

Scottish Screen

National Lottery Distribution Fund
Account and Report
2009/2010

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Presented to Parliament Pursuant to
Section 35 of the National Lottery Etc Act 1993

Ordered by the House of Commons to be printed
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Scottish Ministers December 2010

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**Scottish Screen
National Lottery Distribution Fund Account and Report
Statement of Account Prepared Pursuant
to Section 35 of the National Lottery Etc 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.

The Accountable Officer authorised these financial statements for issue on 22 September 2010.

National Lottery Distribution Fund

At 31 March 2010 the balance held under the stewardship of the National Lottery Distribution Fund available to Scottish Screen was £3.285 million (2008-2009, £4.097 million). During the year to 31 March 2010 £3.192 million (2008-2009, £3.816 million), was called down from the Distribution Fund for the payment of approved awards and administration of Scottish Screen's Lottery Fund.

Review of Activities

Firm commitments of awards totalling £3.011 million (2008-2009, £2.350 million) were made during the year in support of a range of projects.

Firm commitments made during the year included:

Content Production

| | | |
|--------------------|----------------------|---------|
| BlueLight Neds Ltd | <i>Neds</i> | 500,000 |
| Sigma Films Ltd | <i>The Last Word</i> | 400,000 |

Slate Funding

| | |
|------------------------|---------------|
| Fundakowski Last LLP | 150,000 |
| Black Camel Picture Co | 100,000 |
| Tern Television Ltd | 100,000 |
| Crab Apple Films Ltd | <u>99,000</u> |
| | 449,000 |

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 18 to the financial statements.

Board of Directors and senior management

From the 1st February 2007 the Joint Board of the Scottish Screen and the Scottish Arts Council were appointed for a term of 3 years. The terms of office were extended for further 1 year, commencing on 1 February 2010 and ending on 1 February 2011 unless terminated before that date with the establishment of Creative Scotland.

The directors who held office during the year were:

- Richard Holloway (Chair)
- Ray Macfarlane (Deputy Chair)
- Dinah Caine (Resigned 31/01/10)
- Donald Emslie
- Steve Grimmond
- Charles Lovatt
- Barbara McKissack
- James McSharry
- John Mulgrew
- Robert Noakes
- Benjamin Twist
- Andrew Dixon (Appointed 1 July 2010)

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.

Property, Plant and Equipment

No property, plant and equipment are held solely for Lottery use. .

Pensions

Details of the treatment of pension liabilities are included within the accounting policy notes and in note 6 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 2009/10 we maintained our monitoring and evaluation system into its sixth year, which comprises of the evaluation of each investment strand based on the collation of key quantitative and qualitative measures. The return of monitoring and evaluation documentation within specified timescales is a stipulated contractual requirement.

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

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 2009/10 was £13,330. No non-audit work was undertaken by the auditors during the financial year.

Equal Opportunity in Employment

Scottish Screen's success is dependent on the skills and expertise of its employees and we are therefore committed to providing a workplace and an environment that attracts and retains the best people. Key to this is an effective HR function, which we have continued to develop, ensuring our policies reflect best practice and new legislation and that this is communicated effectively to all staff via our company intranet. We value the contribution of all employees and believe that organisational development and good people management is not a one off and therefore we have continued to strive to identify continuous improvement opportunities.

In recognising that supporting and developing our employees is key to our success, during 2009/10 we continued to invest in skills development building on the extensive programmes of prior years, covering a wide range of skills development including specialist and technical areas. To ensure Scottish Screen staff were best equipped to manage the Creative Scotland transition process the training programme also incorporated Change Management and Career Management training for all staff. On a more technical area, the programme also included Project Management training, with all 10 Managers who attended successfully gaining Prince 2 practitioner accreditation. This recognised that although project management was a standard activity across the organisation that a technical framework and know how would enhance existing skills and therefore improve organisational effectiveness. In the delivery of the training programme a wide range of development mechanisms were utilised - external training suppliers, internally developed training sessions, mentoring as well as the expansion of a learning library comprising of a wide range of books and computer based training material, available for all staff to borrow. Moving into Creative Scotland, a properly and appropriately skilled 'organisational team' will ensure Creative Scotland is equipped to deliver its new role.

Scottish Screen is an Investor in People and an equal opportunities employer and has monitoring procedures in place to ensure continual compliance in these areas. Providing and promoting equality of opportunity through the employment and services we provide is of fundamental importance to us and during the year Scottish Screen achieved re-accreditation of Disability 2 Ticks status. We continued to work towards achievement of our Gender Equality Scheme plan and completed and published our annual report in June 2009. Our 1st Disability Scheme, launched in December 2006, ended in December 2009 and as well as completing our end of year and scheme report we have also developed our new Disability Scheme Plan for 2009-11. To ensure we deliver against our commitments, and as part of our development programme, all Scottish Screen staff attend a day long Equality training session.

Employee Consultation

During the year, the company maintained the practice of keeping employees informed about current activities and progress and encouraged employee involvement through formal communication channels: open staff meetings, staff development sessions and the distribution of information in written and electronic formats, including the company intranet and the staff newsletter – ‘Screen Bites’. Additionally, reflecting the extensive progress toward Creative Scotland and the importance more than ever to encourage open and transparent communication with all staff, we have weekly update meetings on progress towards Creative Scotland. Through this staff can receive and request information in person or anonymously via our staff suggestion and communication box.

Payment of creditors

Scottish Screen’s policy is to pay creditors within thirty days of a valid invoice or within alternative terms agreed at the point of transaction. During the year ended 31 March 2010, 99% of invoices were paid within the terms of the payment policy (2008-2009, 93%).

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

Between the period 1 April 2009 and 31 March 2010, 91% of invoices were paid within 10 days.

These percentages were calculated using the date the invoice was received.

A handwritten signature in blue ink, appearing to be 'Andrew Dixon', enclosed within a large, hand-drawn blue oval. The signature is somewhat stylized and difficult to read precisely.

Andrew Dixon
Chief Executive Creative Scotland and Accountable Officer
22 September 2010

Management Commentary

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

As part of this commitment we have continued to build on prior year reviews, adapting our investment activities to reflect the changing needs of the sector. The review focused, as always, on the applicant and ensuring as simple an 'access' process as possible but also on the fact that we would need to deliver against our objectives in 2009/10 with a significantly reduced budget, due to the transfer from the Lottery Distribution Fund to the Olympic Distribution Fund. We have built on the simplification work started last year and have launched a reduced number of reconfigured investment strands in 2009/10, based on existing and revised investment strands. The new investment framework now comprises a reduced number of large investment strands, with the smaller former funds rolled into them eg Short Film Fund and Express Film Fund are now incorporated within the Content Production Fund. This means that the various funds are still available for access, but by consolidating them within a few expanded investment strands it gives the Officers a greater degree of flexibility to support the best projects, within the restrictions of a significantly reduced Lottery budget. This 'consolidation' is reflected below in the investment strand listing.

During the year our current investment strands were:

- Content Development Fund – comprising the Project Development and Seed Funding strands
- Content Production Fund – comprising the Feature Films with budgets over and under £500,000, TV Pilots/Singles, Short Films and Feature Pilot strands
- Talent Development Fund – comprising the Development/Production Programme and Career Development Programme strands
- Opportunities Fund – comprising the Markets and Festivals and Conferences, Seminars and Events strands
- Audience Development Fund
- Market Development Fund – comprising the Exploitation and Promotion strands

In addition to the investment strand consolidations, the Slate Fund was not re-launched during the year as a number of applicants had received awards in the previous year. During the year we also temporarily closed the Seed Funding strand in August 2009, the Audience Development Fund in October 2009 and the Content Production Fund in November 2009 due to the high level of good quality projects and all funds having been committed.

We continue to roll out our standard processes across the organisation. This has enabled best practices adopted in the Lottery application and decision making processes to be employed across the entire organisation, thus creating a standardised means of 'access' for organisations and individuals coming to Scottish Screen for financial support. It has also ensured consistency and transparency in our application, evaluation and decision making processes.

As always we have continued to review all investment strands and processes for effectiveness and reflect feedback received from the sector. Our aim in this exercise being to ensure that Lottery funds have the maximum level of impact within our areas of responsibility.

Scottish Screen continues 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 has continued to work closely with the Scottish Government, the Scottish Arts Council and since its establishment Creative Scotland 2009 Ltd in moving towards the formation of Creative Scotland. Scottish Screen's priorities have continued to be to ensure that Creative Scotland fully incorporates the very specific needs of the screen industries and that both the sector and the wider Scottish economy benefit from this important development. Scottish Screen has supported and played a key role in the development of Creative Scotland, ensuring that the new body 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. Creative Scotland is scheduled to be established on the 1 July 2010.

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 2010 was £2.860 million, (2008-2009, £2.427 million). A total of £0.041 million (2008-2009, £0.067 million) was recouped from projects funded in previous years. Interest and return on investments of £0.024 million (2008-2009, £0.130 million) brought the total income to £2.925 million (2008-2009, £2.624 million).

Commitments entered into during 2009-2010 totalled £3.011 million (2008-2009, £2.350 million). Expenditure on staff and other operating costs was £0.474 million (2008-2009, £0.485 million). De-commitments during 2009-2010 of prior year awards amounted to £0.178 million (2008-2009, £0.135 million). Staff and overhead costs were recharged from Scottish Screen's grant in aid funded statements on the basis of staff time spent on lottery activities during the year. In addition, during the year there was a transfer of £0.503 million to the Olympic Lottery Distribution Fund (2008-2009, £0.126 million) bringing total expenditure to £3.810 million (2008-2009, £2.826 million)

The net result for the period is a loss of £0.885 million, (2008-2009, loss of £0.202 million).

Balance Sheet

The total net assets of £2.311 million (2008-2009, £3.196 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 and strategic objective for a 'Greener' Scotland.

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

In delivering our commitment we are ensuring that we:

- Comply with all relevant legislation and the principles of the "Greening Government" policy.
- Adopt and promote more energy and resource efficient practices.
- Recognise that waste disposal has an environmental impact and cost and therefore seek to prevent it where possible.

