

ORKNEY TOURIST BOARD

**Financial Statements
for the Year Ended 31 March 2005**

Orkney Tourist Board
Financial Statements
for the year ended 31 March 2005

Members of the Board:

Dawn Flett	
Bryan Taylor	
Jean Wallace	
Tim Hartmann	Resigned 23 November 2004
Kathy Bichan	
Delia Holland	
John Hinckley	
James Foubister	
Andrew Drever	
Malcolm Macrae	
Sandie McEwan	
Brian Kynoch	Appointed 23 November 2004

Bankers:

Clydesdale Bank plc
3 Broad Street
KIRKWALL
Orkney

Auditors:

Orcadia
Chartered Accountants and Registered Auditors
3 East Road
KIRKWALL
Orkney
KW15 1HZ

Orkney Tourist Board
Contents of the Financial Statements
for the Year Ended 31 March 2005

	Page
Statement of Members' Responsibilities	1
Statement of Internal Control	2
Independent Auditors' Report to the Members	3
Independent Auditors' Report on the Statement of Internal Control	4
Income and Expenditure Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Financial Statements	8-15

Orkney Tourist Board

Statement of Members' Responsibilities
for the Year Ended 31 March 2005

The Orkney Tourist Board members are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of its income and expenditure for that period. In preparing those financial statements, the members are required to:-

select suitable policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board and to enable them to ensure that the financial statements comply with the relevant statutes, regulations and administrative procedures. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Orkney Tourist Board members confirm they have discharged the above responsibilities during the financial year and in preparing the financial statements.

..... J HINCKLEY (FORMER CHAIRMAN)

..... B FOULKES (CHIEF FINANCE OFFICER)

Date:

Orkney Tourist Board

Statement of Internal Control

As Chief Executive, I acknowledge my responsibility on behalf of the Board Members for ensuring that an effective system of internal control is maintained and operated by Orkney Tourist Board.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve 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 Board policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This policy has been in place for the year ended 31 March 2005 and is appropriate to the size of the organisation.

As Chief Executive, I also have responsibility for reviewing the effectiveness of the system of internal control. The following processes are in place:

- regular meetings with key personnel to consider plans and strategic direction of the Board;
- regular reports from key personnel on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects;

My review of the effectiveness of the system of internal control is based on the fact that, in this size of organisation, I have complete knowledge of all the activities of the board, and by comments made to me by the external auditors in their management letter and other reports.

BARBARA FOULKES (FORMER CHIEF EXECUTIVE)

Date:

Independent Auditors' Report to the Members of Orkney Tourist Board

We have audited the financial statements on pages five to fifteen which have been prepared under the historical cost convention, and the accounting policies set out on page eight.

Respective Responsibilities of Orkney Tourist Board Members and Auditors

As described on page one, the Board's members are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test based, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board'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 are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Board's affairs as at 31 March 2005 and of its surplus for the year then ended and have been properly prepared in accordance with the relevant statutes, regulations and administrative procedures.

**Orcadia
Chartered Accountants
Registered Auditors**

_____ 2006

Orkney Tourist Board

Independent Auditors' Report on the Statement of Internal Controls of Orkney Tourist Board for the Year Ended 31 March 2005

In addition to our audit work on the financial statements, we have reviewed the statement of board members' responsibilities in respect of internal control set out on page two on Orkney Tourist Board's compliance.

We are not required to perform the additional work to, and we do not express any opinion on, the effectiveness of the Board's system of internal control.

Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

Opinion

With respect to the board members' statement of internal control on page two, in our opinion, the board members have provided the disclosures required and the statement is not inconsistent with the information of which we are aware from our audit.

**Orcadia
Chartered Accountants
Registered Auditors**

_____ 2006

Orkney Tourist Board

Income and Expenditure Account **for the Year Ended 31 March 2005**

<u>2004</u>		<u>2005</u>	
£	Notes	£	
85,369	Turnover	2	73,401
<u>(44,168)</u>	Cost of Sales	3	<u>(48,492)</u>
41,201			24,909
545,895	Other Operating Income	4	533,566
<u>(530,221)</u>	Operating Expenses	5	<u>(608,699)</u>
56,875	Operating Surplus (Deficit)		(50,224)
611	Interest Receivable		3,342
<u>(14)</u>	Interest Payable	8	<u>(14)</u>
57,472	Surplus/(Deficit) on Ordinary Activities Before Taxation		(46,896)
<u>-</u>	Taxation on Surplus on Ordinary Activities	9	<u>-</u>
<u>57,472</u>	Surplus/(Deficit) for the Financial Year		<u>(46,896)</u>

Summary of Retained Surpluses

158,338	Retained Surplus Brought Forward	215,810
<u>57,472</u>	Retained Surplus/(Deficit) for the Year	<u>(46,896)</u>
<u>215,810</u>	Retained Surplus Carried Forward	<u>168,914</u>

Recognised Gains and Losses

There were no recognised gains or losses other than the surplus/(deficit) for the above two financial years.

