Markets & Festivals	350
	MnE Media Ltd	Attendance at MIPcom 2007	Markets & Festivals	1,023
	La Belle Allee Productions Ltd	Stone	Markets & Festivals	739
	Brocken Spectre Ltd	Strategic Partners	Markets & Festivals	1,500
	La Belle Allee Productions Ltd	Strategic Partners	Markets & Festivals	692
	Makar Productions Ltd	Strategic Partners	Markets & Festivals	1,043
	Pure Magic Films Ltd	Strategic Partners	Markets & Festivals	1,221

	Lansdowne Productions Ltd	International Festival de Cine de Morelia	Markets & Festivals	888
	La Belle Allee Productions Ltd	MIPcom Attendance	Markets & Festivals	1,500
	Graham Drysdale	International Chicago Film Festival	Markets & Festivals	637
	Media Co-op Ltd	Sheffield Doc/Fest Meet Market	Markets & Festivals	525
	Caledonia TV Productions Ltd	World Congress of Science & Factual Producers	Markets & Festivals	1,232
	Yasmin Fedda	Breadmakers at Sundance	Markets & Festivals	716
	Brocken Spectre Ltd	Financing Activities	Markets & Festivals	1,267
	Flying Scotsman Films Ltd	Renegade	Markets & Festivals	536
	Hazel Baillie	The Truth About Tooth / Hot Docs Attendance	Markets & Festivals	794
	Synchronicity Films Ltd	Attendance at Cannes Film Festival	Markets & Festivals	1,500
	Ko Lik Films Ltd	Attendance at Cannes Film Festival	Markets & Festivals	1,500
	Sgiandubh Productions Ltd	The Maggie	Markets & Festivals	1,500
	Brocken Spectre Ltd	Cannes Film Festival Attendance	Markets & Festivals	278
	Ricky Wood	Forgotten Souls	Markets & Festivals	1,500
	Saltire Film & TV Productions Ltd	The Cone Gatherers & The Lantern Bearers	Markets & Festivals	787
				25,267

Content Production				
	The Mob Film Company Ltd	Stone Of Destiny	Content Production	440,000
	Hadrian Productions Ltd	Doomsday	Content Production	300,000
	La Belle Allee Productions Ltd	Valhalla Rising	Content Production	137,121
	La Belle Allee Productions Ltd	Valhalla Rising	Content Production	75,000
	The Mob Film Company Ltd	Stone Of Destiny	Content Production	60,000
	Young Films Ltd	Seachd - The Inaccessible Pinnacle	Content Production	9,975
	Sixteen Midlands Ltd	Summer	Content Production	95,000
	Matador Pictures LLP	The Book Of Blood	Content Production	500,000
	Makar Productions Ltd	Trouble Sleeping	Content Production	6,250
	Artists Independent Films Ltd	New Town Killers	Content Production	250,000
	Young Films Ltd	Seachd - The Inaccessible Pinnacle	Content Production	5,000
	Artists Independent Films Ltd	New Town Killers	Content Production	100,000
	Media Co-Op Ltd	Red Oil	Content Production	49,908
	Artists Independent Films Ltd	New Town Killers	Content Production	36,948
				2,065,202
Delegation of National Lottery Funds				
	Skillset	Delegation of National Lottery Funds		210,094
	Skillset	Delegation of National Lottery Funds		299,469
				509,563
Pilot Fund				
	Makar Productions Ltd	Child Of Air	Pilot Fund	20,000

Distribution				
	Cinefile Ltd	True North	Distribution	10,000
	Am Bocsa Ltd	Calum Noah	Distribution	1,270
	Ko Lik Films Ltd	Ujbaz Izbeneki Has Lost His Soul	Distribution	750
				12,020
Business Development Loan				
	La Belle Allee Productions Ltd		Business Development Loan	19,810
	Slate North Ltd		Business Development Loan	50,000
	MnE Television Ltd		Business Development Loan	80,000
	Savalas Ltd	Scottish Business Developments	Business Development Loan	67,500
	Synchronicity Films Ltd	Synchronicity Films Ltd	Business Development Loan	40,000
	Caledonia TV Productions Ltd	Head Of Factual Programming	Business Development Loan	75,000
	Hopscotch Films Ltd	Hopscotch Films Ltd	Business Development Loan	40,000
				372,310
Future Fund				
	MnE Television Ltd	Bounci.tv	Future Fund	25,000
	Hand Pict Productions Ltd	Fragments.tv	Future Fund	25,000
				50,000
Express Film Fund				
	SDI Productions Ltd	The New Ten Commandments	Express Film Fund	100,000
TOTAL OF HARD COMMITMENTS				3,720,036

