

**SHETLAND TOURIST BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST MARCH 2005**

THE A9 PARTNERSHIP LIMITED
Chartered Accountants & Registered Auditors
47 Commercial Road
Lerwick
Shetland

SHETLAND TOURIST BOARD

FINANCIAL STATEMENTS

31ST MARCH 2005

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Board Members

Mr R Anderson	Resigned
Mr L Tulloch (Chairman Designate)	
Ms D Holland	
Mr M Donaldson (Vice Chairman)	Elected Vice Chairman
Mrs L Eriksen	
Mr G Feather	Elected
Mrs S Inkster	
Mr H Jamieson	
Mr E Knight	Elected
Mr P R Leask	
Mr W H Manson	
Mrs C Miller	Elected
Mr G G Mitchell	
Mrs I Mouat	Resigned
Mr J Nicolson	Resigned
Mr P Parsons	Resigned
Mr J Simpson	
Mr R Smith (Chairman)	
Mr G Williamson	
Mrs M Williamson	

Bankers

117 Bank of Scotland
Commercial Street
Lerwick
Shetland

Solicitors

Dowle Smith & Rutherford
113a Commercial Street
Lerwick
Shetland

Auditors

The A9 Partnership Limited
47 Commercial Road
Lerwick
Shetland

SHETLAND TOURIST BOARD

FOREWORD

31ST MARCH 2005

As members will recall, it is the policy of the board to run a deficit budget over a 3 year period from 01/02 to 03/04, to use up accumulated surpluses both for marketing and to grow the service Shetland Islands Tourism provides to members and visitors. The deficit for the year is accordingly broadly as planned, but on the basis that the intention thereafter was a balanced budget 04/05 and thereafter.

However, because of the cessation of Shetland Islands Tourism as a separate area tourist board at 31st March 2005, it is our current policy to run a similar deficit for 2004/05.

To be updated for 2005

Robert A J Smith
Chairman

SHETLAND TOURIST BOARD

STATEMENT OF MEMBERS' RESPONSIBILITIES

FOR THE YEAR ENDED 31ST MARCH 2005

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

3rd November 2004

.....Chairman

3rd November 2004

.....Chief Executive

SHETLAND TOURIST BOARD

STATEMENT ON INTERNAL CONTROL

FOR THE YEAR ENDED 31ST MARCH 2005

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

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 process has been in place for the year ended 31st March 2005, and up to the date of approval of the annual report and accounts, and it accords with all relevant guidance.

As Chief Executive, I also have responsibility of reviewing the effectiveness of the system of internal control. The Board has established the following processes:

A management board which meets monthly to consider the plans and strategic direction on the Board;

A regular operational briefing with Chairman and/or Vice-Chairman on the day-to-day activities of the Board;

Regular reports from managers 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 informed by the work of the internal auditors and of the executive managers within the Board who have the responsibility for the development and maintenance of the internal control framework, and by the comments made by the external auditors in their management letter and other reports.

A J Steven
Chief Executive

SHETLAND TOURIST BOARD

AUDITORS' REPORT TO THE MEMBERS

FOR THE YEAR ENDED 31ST MARCH 2005

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 9.

RESPECTIVE RESPONSIBILITIES OF AREA TOURIST BOARD MEMBERS AND AUDITORS

As described in the Statement of Member's Responsibilities, the Board's members are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statement in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the ATB Manual for Accounts. We also report to you if, in our opinion, the Foreword is not consistent with the financial statements, if the Board 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 law regarding directors' remuneration and transactions with the Board is not disclosed.

We read the Foreword and consider the implications for our report if we become aware of any apparent misstatements within it.

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 basis, 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 31st March 2005, and of its surplus for the year then ended and have been properly prepared in accordance with relevant statutes, regulations and administrative procedures.

47 Commercial Road
Lerwick
Shetland

THE A9 PARTNERSHIP LIMITED
Chartered Accountants
& Registered Auditors

**INDEPENDENT AUDITORS' REPORT ON THE STATEMENT OF INTERNAL CONTROLS OF
SHETLAND TOURIST BOARD
FOR THE YEAR ENDED 31ST MARCH 2004**

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 2 on Shetland 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 on internal control on page 3, 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.