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

Scottish Screen continues to maintain commitment to reducing the environmental impact of its operations and to promote resource efficiency, recognising the contribution that this will make to the wider sustainability agenda and strategic objective for a 'Greener' Scotland. This ethos is now embedded within Scottish Screen with ongoing work on maintaining current initiatives and building on our success to date. Work has continued in reviewing in-house policies and procedures to ensure they reflect our commitment to reducing environmental impact, a key area being travel where we have, where possible, replaced air with train travel. We have also continued to work with our landlords on joint programmes such as the building wide recycling scheme, sharing costs and facilities for the recycling points and collections facilities and in sharing information on building energy usage and developing joint procedures to monitor and reduce energy waste. We are committed to calculating our own carbon footprint and the development plans to try and reduce that footprint year on year. We also continue to communicate externally via our main website and locations website the importance of and the need to protect and preserve Scotland's biodiversity.

Social and community

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

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

Internally we have gained re-accreditation for Disability 2 Ticks and approval as a Disability Symbol user and during the next 12 months we will continue to meet the standard 5 commitments as well as work to increase awareness of Disability 2 Ticks amongst existing staff. As part of our duty in this area, within our recruitment process, we monitor applications from disabled people and have a commitment to interview any applicant who meets the basic requirements for the post. We have an equal opportunities policy which is available to all staff on our company intranet site as well as a standing development area for all new staff, of participation in a day long Equality session, to raise awareness on equal opportunities and discrimination issues. Through appropriate reviews, we can also confirm that our recruitment policy complies with all equality duties and that our salaries and salary evaluation systems meet the requirements of equality guidance and legislation.

In line with our legislative duty to promote disability, Scottish Screen developed and published in December 2006, our 1st Disability Equality Scheme. This sets out some of the work we had already undertaken in the area of disability equality, but more importantly, our plans and actions to ensure that we continually improved, in relation to our general and specific duties. Our 1st Scheme ended in December 2009 and as well as completing our end of year and scheme report we have also developed our new Disability Scheme Plan for 2009-11. We have also continued to work towards achievement of our Gender Equality Scheme plan and have completed and published our annual report in June 2009. Both reports provide detail on the specific support we provide through our investments, building on existing projects as well as identifying new opportunities to encourage diversity in participation. Our disability planning and reporting is lead by our cross organisation Equalities Group which was established early in 2007 to discuss disability and gender equality issues and to monitor, review and record achievement towards our Equality Scheme action plans. Although a significant element of the Group's focus is on meeting our legal duties within our published schemes, the Group's remit encompasses all equality areas. We have also continued to engage with colleagues at the Scottish Arts Council to explore opportunities for joint working, which has included early discussions on how to build on the good work to date within both organizations and ensure the most effective mechanisms and structures are in place within Creative Scotland to support our shared commitment to equality.

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

Remuneration report

Ken Hay (aged 45) was appointed Chief Executive on the 18 April 2005

| | 2009-10 £000s | 2008-09 £000s |
|-----------------------------------|------------------|------------------|
| Emoluments of the Chief Executive | | |
| Remuneration: | 80 | 77 |
| Other taxable benefits | - | - |
| Pension scheme contributions | <u>13</u> | <u>12</u> |
| | <u>93</u> | <u>89</u> |

The Chief Executive is an ordinary member of the organisation's pension scheme. As at 31 March 2010, the pension accrued and Cash Equivalent Transfer Value was as follows:

| Chief Executive – pension accrued as at 31 March | 2009-10 £000s | 2008-09 £000s |
|---------------------------------------------------------|------------------|------------------|
| Pension | 44 | 31 |
| Lump sum | 6 | 6 |
| Widow's pension | <u>5</u> | <u>3</u> |
| | <u>55</u> | <u>40</u> |
| Cash equivalent transfer value as at 31 March | <u>69</u> | <u>48</u> |

All of the above remuneration information is subject to audit.

The Chair receives remuneration per board meeting and attendance at other business events, culminating in an annual salary of £22,137. The Chair is paid through the Scottish Arts Council and therefore is not presented within these accounts. The remaining directors of Scottish Screen are unpaid and received no remuneration or taxable emoluments during the year.

Remuneration Committee:

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

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

Individual objectives are set for all senior management, by the Chief Executive and for the Chief Executive by the Chair, and ratified by the Remuneration committee. The objectives set for individuals are directly linked to the organisational objectives as stated in the operational plan for the year. Satisfactory performance by attainment of set objectives is decided at the end of the objective period, via one to one meetings with the Chief Executive for the senior manager and by the Chair and

Remuneration Committee for the Chief Executive. For Senior Management, an initial meeting is held at a half way point during the year to determine progress to date with the final review meeting being held at the end of year, at that point the Chief Executive concludes whether satisfactory performance has been attained.

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

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

Ken Hay, Chief Executive of Scottish Screen, will work with Creative Scotland through to the end of September 2010 to complete key handover of work on Scottish Screen responsibilities and the creative industries. Thereafter, Ken will step down from the organisation.

Details of company directorships and significant interests held by members of the Board which may raise potential conflicts are stated in note 18.

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

A handwritten signature in blue ink, consisting of a large, sweeping oval shape with a vertical line through it and some smaller scribbles below.

Andrew Dixon
Chief Executive Creative Scotland and Accountable Officer
22 September 2010

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 S35 of the National Lottery etc. Act 1993.



Andrew Dixon
Chief Executive Creative Scotland and Accountable Officer
22 September 2010

Statement on internal control

Scope of Responsibility

As Accountable Officer, I have 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 I am personally responsible, in accordance with the responsibilities assigned to me. In addition, the Chief Executive is also personally responsible for ensuring compliance with the policy and financial directions issued under section 35 of the National Lottery etc. 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 and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

Purpose of the System of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with guidance from the Scottish Ministers provided the SPFM and has been in place for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts.

Risk and Control Framework

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

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

Accountable Officer/Chief Executive. To fully support the senior management in this process, any newly identified risks; decisions on controls, new initiatives, reviews of risks and re-assessment controls etc are discussed at the management team meetings and with the Accountable Officer/Chief Executive and further guidance is given before any action is taken. Schemes funded with partner organisations are covered within Scottish Screen's normal risk management procedures.

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

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 and enhancing systems in response to any relevant reviews and developments in best practice.

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

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

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

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

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

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

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

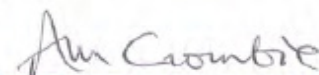
A Business Risk Assessment Register is in place, which identifies the organisation's risks, categorised as 'Business Critical', 'Important Risks' and 'Other Risks'. A control strategy has been established for each of the significant risks and the register is reviewed and updated to reflect any changes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

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

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



Andrew Dixon
Chief Executive Creative Scotland and Accountable Officer
22 September 2010



Sir Sandy Crombie
Chairman

Independent auditors' report to the members of Creative Scotland, 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 2010 under the National Lottery etc Act 1993. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

Respective responsibilities of the Directors, Chief Executive and auditors

The Directors and the Chief Executive are responsible for preparing the Statement of Account, which includes the Remuneration Report and the financial statements in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. The Chief Executive is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Chief Executive and Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers. We report to you whether, in our opinion, the information which comprises the Directors' report and management commentary, included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, we report to you if, in our opinion, the body has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government's guidance, and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

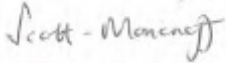
Financial statements

In our opinion

- the financial statements give a true and fair view, in accordance with National Lottery etc Act 1993 and directions made thereunder by the Scottish Ministers, of the state of affairs of the body as at 31 March 2010 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

Scott-Moncrieff
Exchange Place
3 Semple Street
Edinburgh
EH3 8BL

30 September 2010

Income and expenditure account
for the year ended 31 March 2010

| | Notes | 2009-10 £000s | 2008-09 £000s |
|-----------------------------------------------|-------|------------------|------------------|
| Income | | | |
| National Lottery Fund proceeds | | 2,860 | 2,427 |
| Other income | 4 | <u>65</u> | <u>197</u> |
| | | <u>2,925</u> | <u>2,624</u> |
| Expenditure | | | |
| Award commitments | 5a | 3,011 | 2,350 |
| De-commitment of prior year awards | 5b | (178) | (135) |
| Staff costs | 6 | 312 | 289 |
| Other Operating costs | 7 | 162 | 196 |
| Transfer to Olympic Lottery Distribution Fund | | <u>503</u> | <u>126</u> |
| | | <u>3,810</u> | <u>2,826</u> |
| Surplus / (Deficit) on ordinary activities | | (885) | (202) |
| Notional interest payable | | <u>4</u> | <u>5</u> |
| Surplus / (Deficit) on ordinary activities | | (889) | (207) |
| Reversal of notional interest payable | | <u>4</u> | <u>5</u> |
| Increase / (Decrease) in Fund | | <u>(885)</u> | <u>(202)</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 40 form part of these financial statements.

Statement of Financial Position
as at 31 March 2010

| | Note | 2009-10 £000s | 2008-09 £000s | 1 April 2008 £000s |
|----------------------------------|------|---------------------|---------------------|-----------------------|
| Current assets | | | | |
| Trade and other receivables | 8 | 16 | 31 | 104 |
| Loan receivables | 9 | 158 | 208 | 372 |
| Cash and cash equivalents | 10 | <u>3,389</u> | <u>4,322</u> | <u>5,596</u> |
| Total current assets | | <u>3,563</u> | <u>4,561</u> | <u>6,072</u> |
| Current liabilities | | | | |
| Trade and other payables | 11 | <u>1,252</u> | <u>1,365</u> | <u>2,674</u> |
| Total current liabilities | | <u>1,252</u> | <u>1,365</u> | <u>2,674</u> |
| Net current assets | | <u>2,311</u> | <u>3,196</u> | <u>3,398</u> |
| Assets less liabilities | | <u>2,311</u> | <u>3,196</u> | <u>3,398</u> |
| Represented by: | | | | |
| Reserves | | | | |
| General reserve | 12 | <u>2,311</u> | <u>3,196</u> | <u>3,398</u> |

Andrew Dixon
Chief Executive Creative Scotland and Accountable Officer
22 September 2010

The notes on pages 22 to 40 form part of these financial statements.