SOFT COMMITMENTS				
	Young Miracle Films Ltd	The Listen	Content Development	3,000
	Axis Animation Ltd	Jekyll & Hyde	Content Development	30,000
	Autonomi Ltd	Elaine Anderson	Content Development	3,000
	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
	Synchronicity Films Ltd	Rise	Content Production	447,630
	Guerilla Films Ltd	Gamerz Theatrical Release	Distribution	7,272
	Birds Eye View Film Festival Ltd	Birds Eye View Film Festival	Festivals	8,800
	Projectorfest Ltd	Projector 2008	Festivals	15,000
	Synchronicity Films Ltd	Strategic Partners	Markets & Festivals	1,098
	Glasgow Media Access Centre Ltd	Attendance at Clermont Ferrand Festival	Markets & Festivals	513
	Sigma Films Ltd	Attendance at Clermont Ferrand Festival	Markets & Festivals	863
	Hopscotch Films Ltd	The Story Of Film : Africa	Pilot Fund	24,950
TOTAL OF SOFT COMMITMENTS				629,035
OTHER COMMITMENTS				
	The University of Edinburgh	Diversions: Festival of Experimental Film & Video	Audience Development	2,480
	Raindog Ltd	Wasted	Express Film Fund	150,000
	Design Is Central Ltd	SiNs	Future Fund	25,000
	Pirate Productions Ltd	Purves and Pekkala (aka New Town)	Pilot Fund	100,000
	Tern TV Productions Ltd	One Star	Pilot Fund	50,000
	Brocken Spectre Ltd	The Bedfords	Short Film Production	50,000
TOTAL OF OTHER COMMITMENTS				377,480

CLOSURE EVALUATION REPORT 2007/08

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, part of which was the introduction of a number of new investment categories, with additional strands being added throughout 2006/07 and 2007/08. With regard to the former investment strands, these have now closed and, therefore, no new applications for these categories were submitted during the financial year of 1 April 2007 to 31 March 2008, requests for evaluation reports for these investment strands will continue to be issued in line with the pre-determined schedule.

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

Closure Evaluation reports were sent to all recipients of Lottery investments in the financial year 2007/08. Recipients who had completed their project within this year returned evaluation reports as a delivery requirement. Reports are requested at closure, and then at 6, 12, 24 and 36-month interval, with the reporting timescales varying, dependent on the type of project.

During 2007/08 evaluation forms for the initial completion and 6, 12, and 24-month updates have been sent out to recipients of awards as scheduled. Of the 219 reports issued 110 (50.2%) have been returned. Phase one and phase two forms comprised 77 of the returned reports, with the remaining 33 being phase three and four. A spreadsheet detailing when evaluation forms are due to be issued and returned is available for reference.

None of the projects receiving investment via the Express Film Fund, Business Development Loan, Content Production or Distribution funds have as yet reached completion. The application deadline date for Slate Funding is set for Wednesday 11 June 2008. Results from these strands will be reflected in next years report.

CONTENT DEVELOPMENT

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

During 2007/08 twenty-four applicants were awarded Content Development investment. Three of these projects have now been completed and phase one evaluation forms have been returned for each. Of the three projects that have reached completion two are currently seeking financial support in order to move into production and one is on hold.

Two of the three forms returned showed a variance between the intended development spend and the actual development spend. An increase of 3% was seen on the cumulative budget of £94,763. This increase was reported as being due to high overheads and travel expenses. In both cases the over-spend was covered by the production company.

SCRIPT DEVELOPMENT AND PROJECT DEVELOPMENT

Applications to content development previously applied to the Script Development and Project Development strands for funding. As these investment strands have now closed, no new applications for these categories were submitted during the financial year 1 April 2007 to 31 March 2008.

Thirty-Nine Script Development and Project Development forms have been returned during the financial year. Of this total, twelve of the forms submitted were phase one updates, thirteen were phase two updates, ten were phase three updates and four phase four updates.

Nine of the projects remain in development, with four obtaining further development funding from Scottish Screen and are reflected above in twenty four awards within content development section. Seven of the projects are in the process of raising production finance, two of which obtaining content production investment from Scottish Screen. Eleven projects are currently on hold, with three being shelved.

Variance between the intended development spend and the actual development spend was only recorded on the phase one forms and four of the twelve forms returned showed a variance. Although under spend was noted on one of the forms an increase of 8.6% was seen on the cumulative budget of £261,130.21. Reasons for the budget rise include extended development periods, limited option fees and travel expenses. In all cases any overspend was raised by the production company.

SHORT FILM PRODUCTION

The production of short films is rewarding for most people involved, providing valuable experience, both for the key creative team of producer, writer and director and for most of the cast and crew, who are often able to work at a higher grade with more responsibility.

Five applicants were awarded Short Film Production investment during the financial year. Of the successful applicants two of the projects have now reached completion and have returned phase one evaluation forms.

Both completed shorts have been screened at festivals, with one winning the Best Short Film Award at BAFTA and the Best Film Award at the British Short Film Awards. The second collected the UK Film Council's Best Short Film Award at the London Short Film Festival.