47 Commercial Road
Lerwick
Shetland

THE A9 PARTNERSHIP LIMITED
Chartered Accountants
& Registered Auditors

SHETLAND TOURIST BOARD
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2005

	Notes	2005 £	2004 £
Turnover	2	147,322	137,542
Cost of sales	3	<u>98,721</u>	<u>105,202</u>
Gross surplus		48,601	32,340
Other operating income	4	507,012	424,722
Operating expenses	5	<u>617,552</u>	<u>510,122</u>
Operating deficit	7	(61,838)	(53,060)
Gain on sale of property		73,488	-
Interest receivable and similar income	8	2,579	2,468
Interest payable and similar charges	9	<u>(5,808)</u>	<u>(2,625)</u>
Surplus/deficit on ordinary activities before taxation		8,316	(53,217)
Taxation on surplus on ordinary activities		-	-
(Deficit)/surplus for the financial year		<u>8,316</u>	<u>(53,217)</u>
Summary of retained surplus			
Retained surplus brought forward		111,868	165,186
Retained (deficit)/surplus for the year		<u>8,316</u>	<u>(53,217)</u>
Retained surplus carried forward		<u>120,285</u>	<u>111,969</u>

The notes on pages 9 to 16 form part of these financial statements

SHETLAND TOURIST BOARD

BALANCE SHEET

FOR THE YEAR ENDED 31ST MARCH 2005

	Notes	2005 £	2004 £
FIXED ASSETS			
Tangible assets	10	<u>64,662</u>	<u>146,479</u>
CURRENT ASSETS			
Stocks	11	7,475	7,799
Debtors	12	53,813	80,388
Cash at bank and in hand		<u>136,776</u>	<u>115,936</u>
		198,064	204,123
CREDITORS: Amounts falling due within one year			
	13	<u>112,583</u>	<u>191,009</u>
Net current assets		<u>85,481</u>	<u>13,114</u>
Total assets less current liabilities		150,143	159,593
CREDITORS: Amounts falling due after more than one year			
Other provisions	14	<u>28,858</u>	<u>47,624</u>
		<u>120,285</u>	<u>111,969</u>
RESERVES:			
Income and expenditure account	16	<u>120,285</u>	<u>111,969</u>

The financial statements were approved Chairman
on behalf of the Board on Chief Executive

The notes on pages 9 to 16 form part of these financial statements

SHETLAND TOURIST BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005

1. ACCOUNTING POLICIES

Basis of accounting

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.

Depreciation

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

Motor vehicles	25% reducing balance
Office equipment	33% reducing balance
Fixtures and Fittings	20% reducing balance
Land and buildings	4% straight line

Deferred government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the income and expenditure account over the expected useful lives of the relevant assets.

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

Stocks

Stock consists of printed matter for resale. Stock is shown at the lower of cost or net realisable value. Net realisable value is the estimated sale and proceeds less the estimated cost of disposal.

Pensions

Eligible employees of the Board are members of the Local Government Pension Scheme, a defined benefit statutory scheme, administered by Shetland Islands Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees.

2. TURNOVER

	2005	2004
	£	£
Retail sales	36,616	24,244
Publication sales	35,409	34,285
Ticket sales	53,775	52,044
Accommodation and service income	6,467	10,500
Miscellaneous income	1,384	1,616
Commission and fees	<u>13,671</u>	<u>14,853</u>
	<u>147,322</u>	<u>137,542</u>

SHETLAND TOURIST BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2005

3. COST OF SALES

	2005	2004
	£	£
Opening stock	7,799	8,548
Retail purchases	23,474	18,081
Publication purchases	14,128	22,122
Ticket purchases	53,570	49,781
Accommodation and service purchases	<u>7,225</u>	<u>14,469</u>
	106,196	113,001
Closing stock	(7,475)	(7,799)
	<u>98,721</u>	<u>105,202</u>

4. OTHER OPERATING INCOME

	2005	2004
	£	£
Local Authority contributions - Shetland Islands Council	259,573	201,802
Scottish Tourist Board grants and contributions	108,032	116,048
Shetland Enterprise grants and contributions	25,789	16,625
Other grants and recoverables	8,080	2,833
Marketing Project refund	-	8,802
Membership fees	28,775	28,902
LPA Cruise development grant	6,000	-
HIAL Information services	20,000	-
Visit Scotland maintenance fees	-	3,700
Advertising within main brochures	<u>50,763</u>	<u>45,990</u>
	<u>507,012</u>	<u>424,702</u>