Statement of Cash Flows

| | 2009-10 £000s | 2008-09 £000s |
|---------------------------------------------------------------|------------------|------------------|
| Cash flows from operating activities | | |
| (Deficit) / surplus on ordinary activities | (889) | (207) |
| <i>Adjustments for non-cash items</i> | | |
| Notional costs | 4 | 5 |
| <i>Movements in working capital</i> | | |
| Decrease/(Increase) in trade receivables | 65 | 237 |
| (Decrease)/Increase in trade payables | <u>(113)</u> | <u>(1,309)</u> |
| Net cash flow from operating activities | <u>(933)</u> | <u>(1,274)</u> |
| Net increase / (decrease) in cash and cash equivalents | <u>(933)</u> | <u>(1,274)</u> |
| Net cash and cash equivalents as at 1 April | 4,322 | 5,596 |
| Net cash and cash equivalents as at 31 March | 3,389 | 4,322 |

| <i>Analysis of changes in net funds</i> | 1 April 2009 £000s | Movement £000s | 31 March 2010 £000s |
|-----------------------------------------|-----------------------|-------------------|------------------------|
| Cash at bank and in hand | 225 | (121) | 104 |
| Bank overdrafts | - | - | - |
| | <u>225</u> | <u>(121)</u> | <u>104</u> |
| NLDF | <u>4,097</u> | <u>(812)</u> | <u>3,285</u> |
| Total | <u>4,322</u> | <u>(933)</u> | <u>3,389</u> |

The notes on pages 22 to 40 form part of these financial statements.

Notes to the accounts for the year ended 31 March 2010

1. Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with the Accounts Direction issued by the Scottish Ministers and have been prepared in accordance with the 2009/10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Scottish Screen National Lottery Distribution Fund for the purpose of giving a true and fair view has been selected. The particular policies adopted by Scottish Screen National Lottery Distribution Fund are described below. They have been applied consistently in dealing with items that are considered material to the accounts

The financial statements are prepared under the historical cost convention.

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) Property, plant and equipment

No property, plant and equipment are held solely for Lottery use.

(d) National Lottery Distribution Fund

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

- Completion of the Statement of Assurance of Payments due to the National Lottery Distribution Fund for 2009/10 by the National Lottery Commission.
- Completion of the audit of the National Lottery Distribution Fund accounts for 2009/10 by the National Audit Office.

The NLDF balance is brought to account at market value reflecting the requirements of IFRS.

(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) Business Development Loans

Business Development Loans provided Scottish based companies who contribute to the development of the screen sector with an opportunity to sustain, develop or grow an aspect of their business for a period of up to two years, without having to repay the loan or interest during this period.

At the point at which the loan is made (satisfying the definition of a hard commitments) it is taken to the balance sheet initially at the full value of the award made. The loans are determined using discounted future cash flows. The asset value is reduced in line with the repayment schedule. It is anticipated that the investments will be recovered in full as the company will not be eligible to apply for further funding if repayments are not made.

(h) Going concern

These accounts have been prepared on the going concern basis. The establishment of Creative Scotland will 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 will transfer to the new organisation.

2. First Time adoption of IFRS and Prior Year Adjustments

| | General Reserve £000 |
|--------------------------------------------------------|-------------------------------------|
| Reserves at 31 March 2008 under UK GAAP | 3,035 |
| Initial recognition of Business Development Loan asset | <u>372</u> |
| Restated reserves at 31 March 2008 under UK GAAP | 3,407 |
| IFRS Adjustments for: | |
| IAS 19: Employee Benefits – holiday pay accrual | <u>(9)</u> |
| Restated reserves at 1 April 2008 under IFRS | <u>3,398</u> |
| | |
| Reserves at 31 March 2009 under UK GAAP | 2,994 |
| Business Development Loan asset | <u>208</u> |
| Restated reserves at 31 March 2008 under UK GAAP | 3,202 |
| IFRS adjustments for: | |
| IAS 19: Employee Benefits – holiday pay accrual | <u>(6)</u> |
| Restated reserves at 1 April 2009 under IFRS | <u>3,196</u> |
| | |
| Net operating cost for 2008-09 under UK GAAP | 41 |
| Business Development Loan repayments | 40 |
| Business Development Loan de-commitments | <u>124</u> |
| Restated net operating cost for 2008-09 under UK GAAP | <u>205</u> |
| IFRS adjustments for: | |
| IAS 19: Employee Benefits – holiday pay accrual | <u>(3)</u> |
| Net operating cost for 2008-09 under IFRS | <u>202</u> |

An explanation of the prior year adjustments made and the impact of first time adoption of IFRS is provided below:

IFRS Adjustments

IAS 19 Employee Benefits - holiday pay accrual

An adjustment was made to accrue of holiday pay in accordance with IAS 19. All staff costs are recharged from Scottish Screen grant-in-aid funded activities on the basis of staff time spent on lottery related activities. Any holidays left at the end of the financial year have been identified and the portion related to lottery related activities has been accrued in the financial statements in line with the requirements of IAS 19.

Prior Year Adjustments

IAS 39 Financial Instruments - Business Development Loans

An adjustment has been made to recognise the Business Development loan asset in accordance with IAS 39. The asset is recognised on the balance sheet when loans are committed. The asset is reduced in line with any withdrawals and repayments made.

3. Segmental Analysis as at 31 March 2010

Lottery awards during the financial year were made under a number of investment strands - details of the objectives of each investment strand are given below.

Content Development

Scottish Screen's investment in content development aims:

- To nurture and enhance the profile and portfolio of Scottish based companies and Scottish talent.
- To develop screen projects that can be produced in Scotland and that reflect Scottish culture.
- To invest in projects that will generate income for Scottish-based companies

Content Production

Scottish Screen's investment in the production of content aims to achieve the following:

- To generate screen projects that can be produced in Scotland and that reflect Scottish culture
- To increase the profile and portfolio of Scottish talent and companies
- To bring production to Scotland to sustain employment and increase opportunities for the development of screen production skills
- To increase inward investment

Short Film Production

Scottish Screen's investment aims to encourage strong cinematic voices to be exploited and produced that are capable of winning international recognition and significantly raising the profile of the team attached. Projects should be creatively and commercially ambitious and have high production value.

Audience Development

Scottish Screen's investment in audience development aims to achieve the following:

- To increase awareness of moving image culture across Scotland.
- To celebrate excellence and encourage innovation within the Scottish film industry.
- To increase networking opportunities for Scottish based filmmakers.
- To bring communities together and boost local economies.

Opportunities Fund (Incorporating Markets and Festivals from April 2009)

Scottish Screen's investment in the Opportunities Fund aims to achieve the following:

- To increase the profile of Scottish talent and Scottish content at international festivals and markets.
- To create opportunities for Scottish talent to access networks and develop partnerships which are useful for the development of the screen industry as a whole.
- To ensure that individuals and companies have the skills and expertise to respond to industry trends and requirements.

Talent Development Fund

By investing in companies and/or organisations who can deliver specialist production and training programmes Scottish Screen aims to achieve the following:

- To develop talent through production, development and training programmes to ensure there is a constant stream of skilled talent in Scottish screen industry.
- To create opportunities for Scottish based organisations to deliver career development programmes that allow individuals in Scotland to significantly advance their careers and foster relationships and contacts that are useful for the development of the screen industry as a whole.

Express Fund

Scottish Screen's Express Film Fund aims to fast track production companies by enabling them to produce innovative projects that have the potential to:

- Significantly raise the profile of individual talent and companies within a national and international context.
- Attract market and public interest thus generating income for the company and/or the project's key creators.

The fund will provide companies with investment for the production of a micro budget feature film or the production of a one off single film for television.

Slate Development

Scottish Screen's Slate Fund will provide up to four companies in Scotland with multi-project development support. Through the fund Scottish Screen aims to:

- Provide companies with the opportunity to develop a range of marketable, high value screen projects over a two-year period with appropriate editorial and business support.
- Enable companies to capitalise on sustained project development support that assists in the raising of match funding from third parties and/or by adding value to their own development resources.
- Support production companies to develop long term relationships with writing, directing and producing talent.
- Encourage collaboration between producing partners in the development of a strong slate of projects.
- Help sustain the industry as a whole by developing projects that benefit Scotland culturally, creatively and economically.

The Slate Fund will invest in slates of projects across all forms of content, e.g. live action fiction, documentary and animation and companies can apply with a mix of film, television and interactive digital media projects.

Market Development

Scottish Screen's investment in market development aims to:

- Support Scottish screen content in reaching national and international audiences
- Promote Scotland's moving image culture as widely as possible
- Celebrate Scotland's screen heritage

During the financial year 2009/10, the following awards were made, broken down into hard commitments, soft commitments and other. Only hard commitments are shown in the income and expenditure account, whereas soft and other commitments are disclosed by way of a note.

| Award commitments 2009/10 | Hard | Soft * |
|--------------------------------------|--------------|---------------|
| Audience development | 166 | 12 |
| Content Development | 362 | 138 |
| Content Production | 1,621 | 1,163 |
| Express Film Fund | 42 | - |
| Markets and Festivals | 8 | - |
| Market Development | 21 | 9 |
| Opportunities Fund | 40 | 11 |
| Pilot Fund | - | 25 |
| Talent Development | 252 | 210 |
| Short Film Production | 50 | - |
| Slate Funding | 449 | - |
| Total award commitments | 3,011 | 1,568 |
| | | |
| Staff costs | 312 | |
| Other operating costs | 162 | |
| T/fer to Olympic Lottery Dist Fund | 503 | |
| De-commitment of prior year awards | (178) | |
| Total expenditure | 3,810 | |
| | | |
| Income | | |
| National Lottery Fund proceeds | 2,860 | |
| Other income | 65 | |
| | 2,925 | |
| | | |
| Increase / (Decrease) in Fund | (885) | |

*Analysis of soft commitments in detailed in Note 13. Details of all awards (hard, soft and other) are set out in the awards listing note on page 41.

4 Other income

| | 2009-10 £000s | 2008-09 £000s |
|------------------------------------|------------------|------------------|
| Investment income | 23 | 116 |
| Bank interest | - | 14 |
| Award repayments | 41 | 67 |
| Business development loan interest | <u>1</u> | - |
| | <u>65</u> | <u>197</u> |

5a Award Commitments (hard)

| | 2009-10 £000s | 2008-09 £000s |
|-----------------------|------------------|------------------|
| Shorts | 50 | 231 |
| Slate Funding 2008 | 449 | 113 |
| Content Development | 362 | 184 |
| Talent Development | 252 | 150 |
| Festivals | - | 24 |
| Audience Development | 166 | 174 |
| Markets and Festivals | 8 | 27 |
| Opportunities Fund | 40 | - |
| Market Development | 21 | - |
| Content Production | 1,621 | 680 |
| Pilot Fund | - | 75 |
| Distribution | - | 7 |
| Future Fund | - | 25 |
| Express Film Fund | 42 | 500 |
| BBC Initiative | - | <u>160</u> |
| | <u>3,011</u> | <u>2,350</u> |

5b De-commitment of prior year awards (hard)

This represents a total of £0.178 million of awards relating to prior year (hard) commitments, which were de-committed during 2009-10 (2008-09, £0.135 million).