The notes on pages eight to fifteen form part of these financial statements.

Orkney Tourist Board

Balance Sheet
31 March 2005

<u>2004</u>			<u>2005</u>		
£	£		Notes	£	£
		FIXED ASSETS			
	108,113	Tangible Assets	10		103,480
	<u>1,000</u>	Investments	11		<u>-</u>
	109,113				103,480
		CURRENT ASSETS			
35,758		Stocks	12	50,964	
132,393		Debtors	13	54,049	
<u>17,346</u>		Cash at Bank and in Hand		<u>751</u>	
<u>185,497</u>				<u>105,764</u>	
		CREDITORS			
<u>75,999</u>		Amounts Falling Due Within One Year	14	<u>38,463</u>	
<u>75,999</u>				<u>38,463</u>	
	<u>109,498</u>	NET CURRENT ASSETS			<u>67,301</u>
	218,611	TOTAL ASSETS LESS CURRENT LIABILITIES			170,781
		ACCRUALS AND DEFERRED INCOME			
	<u>(2,801)</u>	Deferred Grants	15		<u>(1,867)</u>
	<u>215,810</u>				<u>168,914</u>
		RESERVES:			
	<u>215,810</u>	Income and Expenditure Account			<u>168,914</u>

These financial statements were approved on behalf of The Scottish Network 2 Tourist Board as statutory successor to the Orkney Tourist Board on 2006.

..... Peter Lederer (Chairman)

..... Philip Riddle (Chief Operating Officer)

Orkney Tourist Board

Cash Flow Statement
for the Year Ended 31 March 2005

<u>2004</u>			<u>2005</u>	
£	£	Notes	£	£
	3,182	Net Cash Inflow/(Outflow) from Operating Activities	18	(30,880)
		RETURN ON INVESTMENTS AND SERVICING OF FINANCE		
611		Interest Received	3342	
<u>(14)</u>		Interest Paid	<u>(14)</u>	
	597	Net Cash Inflow from Returns on Investments and Servicing of Finance		3328
		TAXATION		
		- UK Corporation Tax Paid		-
		INVESTING ACTIVITIES		
<u>7,280</u>		Purchase of Tangible Fixed Assets	<u>7,081</u>	
	<u>(7,280)</u>	Net Cash Outflow from Investing Activities		<u>(7,081)</u>
	(3,501)	Net Cash Outflow before Financing		(34,633)
	-	Financing		-
	<u>(3,501)</u>	Decrease in Cash	19	<u>(34,633)</u>

The notes on pages eight to fifteen form part of these financial statements.

Orkney Tourist Board

Notes to the Financial Statements for the Year Ended 31 March 2005

1. Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

All activities of the Board derive from continuing activities.

a) Depreciation

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

Leasehold property	2% per annum
Office Furniture and Equipment	15% per annum on a reducing balance
Computer Equipment	25% per annum

b) Deferred Grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the income and expenditure account over five years.

Grants of a revenue nature are credited to the income and expenditure account in the period to which they relate.

c) Stocks

Stocks are stated at the lower of cost and net realisable value as follows:-

Cost means purchase price including transport less discounts, calculated on first in first out basis.