Both projects stated a variance between the intended budget and the actual budget, representing an increase of 2% of the cumulative budget of £122,492. Both applicants noted the increase as being due to additional costs during the post production phase. In one case the applicant company covered the increase. Film 4 provided additional finance for the second.

SHORT FILM PRODUCTION AND SHORT FILM AWARD SCHEMES

Applicants to short film production previously applied to the Short Film Production and Short Film Award Scheme strands. As these investment strands have now closed, no new applications for these categories were submitted during the financial year 1 April 2007 to 31 March 2008.

Thirty-one Short Film Production forms have been returned. Six of the forms submitted were phase one updates, eight were phase two updates, nine were phase three updates and eight phase four updates were returned.

All projects have reached completion and been screened at festivals, with five being broadcast on UK terrestrial television. A number of the shorts have received awards, including the Best Short Documentary

at DocNZ and the Frank Coplestone Award at the Celtic Film & Television Festival. Nominations for the projects also include Best First Time Director at BAFTA Scotland awards and the Saltire Society Award for Short Documentary.

Only one of the sixteen phase one forms showed a variance between intended budget and actual budget. The increase of 0.6% of the combined budget of £95,312.90 was stated as being due to additional location and travel costs. The production company paid all additional costs.

CONTENT PRODUCTION

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

During 2007/08 eleven applicants were awarded Content Production investment, six of which were supplementary awards to projects that had previously been awarded Feature Film funding. To date, none of these projects have reached completion and therefore no content production closure forms have been returned.

FEATURE FILM FUNDING

Applications for the Content Production strand previously applied to Feature Film Funding. As these investment strands have now closed, no new Feature Film Funding applications were submitted during the financial year 1 April 2007 to 31 March 2008.

Two Feature Film Funding evaluation forms have been returned, all of which were phase four forms. Both projects are now complete, and have been screened at international festivals, with one being broadcast on UK and European terrestrial television.

Awards for the features include the Silver World Medal at the New York International Film & Video Festival, Silver Screen Award at the US International Film & Video Festival, Best Director and Best Cinematographer at the Troia International Film Festival.

As both forms were phase four forms variance between intended budget and actual budget was not noted. This information will have been included within a previous report.

PILOT FUND

The Pilot Fund investment strand provides support to production companies to develop and produce innovative pilots of projects for either a feature film or a television series.

Four applicants have been awarded pilot fund investment in the financial year, with one reaching completion and returning a phase one form.

The award for the completed project has been used to create a pilot for a feature film with a view to attracting production finance. The project is yet to go into production.

No variance between the intended budget and the actual budget was noted.

FUTURE FUND

The Future Fund investment strand, assists with the development of experimental, alternative, interactive digital screen content and to stimulate collaboration between traditional content development and

production companies, and companies working in the interactive digital media sector. After review, post its first year of launch, for 2008/09 onwards this investment strand will be incorporated into the Content Development investment strand and companies who would have previously sought funding from this category can now submit an application to the Content Development investment strand.

During the financial year three applicants were awarded future fund investment. One project has completed and returned a phase one form.

The award for the completed project has been used to develop a unique user generated platform. The applicant company is continuing development of the project.

The applicant did not state a variance between the intended budget and the actual budget.

NEW TALENT DEVELOPMENT INITIATIVE

The New Talent Development Initiative aims to provide opportunities for emerging Writers, Producers and Directors to benefit from a combination of tailored and open access training and to create innovative work that can then be promoted to an appropriate audience whether that be the general public or screen industry commissioners, financiers and content developers. Applications are accepted from companies, who will then manage the production of a number of short films.

Three applicants were awarded new talent development initiative funding during the financial year. Evaluation reports are requested for each short produced by each scheme. A total of sixteen phase one forms have been returned.

All sixteen completed shorts have been screened at festivals. A number of the projects have received awards, including the Best Short Film at the BAFTA Scotland Awards. Nominations for the projects also include Best Short Film at the BAFTA Scotland Awards and Best Short Scottish Documentary at the Edinburgh International Film Festival.

Six of the sixteen forms indicated a variance between the intended budget and the actual budget, including one under spend. The increase of 2.4% of the combined budget of £106,787.25 was stated in every case as being due to additional location costs. In all cases any overspend was covered by the production company.

AUDIENCE DEVELOPMENT AND FESTIVAL INVESTMENT

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 Festival investment strand launched in October 2006, has now been incorporated into the Audience Development investment strand.

Seven applicants were awarded Audience Development investment and eight applicants were awarded Festivals investment during the financial year.

A total of six Audience Development and Festivals phase one forms have been returned within the financial year.

All of the six festivals which have submitted forms to date will be holding the festivals in the next year, with two festivals showing dramatic increases in audience figures of 77% and 115% on the previous year.



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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