6 Staff costs

| | 2009-10 | 2008-09 |
|------------------------------------|------------|------------|
| Staff costs during the year | | |
| | £000s | £000s |
| Wages and salaries | 257 | 240 |
| Social security costs | 22 | 20 |
| Other pension costs | 35 | 32 |
| Holiday accrual | <u>(2)</u> | <u>(3)</u> |
| | <u>312</u> | <u>289</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 2010 were £1,285,431, the average number of staff employed during the year was 36.2. The amount recharged in respect of the National Lottery Distribution Fund's share of Scottish Screen's payroll costs was 24% (2008-09, 23%).

| | Number 2009-10 | Number 2008-09 |
|---------------------------------------------------------------------------------------------|-------------------|-------------------|
| Average number of persons employed on NLDF activities (FTE) during year ended 31 March 2010 | 8 | 8 |

Scottish Screen Lottery does not operate its own pension scheme but participates in a defined benefit scheme, Strathclyde Pension Fund, provided by Scottish Screen for all its employees. The scheme is funded by payments from Scottish Screen and its employees to a trust administered fund, independent of Scottish Screen's finances. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees' working lives with the company.

Further details on Scottish Screen's pension scheme can be found in Scottish Screen's Annual Report and Accounts 2009/10. No asset or liability for Scottish Screen's pension scheme is held within these accounts.

7 Other operating expenses

| | 2009-10 £000s Direct | 2009-10 £000s Recharged | 2009-10 £000s Total | 2008-09 £000s Direct | 2008-09 £000s Recharged | 2008-09 £000s Total |
|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------|
| Legal & professional fees | 37 | - | 37 | 57 | - | 57 |
| Rent & overheads | - | 74 | 74 | - | 63 | 63 |
| Office administration | 1 | 2 | 3 | 1 | 2 | 3 |
| Auditors' remuneration: | | | | | | |
| - External | 13 | - | 13 | 13 | - | 13 |
| - Internal | - | 2 | 2 | - | 2 | 2 |
| Staff expenses | 12 | - | 12 | 22 | - | 22 |
| Panel expenses | - | - | - | 1 | - | 1 |
| Irrecoverable VAT | 8 | - | 8 | 16 | - | 16 |
| Script assessment | 13 | - | 13 | 16 | - | 16 |
| Events | - | - | - | <u>3</u> | - | <u>3</u> |
| | <u>84</u> | <u>78</u> | <u>162</u> | <u>129</u> | <u>67</u> | <u>196</u> |

8 Trade receivables and other current assets

| | 2009-10 £000s | 2008-09 £000s |
|------------------------|------------------|------------------|
| Trade receivables | 6 | 20 |
| Recoupment receivables | <u>10</u> | <u>11</u> |
| | <u>16</u> | <u>31</u> |

9 Loan receivables

| | 2009-10 £000s | 2008-09 £000s |
|----------------------------|------------------|------------------|
| Business Development Loans | <u>158</u> | <u>208</u> |
| | <u>158</u> | <u>208</u> |

10 Cash and cash equivalents

| | 2009-10 £000s | 2008-09 £000s |
|-----------------------------------------|------------------|------------------|
| Balance at 1 April | 4,322 | 5,596 |
| Net change in cash and cash equivalents | <u>(933)</u> | <u>(1,274)</u> |
| Balance at 31 March | <u>3,389</u> | <u>4,322</u> |

The following balances at 31 March 2010 were held at:

| | | |
|-----------------------------------|--------------|--------------|
| Commercial banks and cash in hand | 104 | 225 |
| Balance held in NLDF | <u>3,285</u> | <u>4,097</u> |
| | <u>3,389</u> | <u>4,322</u> |

Movement in balance held at NLDF made up as follows:

| | 2009-10 £000s | 2008-09 £000s |
|-----------------------------------------------|------------------|------------------|
| Brought forward at 1 April | 4,097 | 5,496 |
| Adjustment to reflect market value | <u>5</u> | - |
| Brought forward market value | 4,102 | 5,496 |
| Income received from Lottery | 2,862 | 2,427 |
| Investment Income | 23 | 111 |
| Funds Drawn Down | (3,192) | (3,816) |
| Transfer To Olympic Lottery Distribution Fund | <u>(503)</u> | <u>(126)</u> |
| Carried forward at 31 March | <u>3,292</u> | <u>4,092</u> |
| Share of unrealised gain / (losses) | - | 5 |
| Movement in revaluation reserve | <u>(7)</u> | - |
| Closing market value at 31 March | <u>3,285</u> | <u>4,097</u> |

11 Trade payables and other current liabilities

| | 2009-10 £000s | 2008-09 £000s |
|---------------------------------------|------------------|------------------|
| Awards outstanding (hard commitments) | 1,196 | 1,280 |
| Accruals & sundry payables * | <u>56</u> | <u>85</u> |
| | <u>1,252</u> | <u>1,365</u> |

*Sundry payables balance includes £ 8,587 (2008-09 £8,587) relating to Scottish Arts Council awards

12 General reserve

| | 2009-10 £000s | 2008-09 £000s |
|------------------------|------------------|------------------|
| Balance at 1 April | 3,196 | 3,398 |
| Change in fund in year | <u>(885)</u> | <u>(202)</u> |
| Balance at 31 March | <u>2,311</u> | <u>3,196</u> |

13 Soft commitments

| | 2009-10 £000s | 2008-09 £000s |
|----------------------------|------------------|------------------|
| Balance at 1 April | 1,397 | 629 |
| Awards withdrawn | (511) | (478) |
| Accepted in year | (768) | (145) |
| Amounts committed in year* | <u>1,450</u> | <u>1,391</u> |
| Balance at 31 March | <u>1,568</u> | <u>1,397</u> |

*Awards made but not accepted at 31 March 2010

14 Hard commitments

| | 2009-10 £000s | 2008-09 £000s |
|-------------------------------------|------------------|------------------|
| Balance at 1 April | 1,280 | 2,575 |
| De-commitment of prior year awards* | (178) | (259) |
| Committed in year | 3,011 | 2,350 |
| Paid in year | <u>(2,917)</u> | <u>(3,386)</u> |
| Balance at 31 March | <u>1,196</u> | <u>1,280</u> |

*De-commitment of prior year awards in 2008-09 includes £124,000 Business Development Loan de-commitments

15 Financial Instruments

IAS 32 requires disclosure of financial instruments 'that are complex or play a significant medium to long-term role in the financial risk profile' that Scottish Screen National Lottery Distribution Fund faces in undertaking its activities. Cash requirements for Lottery expenditure are met by drawing down against monthly forecasts of need from the balances held on behalf of Scottish Screen, by the National Lottery Distribution Fund.

At 31 March 2009 the balance held at NLDF was £4.097 million. This had reduced to £3.285 million by 31 March 2010, at which point there were £1.196 million of hard commitments yet to be paid out. In budgeting for current expenditure Scottish Screen balances the anticipated outflow of cash payments against grant commitments along with forward forecasts of Lottery income. Scottish Screen's lottery distributor status will transfer to Creative Scotland on 1 July 2010. This means that Scottish Screen is exposed to little immediate credit, liquidity or market risk.

16 a) Liquidity risk

In 2009/10, 96% of Scottish Screen's income derived from the National Lottery. The remaining income derived from investment income from the balance held with the National Lottery Distribution Fund of 1%, and from bank interest and award repayments of 3%.

At the balance sheet date, Scottish Screen National Lottery Distribution Fund had net assets of £2.311 million.

16 b) Cash flow projections over the next financial year

We do not believe that we are exposed to significant liquidity risks, and are satisfied that we have sufficient current liquid resources to cover our projected payments over the next financial year.

16 c) Liquid assets as at 31 March 2010

| | £000s |
|----------------------------------|-------|
| Market value of NLDF investments | 3,285 |
| Cash | 104 |

16 d) Interest rate risk

In accordance with the National Lottery Act 1998, National Lottery income receivable by Scottish Screen is passed by the National Lottery Distribution Fund (NLDF) to the Commissioners for the Reduction of National Debt (CRND) whose role is to apportion funds received into the NLDF correctly between the distributing bodies; and to invest the funds held in the NLDF, in accordance with directions issued by HM Treasury, until such time as they are required by the bodies to make payments to successful grant applicants. The CRND invest the income in a narrow band of low risk assets such as government bonds and cash. Scottish Screen has no control over the investment of funds on their behalf. The management of the National Lottery Distribution Fund meets with representatives of the Commissioners for the Reduction of National Debt on a regular basis to manage the risks associated with the investment of these monies.

At the balance sheet date, the market value of Scottish Screen's share of the National Lottery Distribution Fund was £3.285 million. In the year, the average return on these investments was 0.6% (2008/09: 2.3%).

Cash balances which are drawn down by Scottish Screen from the National Lottery Distribution Fund to pay grant commitments and operating costs are held in a special interest bearing account which in turn tops up an instant access business current account on a daily basis where all transactions are drawn from. The special interest bearing carried an interest rate of 1% below base rate during the year, with a minimum rate payable of 0.1%. The cash balance at the year end was £0.104 million. We consider that we are not exposed to significant interest rate risks on our cash balances.

16 e) Foreign currency risk

Our exposure to foreign currency risk is not significant as less than 0.4% of transactions by value are processed in currencies other than sterling when compared to total operating costs.

16 f) Financial assets

| | 2009-10 £000s | 2008-09 £000s |
|----------|------------------|------------------|
| Sterling | <u>104</u> | <u>225</u> |
| | <u>104</u> | <u>225</u> |

Scottish Screen does not hold investments, meaning that all sterling financial assets shown are held as cash at bank, meaning book value and fair value are the same.