5. OPERATING EXPENSES

	2005	2004
	£	£
Employee costs (Note 6)	270,882	209,666
Premises related expenses	21,889	20,962
Transport related expenses	28,964	14,906
Supplies and services	44,609	40,338
Marketing and promotional expenses	234,089	209,226
Depreciation (less amortisation)	12,965	12,341
VAT irrecoverable	<u>3,054</u>	<u>2,683</u>
	<u>617,552</u>	<u>510,122</u>

SHETLAND TOURIST BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005

6. MEMBERS AND EMPLOYEES INFORMATION

	2005	2004
	£	£
Staff costs during the year were as follows:		
Salaries and wages	229,085	164,968
Social security costs	17,474	12,411
Other pension costs	<u>24,423</u>	<u>32,287</u>
	<u>270,982</u>	<u>209,666</u>

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

	2005	2004
	£	£
Management and administration	15	-
Board Members	<u>?</u>	<u>16</u>
	<u>?</u>	<u>16</u>

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

7. OPERATING SURPLUS/(DEFICIT)

	2005	2004
	£	£
This is stated after charging/(crediting):-		
Auditors' remuneration - audit	2,580	3,330
Depreciation of fixed assets (less amortisation of grant)	<u>12,965</u>	<u>12,341</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2005	2004
	£	£
Interest receivable	<u>2,579</u>	<u>2,468</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
Bank and credit card charges	<u>5,808</u>	<u>2,625</u>

SHETLAND TOURIST BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2005

10. TANGIBLE FIXED ASSETS

Cost	Heritable Property £	Fixture & Fittings £	Equipment £	Total £
At 1 st April 2004	100,305	77,896	78,619	256,820
Additions	4,472	5,134	19,263	28,869
Disposal	<u>(104,777)</u>	<u>-</u>	<u>-</u>	<u>(104,777)</u>
At 31st March 2005	<u>-</u>	<u>83,030</u>	<u>97,882</u>	<u>180,912</u>
Depreciation				
At 1 st April 2004	16,049	32,059	62,233	110,341
Charge for the year	-	10,194	11,764	21,958
On disposals	<u>(16,049)</u>	<u>42,253</u>	<u>-</u>	<u>(16,049)</u>
At 31st March 2005	<u>-</u>	<u>42,253</u>	<u>73,997</u>	<u>116,250</u>
Net book value				
At 31 st March 2005	<u>-</u>	<u>40,777</u>	<u>23,885</u>	<u>64,662</u>
At 31 st March 2004	<u>84,256</u>	<u>45,837</u>	<u>16,386</u>	<u>146,479</u>

11. STOCKS

	2005 £	2004 £
Goods for resale	<u>7,475</u>	<u>7,799</u>

12. DEBTORS

	2005 £	2004 £
Trade debtors	15,248	56,823
Prepayments and accrued income	30,152	23,565
VAT	<u>8,413</u>	<u>-</u>
	<u>53,813</u>	<u>80,388</u>

13. CREDITORS: Amounts falling due within one year

	2004 £	2003 £
Bank overdraft	28,629	-
Trade creditors	68,343	57,968
Accruals and deferred income	14,611	126,764
VAT	-	2,389
PAYE/NI	<u>-</u>	<u>3,888</u>
	<u>112,583</u>	<u>191,009</u>

SHETLAND TOURIST BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2005

14. OTHER PROVISIONS

	2005	2004
	£	£
Deferred capital grants:		
Brought forward	47,624	33,170
Received during the year	1,712	25,656
Amortisation during year	(8,993)	(11,202)
Transfer on sale of property	(10,485)	-
	<u>29,858</u>	<u>47,624</u>

15. PENSION SCHEME

Shetland Tourist Board provides pension arrangements to eligible employees through a defined benefits scheme and the related costs are assessed in accordance with the advice of Hymans Robertson, Independent Qualified Actuaries.