Net realisable value means estimated selling price less selling costs.

d) Pensions

Eligible employees of the Board are members of the Orkney Islands Council pension scheme. The pension scheme is a funded benefit scheme with employee contributions fixed by statute. Employers' contributions are assessed by a qualified actuary on the basis of triennial valuations and are calculated to ensure the actuarial solvency of the fund. An actuarial valuation of the fund (using the projected unit method) as at 31 March 2002 required the Board to contribute 275% of employees contributions in the year ended 31 March 2005.

e) Operating Leases

Total payments under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Orkney Tourist Board

Notes to the Financial Statements for the Year Ended 31 March 2005

2. Turnover

	2005	2004
	£	£
Retail Sales	27,233	31,764
Publication Sales	39,163	34,070
Retail Commissions	3,486	11,142
Other Commissions and Fees	<u>3,519</u>	<u>8,393</u>
	<u>73,401</u>	<u>85,369</u>

3. Cost of Sales

	2005	2004
	£	£
Retail Purchases	21,649	19,570
Publication Purchases	<u>26,843</u>	<u>24,598</u>
	<u>48,492</u>	<u>44,168</u>

4. Other Operating Income

	2005	2004
	£	£
Visit Scotland Grant	83,100	95,100
Orkney Islands Council Grant	201,000	195,400
Project Grants		
Orkney Enterprise	27,437	26,156
Orkney Islands Council	30,470	38,000
Visit Scotland	27,067	27,420
Escape to the Edge	9,448	-
Membership Fees	36,945	35,186
Advertising		
Main Brochure	107,575	105,960
Internet	3,960	3,407
Other Income	6,564	12,654
Visit Scotland.Com Data Maintenance Fee	<u>-</u>	<u>6,612</u>
	<u>533,566</u>	<u>545,895</u>

Orkney Tourist Board

Notes to the Financial Statements **for the Year Ended 31 March 2005**

5. Operating Expenses

	2005	2004
	£	£
Employee Costs	250,410	243,558
Premises Related Expenses	39,177	37,736
Travel and Subsistence	14,913	12,507
Supplies and Services:		
Staff Training	5,042	3,694
Equipment Leasing	1,937	1,931
Telephone	4,980	6,842
Telephone Infrastructure Costs	9,437	8,738
Postages	7,372	6,403
Membership Services	252	1,290
Stationery	4,233	4,972
Professional Fees	5,325	3,142
Bank and Credit Card Charges	2,544	3,002
Miscellaneous	6,066	4,705
Marketing and Promotional Costs	166,816	173,153
Project Costs	16,029	12,902
Research and Development	58,460	200
Depreciation	11,714	10,935
Capital Grants Released	(934)	(7,323)
Bad Debts Written Off	(111)	408
Computing	4,037	1,426
Loss on sale of Investments	1,000	-
	<u>608,699</u>	<u>530,221</u>

6. Members and Employees Information

	2005	2004
	£	£
Staff costs during the year were as follows:-		
Salaries and Wages	218,235	217,772
Social Security Costs	15,341	15,681
Other Pension Costs	16,834	10,105
	<u>250,410</u>	<u>243,558</u>

The average number of employees of the Board during the year was:-

Management and Administration		
- Full Time	13	13
- Seasonal Staff	12	12
Board Members	11	10

Members of the Board receive no remuneration except for reimbursement of expenses.

Orkney Tourist Board

Notes to the Financial Statements
for the Year Ended 31 March 2005

7. Operating Surplus

	2005	2004
	£	£
This is Stated After Charging/(Crediting):		
Auditors' Remuneration	2,200	1,570
Depreciation of Fixed Assets	11,714	10,935
Operating Leases – Office Equipment	1,937	1,931
Government Grants Released	(934)	(7,323)
Loss on sale of Investments	1,000	-

8. Interest Payable

	2005	2004
	£	£
Bank Overdraft Interest	<u>14</u>	<u>14</u>

9. Tax on Surplus on Ordinary Activities

	2005	2004
	£	£
Taxation is Based on the Interest Received in the Year:		
Corporation Tax at 0%	<u><u>-</u></u>	<u><u>-</u></u>

Orkney Tourist Board

Notes to the Financial Statements
for the Year Ended 31 March 2005

10. Tangible Fixed Assets

	<u>Leasehold Property</u>	<u>Furniture & Equipment</u>	<u>Computer Equipment</u>	<u>TOTAL</u>
	£	£	£	£
Cost				
At 1 April 2004	84,266	54,125	52,387	190,778
Additions	<u>340</u>	<u>1,945</u>	<u>4,796</u>	<u>7,081</u>
At 31 March 2005	<u>84,606</u>	<u>56,070</u>	<u>57,183</u>	<u>197,859</u>
Depreciation				
At 1 April 2004	9,096	30,290	43,279	82,665
Provided in the Year	<u>1,692</u>	<u>3,765</u>	<u>6,257</u>	<u>11,714</u>
At 31 March 2005	<u>10,788</u>	<u>34,055</u>	<u>49,536</u>	<u>94,379</u>
Net Book Value				
At 31 March 2005	<u>73,818</u>	<u>22,015</u>	<u>7,647</u>	<u>103,480</u>
At 31 March 2004	<u>75,170</u>	<u>23,835</u>	<u>9,108</u>	<u>108,113</u>