16 g) Financial assets by category

| | 2009-10 £000s | 2008-09 £000s |
|------------------------------------|------------------|------------------|
| Trade receivables | 6 | 20 |
| Recoupment receivables | 10 | 11 |
| National Lottery Distribution Fund | 3,285 | 4,097 |
| Cash at bank and in hand | 104 | 225 |
| Business Development Loan Asset | <u>158</u> | <u>208</u> |
| | <u>3,563</u> | <u>4,561</u> |

16 h) Financial liabilities by category

| | 2009-10 £000s | 2008-09 £000s |
|---------------------------------------|------------------|------------------|
| Awards outstanding (hard commitments) | 1,196 | 1,280 |
| Accruals & sundry payables | <u>56</u> | <u>85</u> |
| | <u>1,252</u> | <u>1,365</u> |

16 i) Soft commitments

| | 2009-10 £000s | 2008-09 £000s |
|---------------------|------------------|------------------|
| Balance at 31 March | <u>1,568</u> | <u>1,397</u> |

Commitments accounted for are limited to those where there has been written acceptance from the grant recipient. Further analysis of soft commitment is shown in Note 13.

16 j) Olympic Lottery Distribution Fund contribution

| | 2009-10 £000s | 2008-09 £000s |
|-----------------------|------------------|------------------|
| Balance owing to OLDF | <u>1,241</u> | <u>1,744</u> |

Scottish Screen, along with other Lottery distributors, is required to make a contribution from balances to help fund the 2012 Olympics. A total contribution of £1.870 million was set, and is payable as outlined below.

| | £000s |
|---------|--------------|
| 2008/09 | 126 |
| 2009/10 | 503 |
| 2010/11 | 503 |
| 2011/12 | 503 |
| 2012/13 | <u>235</u> |
| | 1,870 |

17 Reconciliation of movement in funds for the year ended 31 March 2010

| | Balances | Balances | Provisions | First time adoption | |
|-----------------------------------------------|-----------------|--------------------|-------------------|----------------------------|--------------|
| | held in | at Scottish | for grant | of IFRS and Prior | Total |
| | NLDF | Screen | awards | Year Adjustments | |
| | £000s | £000s | £000s | £000s | £000s |
| Opening Balance | 4,097 | 177 | (1,280) | 202 | 3,196 |
| Unrealised gain on investment 08/09 | 5 | - | - | - | 5 |
| Movement in Revaluation Reserve | (7) | - | - | - | (7) |
| NLDF proceeds | 2,862 | - | - | - | 2,862 |
| Drawn down funds | (3,192) | 3,192 | - | - | - |
| Transfer to Olympic Lottery Distribution Fund | (503) | - | - | - | (503) |
| Investment returns | 23 | - | - | - | 23 |
| Interest on cash balances | - | - | - | - | - |
| Other operating income | - | 42 | - | - | 42 |
| Grants paid | - | (2,917) | - | - | (2,917) |
| (Increase)Decrease in grant creditors | - | - | 84 | - | 84 |
| Expenditure | - | (474) | - | - | (474) |
| Closing Balance | 3,285 | 20 | (1,196) | 202 | 2,311 |

18 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 6 and 7 for details).

During the year ended 31 March 2010 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, Scottish Screen Lottery awarded £75,000 New Talent Development (Production Programme) investment to Bridging the Gap 7 (Scottish Documentary Institute) in August 2009 of which Skillset UK were detailed as a co-investor investing £60,000.

Scottish Screen Lottery awarded £25,000 Talent Development (Career Development Programme) investment to The Story Works (Edinburgh International Film Festival) in January 2010 of which Skillset were detailed as investing £238,688.

During the financial year 2009/10 Scottish Screen Lottery awarded Belinda Arthur support to attend the ICO Cultural Cinema Exhibition (Scottish Mental Health & Film Festival) £960 from the Opportunities Fund (Conferences, Seminars & Events). Skillset via the Skillset Film Skills Fund awarded £500 to this initiative.

Scottish Screen Lottery awarded £10,000 Talent Development (Careers Development Programme) to She Writes (Birds Eye View Ltd) in January 2010 of which Skillset were detailed as investing £64,200.

Scottish Screen Lottery awarded £10,000 Talent Development (Career Development Programme) to Inside Pictures (Inside Pictures – division of Qwerty Films Ltd) in February 2010 and Skillset were detailed as investing £215,000 in collaboration with the UK Film Council

Ray Macfarlane is a Trustee of the National Galleries of Scotland and a Board Member of Scottish Screen. During the financial year 2009/10 Scottish Screen Lottery awarded Diversions: A Festival of Experimental Film & Video (University of Edinburgh & National Galleries of Scotland) £7,155 in September 2009. The National Galleries of Scotland were also detailed on the application form as investing £2,000 in kind to the project.

External assessors

Leslie Hills is a Board Member of both the EIFF and the Centre for Moving Image (formerly Edinburgh Filmhouse), the owner of Skyline Productions and is an external assessor for Scottish Screen.

During the financial year 2009/10 Scottish Screen awarded Talent Development (Career Development Programme) support of £25,000 to The Story Works (EIFF) in January 2010 of which EIFF provided £45,000 in kind support. The Centre for Moving Image also provided in kind support of £2,000 to Take One: Action (World Development Movement Trust Ltd) of which Scottish Screen Lottery invested £20,000 audience development support in April 2009.

In August 2009 Scottish Screen Lottery awarded Audience Development support of £17,000 to Africa in Motion (Stop & Stir Arts Ltd) and The Centre for Moving Image provided £3,500 in kind support. Diversions: A Festival of Experimental Film & Video (University of Edinburgh and National Galleries of Scotland) was awarded £7,155 Audience Development support from Scottish Screen Lottery in September 2009 and The Centre for Moving Image provided in kind support totalling £3,600.

Scottish Screen Lottery awarded £5,000 Audience Development support to the French Film Festival (French Film Festival Ltd) in September 2009 and The Centre of Moving Image provided an in kind contribution of £15,000 and cash contribution of £6,000.

A Scottish Screen Audience Development award of £7,710 was made in November 2009 to Middle Eastern Film Festival (Edinburgh International Centre for Spirituality & Peace) and The Centre of Moving Image made an in kind contribution of £5,390.

Ben Lyle is an external assessor for Scottish Screen and his partner, Annalise Davis, is the managing director of Wilder Films Ltd. Scottish Screen provided Opportunities Fund (Market & Festivals) support of £1,265 to allow Wilder Films to attend the Cannes Film Festival in May 2009 and Wilder Films provided cash support of £500.

A content production award of £215,000 was made to Laid Off (Wilder Films Ltd) in September 2009, which Annalise Davis is producing.

Noe Mendelle is a Director of the Scottish Documentary Institute (SDI) and an external assessor for Scottish Screen. During the financial year 2009/10 Scottish Screen Lottery awarded Talent Development (Production Programme) support of £75,000 to Bridging the Gap 7 (Scottish Documentary Institute) in September 2009 of which SDI provided £46,980 in kind support.

In August 2009, Scottish Screen Lottery awarded Content Development support of £24,000 to Breathing (Scottish Documentary Institute and 104 Films Ltd). The Scottish Documentary Institute provided £2,600 in kind and £2,000 cash support to this project. Scottish Screen provided Opportunities Fund (Market & Festivals) support of £1,159 to allow a team from the Scottish Documentary Institute to attend the Sheffield Documentary Festival / Meet the Market in October 2009 and SDI provided cash support of £1,070.

Scottish Screen provided Opportunities Fund (Market & Festivals) support of £1,224 to allow a team from the Scottish Documentary Institute to attend the SXSW Festival in Austin, Texas in March 2010. Talent Development (Career Development Programme) support of £25,000 was awarded in February 2010 to Interdoc II (SDI Productions Ltd). SDI are contributing £2,200 in kind to this initiative.

In August 2009 Scottish Screen Lottery awarded Audience Development support of £17,000 to Africa in Motion (Stop & Stir Arts Ltd) and the Scottish Documentary Institute provided £3,500 in kind support to this initiative. Scottish Screen provided Market Development support of £5,139 to Scottish Stall at Sunny Side of the Doc (Scottish Documentary Institute) in June 2009. SDI provided in kind support of £1,780 and a cash investment of £659.

In September 2009 Scottish Screen Lottery awarded Opportunities Fund (Markets & Festivals) support of £1,286 to allow a team from Imagine Pictures to attend the Reykjavik Talent Campus and Nordic Panorama and SDI were detailed in the application as investing £216 cash to this initiative.

Claire Mundell is Co-Creative Director and founder of Synchronicity Films, Deputy Chair of BAFTA Scotland and an external assessor for Scottish Screen. During the financial year 2009 / 10 Scottish Screen Lottery awarded £17,843 content development investment to Blood or Water (Synchronicity Films

Ltd). A content development award of £8,100 was awarded for Seed Fund Development (Synchronicity Films Ltd) in July 2009. Synchronicity Films provided an in kind contribution of £900 to this award.

Scottish Screen provided Opportunities Fund (Market & Festivals) support of £1,500 to Synchronicity Films Ltd to attend the Cannes Film Festival in May 2009 and Synchronicity Films provided cash support of £674. Scottish Screen provided Opportunities Fund (Market & Festivals) support of £340 to allow Synchronicity Films to attend the Sheffield Documentary Festival / Meet the Market in November 2009 and Synchronicity Films provided cash support of £233.

Scottish Screen provided Opportunities Fund (Market & Festivals) support of £1,500 to allow Synchronicity Films to attend the SXSW Festival in Austin, Texas in March 2010. Scottish Screen provided Market Development support of £3,300 to Crying with Laughter (Synchronicity Films Ltd) in June 2009. Synchronicity Films provided in kind support of £750.

In October 2009 Scottish Screen Lottery awarded Talent Development (Career Development Programme) support of £7,500 to ACE 19 Training Session (Ateliers du Cinema European) to allow 2 Scottish producers to participate in the 14 month ACE programme. Claire Mundell was one of the Scottish producers selected to participate in this initiative and she provided a cash contribution of £1,250.

In addition, Scottish Screen paid Synchronicity £230 for the external assessment of Laid Off. During the year, Scottish Screen invoiced Synchronicity for £5,800 for the first repayment of business development loan made in June 2007.