The latest formal valuation of the Fund for the purpose of setting employers actual contributions was at 31st March 2002, with the next formal valuation due as at 31 March 2005. The contributions being calculated using the projected unit method. The full valuation was brought forward and adjusted by the actuary at 31st March 2003. When updating the valuation, the major assumptions used by the actuary were:

Assumptions as at	31 st March 2004	31 st March 2003	31 st March 200
	% per annum	% per annum	% per annum
Inflation assumption	2.9	2.5	2.8
Salary increases	4.4	4.0	4.3
Pension increases	2.9	2.5	2.8
Discount rate	5.5	5.4	5.9

Assets (Employer Share)

	Long Term	Fund Value	Long Term	Fund Value	Long Term	Fund Value
	rate of return		rate of return		rate of return	
	expected		expected		expected	
	at		at		at	
	31 st March 2004		31 st March 2003		31 st March 2002	
	£ 000		£ 000		£ 000	
Equities	7.7%	210	8.0%	141	7.5%	166
Bonds	5.1%	27	4.8%	20	5.5%	30
Property	6.5%	-	6.0%	2	6.0%	6
Cash	4.0%	<u>9</u>	4.0%	<u>8</u>	4.0%	<u>17</u>
Total		<u>246</u>		<u>172</u>		<u>220</u>

SHETLAND TOURIST BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2005

15. PENSION SCHEME (continued)

Net Pension Asset as at	31st March 2004	31st March 2003	31st March 2002
	£000	£000	£000
Estimated Employer Assets	<u>246</u>	<u>172</u>	<u>220</u>
Present value of scheme liabilities	394	330	220
Present value of unfunded liabilities	<u>51</u>	<u>52</u>	<u>—</u>
Total value of liabilities	<u>445</u>	<u>382</u>	<u>220</u>
Net Pension liability	<u>(199)</u>	<u>(210)</u>	<u>—</u>

Analysis of amount charged to operating surplus

Amount charged to Operating Profit	31st March 2004	31st March 2003
	£000	£000
Service cost	21	14
Past service costs	<u>—</u>	<u>82</u>
Total operating charge	<u>21</u>	<u>96</u>

Analysis of the amount credited to other finance income

	31st March 2004	31st March 2003
	£000	£000
Expected return on assets pension scheme liabilities	13	15
Interest on Pension Scheme liabilities	<u>(21)</u>	<u>(13)</u>
Net return	<u>(8)</u>	<u>2</u>

Analysis of amount recognised in Statement of Total recognised gains and deficits (STRGL)

	31st March 2004	31st March 2003
	£000	£000
Actual return less expected return on pension scheme assets	39	(78)
Experience gains and losses arising on the scheme liabilities	-	(40)
Changes in financial assumptions underlying the present value of the scheme liabilities	<u>(19)</u>	<u>(10)</u>
Actuarial gain/(deficit) which would be recognised in STRGL	<u>20</u>	<u>(128)</u>

SHETLAND TOURIST BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2005

15. PENSION SCHEME (continued)

Movement in the year	31st March 2004	31st March 2003
	£000	£000
(Deficit)/surplus at beginning of the year	(210)	-
Current service cost	(21)	(14)
Employer contributions	17	12
Contributions in respect of unfounded benefits	3	-
Past service costs	-	(82)
Net return on assets	(8)	2
Actual (deficit)/gains	<u>20</u>	<u>(128)</u>
Deficit at end of year	<u>(199)</u>	<u>(210)</u>

History of Experience Gains and Deficits

	31st March 2004	31st March 2003
	£000	£000
Difference between the expected and actual return on assets	39	(78)
Value of Assets	246	172
Percentage of assets	15.8%	(45.3%)
Experience (losses)/gains on liabilities	-	(40)
Present value	445	330
Percentage of the present value of liabilities	-	(12.1%)
Actuarial gains/(losses) recognised in STRGL	20	(128)
Present value of liabilities	445	330
Percentage of the present value of liabilities	4.5%	(38.8%)

Hymans Robertson confirm the figures presented above are prepared only for the purposes of Financial Reporting Standard on Retirement Benefits FRS17 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under the UK accounting standard SSAP24 or international accounting standards or for other statutory purposes under UK pensions legislation.

Contributions payable for the year are charged in the income and expenditure account and amounted to £32,287 (2003: £23,530).

SHETLAND TOURIST BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005

**16. RESERVES AND RECONCILIATION OF MOVEMENTS
IN BOARD'S FUNDS**

	Income & Expenditure Account £
At 1 st April 2004	111,969
Surplus for the year	<u>8,316</u>
At 31 st March 2004	<u>120,285</u>

17. POST BALANCE SHEET EVENTS

The members have confirmed that there are no post balance sheet events to be declared.