11. Investments

	2005	2004
	£	£
Shares in Orkney Ferries Limited	<u>-</u>	<u>1,000</u>

12. Stocks

	2005	2004
	£	£
Goods for Resale	<u>50,964</u>	<u>35,758</u>

Orkney Tourist Board

Notes to the Financial Statements for the Year Ended 31 March 2005

13. Debtors

	2005	2004
	£	£
Trade Debtors	12,810	77,620
Other Debtors	38,217	3,584
Prepayments and Accrued Income	<u>3,022</u>	<u>51,189</u>
	<u>54,049</u>	<u>132,393</u>

14. Creditors: Amounts Falling Due Within One Year

	2005	2004
	£	£
Bank Overdraft	18,038	-
Trade Creditors	7,176	21,233
Other Creditors	13,249	51,153
Other Taxes and Social Security	<u>-</u>	<u>3,613</u>
	<u>38,463</u>	<u>75,999</u>

15. Accruals and Deferred Income

	2005	2004
	£	£
Deferred Grants:		
At 1 April 2004	2,801	10,124
Released to Income and Expenditure Account	<u>(934)</u>	<u>(7,323)</u>
At 31 March 2005	<u>1,867</u>	<u>2,801</u>

16. Capital Commitments

There were no capital commitments at 31 March 2004 or 31 March 2005.

Orkney Tourist Board

Notes to the Financial Statements for the Year Ended 31 March 2005

17. Pension Commitments

The pension cost charge for the year was £16,834 (2004: £10,105). There was a refund of overpaid contributions due from Orkney Islands Council of £206 as at 31 March 2005. In the year to 31 March 2004 there was no the difference between the amounts charged to the Income and Expenditure Account and the amounts paid directly.

As detailed in the accounting policies, this is a defined benefit pension scheme run by Orkney Islands Council. It is not possible to identify Orkney Tourist Board's share of the underlying assets and liabilities of the scheme.

An actuarial valuation was carried out on 31 March 2002. As a result of this the percentage for employers contributions to the scheme are to increase as follows:

Effective Date	Contribution Rate
1 April 2003	250% of amount paid by employee
1 April 2004	275% of amount paid by employee
1 April 2005	295% of amount paid by employee

18. Net Cash Inflow/(Outflow) from Operating Activities

	2005	2004
	£	£
Operating Surplus/(Deficit)	(50,224)	56,875
Depreciation Charge	11,714	10,935
Deferred Grants Released	(934)	(7,323)
Loss on Investments	1,000	-
(Increase)/Decrease in Stocks	(15,206)	(8,583)
(Increase)/Decrease in Debtors	78,344	(89,054)
Increase/(Decrease) in Creditors due within one Year	<u>(55,574)</u>	<u>40,332</u>
Net Cash Inflow/(Outflow) from Operating Activities	<u>(30,880)</u>	<u>3,182</u>

19. Changes in Cash and Cash Equivalents

	Cash at Bank and in Hand
	£
At 1 April 2004	17,346
Decrease in Cash	<u>(34,633)</u>
At 31 March 2005	<u>(17,287)</u>

Orkney Tourist Board

Notes to the Financial Statements for the Year Ended 31 March 2005

20. Related Party Transactions

The Tourist Board is a body set up by statute to operate tourism services within the local government areas. As such it does not consider itself to be controlled by any individual party other than the extent to which it can be influenced by the members of the Tourist Board and Visit Scotland.

Due to the nature of the Tourist Board, and the composition of its Board, with the members representing local government areas, it is inevitable that related parties will arise. During the year, the Tourist Board received contributions from certain bodies represented by the members of the Tourist Board and these are disclosed in note 4.

The following members represented these bodies:

Member	Body Represented
Mac Petrie	Orkney Islands Council
Sinclair Scott	Orkney Islands Council
James Foubister	Orkney Islands Council
Bryan Taylor	Orkney Islands Council
Andrew Drever	Orkney Islands Council
Tim Hartmann	Orkney Enterprise
Delia Holland	Visit Scotland
Brian Kynoch	Orkney Enterprise