Staff

Gordon Barnes has provided occasional IT consultancy services to BAFTA Scotland, Brocken Spectre Ltd, Creative Loop and Celtic Media Festival. Gordon is the Systems Manager for Scottish Screen.

During the financial year 2009 / 10 Scottish Screen Lottery awarded £6,688 content development support to Shell (Brocken Spectre Ltd) in May 2009. A content development award of £8,220 was awarded to Little Dog Boy (Brocken Spectre Ltd) in August 2009. Brocken Spectre provided an in kind contribution of £1,100 and a cash investment of £1,600.

Scottish Screen provided Opportunities Fund (Market & Festivals) support of £1,024 to Brocken Spectre Ltd to attend the Cannes Film Festival in May 2009 and Brocken Spectre provided cash support of £318.

Scottish Screen provided Opportunities Fund (Market & Festivals) support of £1,500 to Brocken Spectre Ltd to attend Cinemart Rotterdam and the Berlin International Film Festival in January 2010 and Brocken Spectre provided cash support of £600.

Scottish Screen awarded Digicult Ltd with an Opportunities Fund award (Markets & Festivals) of £1,102 to attend the Encounters Film Festival in November 2009. Brocken Spectre were detailed as providing a cash investment of £252 in collaboration with Edge City Films Ltd.

Ken Hay is a member of the British Screen Advisory Council, a member of the Management Board of Screen Academy Scotland, a member of the Skillset Scotland National Board and his wife is Project Manager for Creative Loop, who was a tenant of Scottish Screen until 31 March 2010. Scottish Screen is represented on Creative Loop's Advisory Board. Ken is the Chief Executive of Scottish Screen.

Scottish Screen Lottery awarded £75,000 New Talent Development (Production Programme) investment to Bridging the Gap 7 (Scottish Documentary Institute) in August 2009 of which Skillset UK were detailed as a co-investor investing £60,000.

Scottish Screen Lottery awarded £25,000 Talent Development (Career Development Programme) investment to The Story Works (Edinburgh International Film Festival) in January 2010 of which Skillset were detailed as investing £238,688.

During the financial year 2009/10 Scottish Screen Lottery awarded Belinda Arthur support to attend the ICO Cultural Cinema Exhibition (Scottish Mental Health & Film Festival) £960 from the Opportunities Fund (Conferences, Seminars & Events). Skillset via the Skillset Film Skills Fund awarded £500 to this initiative.

Scottish Screen Lottery awarded £10,000 Talent Development (Careers Development Programme) to She Writes (Birds Eye View Ltd) in January 2010 of which Skillset were detailed as investing £64,200.

Scottish Screen Lottery awarded £10,000 Talent Development (Career Development Programme) to Inside Pictures (Inside Pictures – division of Qwerty Films Ltd) in February 2010 and Skillset were detailed as investing £215,000 in collaboration with the UK Film Council.

Scottish Arts Council

The following details relate to transactions undertaken between Scottish Screen and the Scottish Arts Council (SAC) between 1 April 2009 and 31 March 2010. They relate to all Board members in post during this time.

During the financial year 2009/10 Scottish Screen Lottery awarded Artists Film & Video Award Scheme 2000-10 (Scottish Arts Council) £21,000 in June 2009 which the SAC match funded.

Scottish Screen Lottery awarded Kill Your Timid Notion (Arika Heavy Industries Ltd) £15,000 Audience Development support in November 2009 and at the time of application the SAC were detailed as investing £60,595.

During the financial year 2009/10 Scottish Screen Lottery awarded Market Ready Screenplays (The Screenwriters Festival Ltd) £4,000 from the Talent Development Fund (Career Development Programme). The SAC invested £4,000 to this initiative.

19 Events after the balance sheet date

On the 1st July 2010, as a result of the provisions of the Public Services Reform (Scotland) Act 2010, the assets, liabilities and resources of Scottish Screen and the Scottish Arts Council were transferred to a new NDPB known as Creative Scotland. With effect from 1 July 2010, any person employed by the Scottish Arts Council or Scottish Screen immediately before that date is transferred into Creative Scotland. All property (including rights) and liabilities of the Scottish Arts Council and Scottish Screen subsisting immediately before that date, are transferred to, and vest in, Creative Scotland.

The National Lottery etc. Act 1993 (Amendment of Section 23) (Creative Scotland) Order 2010 came into force on 1st July 2010. This Order amends section 23 of the National Lottery etc. Act 1993 in consequence of the establishment, by the Public Services Reform (Scotland) Act 2010, of Creative Scotland (also known as Alba Cruthachail) as the successor body to the Scottish Arts Council and Scottish Screen. Section 23 specifies the bodies that are to distribute sums paid into the National Lottery Distribution Fund. Subsection (1) deals with sums paid into the Distribution Fund and allocated for expenditure on or connected with the arts. Article 2 of the Order adds Creative Scotland to the list of distributing bodies in section 23(1) and removes the Scottish Arts Council and Scottish Screen from that list. The article also provides that 8.9 per cent of the sums paid into the Distribution Fund and allocated

for expenditure on or connected with the arts is to be held for distribution by Creative Scotland (this being the combined proportions held for distribution by the Scottish Arts Council and Scottish Screen). In making changes to section 23(1) on a UK basis, this Order, while only making law as regards Scotland, ensures that the text of section 23 applies uniformly to the UK as a whole.

Article 3 of this Order transfers the balances of the Scottish Arts Council and Scottish Screen in the Distribution Fund to Creative Scotland.

SCOTTISH SCREEN

National Lottery Distribution Fund

List of awards made during the year ended 31 March 2010

| Decision body | Applicant | Project Title | Project Type | Award (£) |
|-----------------------------|---------------------------------------------------------------------|----------------------------------------------------------|----------------------|----------------|
| HARD COMMITMENTS | | | | |
| Audience Development | | | | |
| | The Mental Health Foundation (Scotland) | Scottish Mental Health Arts & Film Festival 2008 | Audience Development | 10,000 |
| | Edinburgh University Settlement | Reel Iraq | Audience Development | 11,320 |
| | Dance Bass & Filmhouse | Dance : Film 2009 | Audience Development | 19,910 |
| | Word Development Movement Trust Ltd | Take One : Action | Audience Development | 20,000 |
| | Aberdeen City & Shire Film Office | Aberdeen City & Shire Film Festival | Audience Development | 15,000 |
| | 4Way Pictures Scotland Ltd | A Pilgrimage | Audience Development | 11,000 |
| | Stop & Stir Arts Ltd | Africa In Motion | Audience Development | 17,000 |
| | Edinburgh University Dept of Films / National Galleries of Scotland | Diversions: A Festival of Experimental Film & Video | Audience Development | 7,155 |
| | French Film Festival Ltd | French Film Festival | Audience Development | 5,000 |
| | Peacock Visual Arts Ltd | Cruel Weather: Recent Film / Video from Arab Middle East | Audience Development | 6,085 |
| | Document Festival | Document 7 | Audience Development | 6,000 |
| | Magic Lantern | The Magic Lantern | Audience Development | 15,050 |
| | Arika Ltd | Kill Your Timid Notion | Audience Development | 15,000 |
| | Edinburgh International Centre for Spirituality and Peace | Middle Eastern Film Festival | Audience Development | 7,710 |
| | | | | 166,230 |

| Content Development | | | | |
|----------------------------|------------------------------------------|--------------------------------------|---------------------|--------|
| | Autonomi Ltd | Elaine Anderson (aka The Good Times) | Content Development | 3,000 |
| | Sixteen Films Ltd | Kingsway | Content Development | 20,000 |
| | Picture Palace North Ltd | Venus As A Boy | Content Development | 5,175 |
| | Media Co-Op Ltd | The Boy From Georgia | Content Development | 15,978 |
| | Axis Animation Ltd | Colin & Cumberland | Content Development | 3,180 |
| | Hopscotch Films Ltd | Boy Racers | Content Development | 14,000 |
| | Brocken Spectre Ltd | Heritage | Content Development | 9,380 |
| | Kenny Glenaan Ltd | Dirt Road To Lafayette | Content Development | 18,750 |
| | Goosepimple Productions (Enerssance) Ltd | To Have And To Hold | Content Development | 14,974 |
| | Diva Films Ltd | Alice Opens The Box | Content Development | 18,900 |
| | Fiveaside Films Ltd | The Mighty Atom (aka Lena) | Content Development | 2,500 |
| | Brocken Spectre Ltd | Shell | Content Development | 6,688 |
| | Super Unami | Star | Content Development | 25,000 |
| | Makar Productions Ltd | Cell Six | Content Development | 6,250 |
| | 104 Films Ltd | The Real Scotsman | Content Development | 4,000 |
| | SDI / 104 Films Ltd | Breathing | Content Development | 24,000 |
| | Cact Films Ltd | Remembrance | Content Development | 25,000 |
| | Brocken Spectre Ltd | Little Dog Boy | Content Development | 8,220 |
| | London Pictures Ltd | Ask The Cosmos | Content Development | 6,000 |
| | Parallax East Ltd | Jimmy Buddha | Content Development | 4,000 |
| | Media Co-Op Ltd | The Boy From Georgia | Content Development | 8,651 |
| | Matador Pictures LLP | Dirt Road To Lafayette | Content Development | 16,285 |
| | Makar Productions Ltd | A Gravedigger's Tale | Content Development | 3,608 |
| | Autonomi Ltd | War & Football | Content Development | 24,999 |
| | Sinner Films Ltd | Yinka & Dinka's House of Hoax | Content Development | 18,750 |
| | Digicult Ltd | SEED Funding | Content Development | 9,000 |
| | Hopscotch Films Ltd | SEED Funding | Content Development | 7,425 |
| | Rokka Films Ltd | SEED Funding | Content Development | 7,875 |

| | | | | |
|---------------------------|------------------------------|-------------------------------------------------------|---------------------|------------------|
| | Clarity Productions Ltd | SEED Funding | Content Development | 10,000 |
| | Fluid Eye Productions Ltd | SEED Funding | Content Development | 2,497 |
| | Sabotage Productions Ltd | SEED Funding | Content Development | 10,000 |
| | Synchronicity Films Ltd | SEED Funding | Content Development | 8,100 |
| | | | | 362,185 |
| Content Production | | | | |
| | Lichen Films Ltd | Is Everybody Alright? | Content Production | 50,000 |
| | BlueLight Neds Ltd | Neds | Content Production | 500,000 |
| | Skyline Productions Ltd | Breathing Earth – Susumu Shingu Working With the Wind | Content Production | 120,000 |
| | Sigma Films Ltd | The Last Word | Content Production | 400,000 |
| | CONNECTfilm Ltd | The First Movie | Content Production | 75,000 |
| | Wasted Productions Ltd | Wasted (Supplementary) | Content Production | 30,003 |
| | Lichen Films Ltd | One Thousand Pictures (aka Is Everybody Alright) | Content Production | 35,000 |
| | True Vision North Ltd | The Nurture Room | Content Production | 30,000 |
| | Wellpark Scotland Ltd | The Irish Dancing World Championship 2010 | Content Production | 100,000 |
| | Silver River Productions Ltd | One Night In Emergency | Content Production | 100,000 |
| | The Imp Corporation Ltd | The Imp | Content Production | 45,019 |
| | Axis Animation Ltd | The Tannery | Content Production | 5,000 |
| | Scottish Arts Council | Artists Film & Video 2009-10 | Content Production | 21,000 |
| | Imagine Pictures Ltd | Asylum | Content Production | 50,000 |
| | Cask Productions Ltd | Munro (aka Bonding) | Content Production | 10,000 |
| | Young Films Ltd | Believe | Content Production | 450 |
| | Ink Digital Ltd | Lemon Custard vs Digital Ink | Content Production | 49,585 |
| | | | | 1,621,057 |
| Express Film Fund | | | | |
| | Blindside Productions Ltd | Wasted Documentary | Express Film Fund | 7,500 |
| | Media Co-Op Ltd | Man For A Day | Express Film Fund | 26,968 |

| | | | | |
|------------------------------|--------------------------------|-------------------------------------------------|---------------------|---------------|
| | Wasted Productions Ltd | Wasted | Express Film Fund | 7,000 |
| | | | | 41,468 |
| Markets and Festivals | | | | |
| | Media Co-Op Ltd | Sheffield Documentary Festival 2008 | Markets & Festivals | 1,465 |
| | Digicult Ltd | Encounters Film Festival 2008 | Markets & Festivals | 1,113 |
| | Scottish Documentary Institute | SDI at Sundance Film Festival 2009 | Markets & Festivals | 1,500 |
| | Imagine Pictures Ltd | Imagine Pictures At Sundance Film Festival 2009 | Markets & Festivals | 1,079 |
| | Flying Scotsman Films Ltd | Berlin International Film Festival 2009 | Markets & Festivals | 633 |
| | Dabhand Films Ltd | Running In Traffic At Berlin Film Festival 2009 | Markets & Festivals | 409 |
| | Kinetic Media Ltd | Social Circles Celtic Media Festival 2009 | Markets & Festivals | 300 |
| | Visible Ink Television Ltd | Attendance at MIPTv 2009 | Markets & Festivals | 1,500 |
| | | | | 7,999 |
| Market Development | | | | |
| | Highlands & Islands Enterprise | It's Hot In Scotland | Market Development | 8,160 |
| | Scottish Documentary Institute | Scottish Stall At Sunnyside Of The Doc | Market Development | 5,139 |
| | Synchronicity Films Ltd | Crying With Laughter | Market Development | 3,300 |
| | Dabhand Films Ltd | Running In Traffic | Market Development | 4,781 |
| | | | | 21,380 |
| Opportunities Fund | | | | |
| | La Belle Allee Productions Ltd | Cannes Film Festival 2009 | Opportunities Fund | 765 |
| | Autonomi Ltd | Kurdi at Documenta Madrid | Opportunities Fund | 775 |
| | Synchronicity Films Ltd | Attendance at Cannes Film Festival 2009 | Opportunities Fund | 1,500 |
| | Oxygen Films Ltd | Blackwaterside at Cannes Film Festival 2009 | Opportunities Fund | 1,133 |
| | Crab Apple Films Ltd | Cannes Film Festival 2009 | Opportunities Fund | 1,191 |

| | | Attendance | | |
|--|--------------------------------|-----------------------------------------------------|--------------------|-------|
| | Black Camel Pictures Ltd | Cannes Film Festival 2009 Attendance | Opportunities Fund | 1,387 |
| | Brocken Spectre Ltd | Cannes Film Festival 2009 Attendance | Opportunities Fund | 1,024 |
| | Sigma Films Ltd | Cannes Film Festival 2009 Attendance | Opportunities Fund | 1,500 |
| | Peter Barber-Fleming | The Cone Gatherers at Cannes 2009 | Opportunities Fund | 1,433 |
| | Mead Kerr Ltd | Cannes Film Festival 2009 Attendance | Opportunities Fund | 949 |
| | Wilder Films Ltd | Cannes Film Festival 2009 Attendance | Opportunities Fund | 1,265 |
| | Flying Scotsman Films Ltd | Cannes Film Festival 2009 Attendance | Opportunities Fund | 904 |
| | Accidental Media | The Shutdown At Silverdocs | Opportunities Fund | 996 |
| | Blindside Productions Ltd | Outfest Films Festival Attendance | Opportunities Fund | 1,493 |
| | Ronnie B Goodwin | Palm Springs ShortFest Attendance | Opportunities Fund | 742 |
| | Super Unami | Showcomotion Children's Media Conference | Opportunities Fund | 578 |
| | Young Films Ltd | Believe At Locarno International Film Festival 2009 | Opportunities Fund | 283 |
| | West Highland Animation | Arctic Ring Cartoon Forum Attendance 2009 | Opportunities Fund | 1,089 |
| | Media Co-Op Ltd | Baltic Sea Forum Documentaries 2009 | Opportunities Fund | 449 |
| | Martin Smith | Toronto Film Lab | Opportunities Fund | 1,500 |
| | Britt Crowley | Toronto Film Lab | Opportunities Fund | 1,150 |
| | Pure Magic Films Ltd | Transatlantic Partners Module B Attendance 2009 | Opportunities Fund | 1,000 |
| | La Belle Allee Productions Ltd | Toronto Film Lab | Opportunities Fund | 1,500 |
| | La Belle Allee Productions Ltd | Strategic Partners Attendance 2009 | Opportunities Fund | 1,239 |
| | Lichen Films Ltd | History Makers Conference | Opportunities Fund | 1,000 |
| | Axis Animation Ltd | Colin & Cumberland at | Opportunities Fund | 1,500 |

| | | | | |
|--|--------------------------------|-----------------------------------------------------------|--------------------|---------------|
| | | Cartoon Forum | | |
| | Morag McKinnon | Venus As A Boy – Roma Film Festival | Opportunities Fund | 277 |
| | True TV & Film Ltd | Sheffield Doc Fest & Meet Market 2009 | Opportunities Fund | 517 |
| | Scottish Documentary Institute | Sheffield Doc Fest & Meet Market 2009 | Opportunities Fund | 1,159 |
| | Autonomi Ltd | Sheffield Doc Fest 2009 | Opportunities Fund | 356 |
| | Mothcatcher Productions Ltd | Dead Outside @ Utopiales Int Festival | Opportunities Fund | 292 |
| | Julia McLean | Encounters Film Festival 2009 | Opportunities Fund | 299 |
| | Sam Firth | Encounters Film Festival 2009 | Opportunities Fund | 287 |
| | Synchronicity Films Ltd | Kling Klang – Sheffield Doc Festival | Opportunities Fund | 340 |
| | Hopscotch Films Ltd | Alasdair Gray: A Life In Pictures | Opportunities Fund | 885 |
| | Digicult Ltd | Encounters Film Festival | Opportunities Fund | 1,102 |
| | Accidental Media (UK) Ltd | Motion / Static & Shutdown At IDFA Attendance | Opportunities Fund | 1,500 |
| | Brocken Spectre Ltd | Cinemart Rotterdam and Berlin International Film Festival | Opportunities Fund | 1,500 |
| | Sinner Films Ltd | Berlinale 2010 | Opportunities Fund | 747 |
| | La Belle Allee Productions Ltd | Berlinale 2010 | Opportunities Fund | 744 |
| | Imagine Pictures Ltd | Reykjavik Talent Campus and Nordic Panorama | Opportunities Fund | 1,286 |
| | Sigma Films Ltd | Screen International Film Summit | Opportunities Fund | 368 |
| | | | | 40,004 |

| Talent Development | | | | |
|----------------------------------|---------------------------------|------------------------------|-----------------------|------------------|
| | Scottish Documentary Institute | Bridging The Gap 6: Future | Talent Development | 75,000 |
| | TRC Media | Gen Up | Talent Development | 25,749 |
| | The Screenwriter's Festival Ltd | Market Ready Screenplays | Talent Development | 4,000 |
| | Lifesize Pictures Ltd | Director's Lab | Talent Development | 5,000 |
| | Mead Kerr Ltd | Toronto Film Lab | Talent Development | 30,000 |
| | Entertainment Master Class | Entertainment Master Class | Talent Development | 15,000 |
| | ACE | ACE 19 Training Session | Talent Development | 7,500 |
| | Cinemart | Rotterdam Lab | Talent Development | 4,801 |
| | Inside Pictures | Inside Pictures | Talent Development | 10,000 |
| | Digicult Ltd | Scottish Digital Shorts 2010 | Talent Development | 75,000 |
| | | | | 252,050 |
| Short Film Production | | | | |
| | Hopscotch Films Ltd | My Hitler | Short Film Production | 50,000 |
| Slate Funding | | | | |
| | Black Camel Picture Co Ltd | | Slate Funding 2008 | 100,000 |
| | Crab Apple Films Ltd | | Slate Funding 2008 | 99,000 |
| | Fundakowski Last LLP | | Slate Funding 2008 | 150,000 |
| | Tern Television Ltd | | Slate Funding 2008 | 100,000 |
| | | | | 449,000 |
| TOTAL OF HARD COMMITMENTS | | | | 3,011,373 |

| SOFT COMMITMENTS | | | | |
|-------------------------|---------------------------------|-------------------------------------------------|----------------------|---------|
| | The Arches | Glasgow Music & Film Festival 2009 | Audience Development | 7,000 |
| | Birds Eye View Ltd | Birds Eye View : Glasgow Programme | Audience Development | 5,000 |
| | Independent Film Production Ltd | MacBeth | Content Development | 17,000 |
| | Move On Up Ltd | The Stornoway Way | Content Development | 1,600 |
| | Edge City Films Ltd | Pecking Orders | Content Development | 9,525 |
| | True TV & Film Ltd | The Secret Nazi History Of Coca Cola | Content Development | 12,981 |
| | Synchronicity Films Ltd | Blood Or Water | Content Development | 17,843 |
| | Crow Hill Films Ltd | The Master, The Slave And The Bank Manager | Content Development | 11,140 |
| | Makar Productions Ltd | Silversand | Content Development | 9,330 |
| | 4 Way Pictures Ltd | The Widow | Content Development | 10,000 |
| | Berriff McGinty Films Ltd | Fire In The Night | Content Development | 23,666 |
| | Young Films Ltd | The Silver Darlings | Content Development | 4,990 |
| | Media Co-Op Ltd | The Boy From Georgia | Content Development | 5,000 |
| | Fiveaside Films Ltd | The Mighty Atom (aka Lena) | Content Development | 15,000 |
| | SDI Productons Ltd | Future For Sale | Content Production | 67,000 |
| | Wilder Films Ltd | Laid Off | Content Production | 215,000 |
| | Edge City Films Ltd | Lore | Content Production | 200,000 |
| | Sigma Films Ltd | Citadel | Content Production | 250,000 |
| | Crab Apple Films Ltd | Clever | Content Production | 400,000 |
| | Rounding Up Donkeys Ltd | Donkeys (Supplementary) | Content Production | 30,556 |
| | Black Camel Pictures Ltd | Legacy | Market Development | 9,000 |
| | Hazel Baillie | By the Grace Of God – Cannes Film Festival 2009 | Opportunities Fund | 555 |
| | Visible Ink TV Ltd | Market Visit To MIPcom 2009 | Opportunities Fund | 1,500 |
| | Edge City Films Ltd | Skeletons At Rotterdam Film Festival | Opportunities Fund | 1,125 |
| | Billy Campbell | Berlin Talent Campus | Opportunities Fund | 300 |

| | | | | |
|----------------------------------|----------------------------------------|--------------------------------------------|--------------------|------------------|
| | Digicult Ltd | Berlinale 2010 Attendance | Opportunities Fund | 323 |
| | Savalas Ltd | Berlin Film Festival Attendance | Opportunities Fund | 600 |
| | Makar Productions Ltd | Outcast SXSW Festival Attendance | Opportunities Fund | 905 |
| | Scottish Documentary Institute | SXSW Festival Attendance | Opportunities Fund | 1,405 |
| | Synchronicity Films Ltd | Crying With Laughter At South By Southwest | Opportunities Fund | 1,500 |
| | Matt Lloyd | Pollphail at South By Southwest | Opportunities Fund | 1,275 |
| | Solus Productions Ltd | Celtic Media Festival | Opportunities Fund | 764 |
| | Scottish Mental Health & Film Festival | ICO Cultural Cinema Exhibition Course | Opportunities Fund | 960 |
| | Hopscotch Films Ltd | Ana | Pilot Fund | 25,000 |
| | Birds Eye View Ltd | She Writes | Talent Development | 10,000 |
| | EIFF | The Story Works | Talent Development | 25,000 |
| | Scottish Documentary Institute | Interdoc II | Talent Development | 25,000 |
| | Scottish Documentary Institute | Bridging The Gap 7 : Surprise | Talent Development | 75,000 |
| | Diversity Films Ltd | Starting Block | Talent Development | 75,000 |
| TOTAL OF SOFT COMMITMENTS | | | | 1,567,843 |

CLOSURE EVALUATION REPORT 2009/10

Scottish Screen is responsible for the distribution of National Lottery investment towards the support of the development of a sustainable screen industry in Scotland and to support Scotland's screen culture.

A review of Scottish Screen's Lottery investment process was undertaken in March and April 2006. In October 2006 Scottish Screen re-launched the investment process, including the introduction of a number of new funding categories, with additional strands added throughout the subsequent years.

Prior to the review, production companies could apply for funding strands which included Script Development, Project Development, Short Film Production Funding, Short Film Award Schemes, and Feature Film Funding.

Following the review these categories were replaced with new investment strands which were rolled out over the following years; New Talent Development Initiative, Short Film Production, Content Development, Pilot Fund, Future Fund, Express Film Fund, Content Production, The Singles, Business Development Loan, Slate Funding, Markets and Festivals, Audience Development, Festivals, Distribution and Market Development.

A number of these funds have now been closed or incorporated into other investment strands. During the financial year of 1 April 2009 to 31 March 2010 applications were only accepted to the following categories; Content Development Fund, Content Production Fund, Talent Development Fund, Opportunities Fund, Audience Development Fund and Market Development Fund. No new applications for the previous categories were submitted during this financial year. Applicants who would have previously sought funding from the closed categories can now submit applications to the alternative funds.

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

Reports are requested at project closure (phase one) and then at 6 (phase two), 12 (phase three), 24 (phase four) and 36 (phase five) month intervals. The duration of the monitoring and evaluation period varies and is dependent on the investment strand from which an award is made.

Closure evaluation reports were sent to recipients of Lottery funding in the financial year of 1 April 2009 to 31 March 2010. Recipients that had completed their project within this year or previous financial years returned evaluation reports as a delivery requirement and in line with the pre-determined schedule. Applicants which receive Opportunities Fund awards are not required to complete evaluation forms due to the nature of this investment strand.

During the financial year 2009/10 one hundred and fifty-one evaluation forms were issued to award recipients for completion and sixty-nine (46%) have been returned.

CONTENT DEVELOPMENT FUND

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

During the financial year 2009/10 thirty-two applicants were awarded Content Development Fund investment. Seven of these projects have now reached completion and phase one evaluation forms have been returned for each. Four of these projects have been awarded further development support from Scottish Screen, two are actively being developed and one is seeking production finance.

Applications to this fund would have previously been submitted via the Script Development, Project Development, Pilot Fund and Future Fund strands. Seventeen forms for these strands have been returned for awards made in previous financial years. Of these, eleven were phase one updates, five were phase two updates and one phase three update was returned.

Twelve of these projects remain in development, two of which have secured further development funding from Scottish Screen. Two of the projects are seeking financial support to move into production, with one of these having obtained production investment from Scottish Screen. Three projects are currently on hold.

The average Scottish Screen award was £10,840, with the average final budget being £18,610 and an average Scottish spend of £12,284.

CONTENT PRODUCTION FUND

The Content Production Fund investment strand provides support to production companies to assist with the physical production of feature, short and pilot projects.

During the financial year 2009/10 twenty applicants were awarded Content Production Fund investment. Of the successful applicants one supplementary award, one short and one pilot project have now reached completion. A phase one evaluation form has been returned for the short and pilot project but not for the supplementary as this information will be captured within the form for the original award, made in a previous financial year. The pilot project is currently seeking production finance and the short project has screened at numerous festivals and won the Promotional Award at the Winterthur International Short Film Festival in Switzerland and the Leopards of Tomorrow International Short Film Competition at Locarno International Film Festival.

Applicants to this strand previously applied to the Feature Film Funding, Express Film Fund, The Singles, Short Film Production Funding and Short Film Award Scheme strands. Seven phase one and two phase two evaluation forms have been returned for awards made from these strands in previous financial years. All these completed projects have been screened at festivals such as Edinburgh International Film Festival, Sheffield DocFest and Venice Film Festival or broadcast on UK and European terrestrial television. Projects received awards including the BAFTA Scotland Audience Award, BAFTA Scotland Best Film 09 Award and the International Fantasy Film Special Jury Award.

On the feature projects, the average Scottish Screen award was £200,000, with the average final budget being £1,162,269 and the average Scottish spend being £681,592. The shorts reported an average Scottish Screen award of £22,596, with the average final budget being £35,155 and an average Scottish spend of £32,195.

TALENT DEVELOPMENT FUND

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

Fourteen applicants were awarded Talent Development Fund investment during the financial year 2009/10. Five of these projects have now reached completion and phase one evaluation forms have been returned for three of the projects. Two of the projects were not required to complete evaluation forms due to the nature of the programmes. The key personnel who participated in the completed schemes have continued to develop their careers in the film industry with two now employed with BBC Scotland, one starting their own company and others developing networking skills and industry contacts.

Evaluation reports are also requested for each short produced by the relevant schemes. Eight phase three forms have been returned for schemes run in previous financial years. All the completed shorts have been screened at festivals, including Edinburgh International Film Festival, HotDocs and Palm Springs International Film Festival. A number of the shorts have received awards, including the Jury Prize at Mental Health Film Festival, Best Scottish Short Documentary Film at Edinburgh International Film Festival and Best Short Documentary at Palm Springs International Film Festival.

AUDIENCE DEVELOPMENT FUND

The Audience Development Fund investment strand aims to widen awareness of the range of moving image content available, increase networking opportunities, bring communities together and boost local economies.

Twelve applicants were awarded Audience Development Fund investment during the financial year 2009/10. Four of these projects have now completed and phase one evaluation forms have been returned for each. An average audience attendance of 4,224 was recorded across the festivals with three of the festivals showing an increase in attendance on the previous year. All four festivals will be repeated in future years.

Applicants to the Audience Development Fund strand could also previously apply to the Festivals strand. Eleven Audience Development Fund and Festivals phase one forms, two phase two forms and one phase three form have been returned for awards made in previous financial years. Audience figures recorded vary according to the style and focus of the festivals, with the average audience attendance figure being 8,966.

MARKET DEVELOPMENT FUND

The Market Development Fund investment strand aims to support Scottish screen content in reaching national and international audiences, promote Scotland's moving image culture and celebrate Scotland's screen heritage.

Four applicants were awarded Market Development Fund investment during the financial year 2009/10. Two of these projects have now completed and phase one evaluation forms have been returned for both. One project has now premiered at the Edinburgh International Film Festival and screened at the Dinard and Rotterdam Film Festivals. The second project facilitated six companies to network and build relationships with international commissioners and co-producers.



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 in March 2006 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated March 2010

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. within the heading "Cash and cash equivalents" the balance held on behalf of the body at the National Lottery Distribution Fund;
 - b. under the heading "Non-current liabilities" 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)
 - c. under the heading "Represented by" 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 IAS 10 (Events after the Reporting Period). 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 IAS 10.



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