

WHALE, The Arts Agency

**DIRECTORS REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007**

Company No: 180118 (Scotland)



WHALE, The Arts Agency

**DIRECTORS REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007**

CONTENTS

	Page
Report of the Directors	1 6
Report of the Auditors	7 8
Statement of Financial Activities	9
Balance Sheet	10
Notes to the Financial Statements	11 20

WHALE, The Arts Agency

DIRECTORS ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007

The directors are pleased to present their report together with the financial statements of the charity for the year ended 31st March 2007

Reference and administrative details

Name: WHALE, The Arts Agency

Charity number: SC020305

Company number: SC180118

Registered Office

WHALE Learning Centre, 30 Westburn Grove, Edinburgh, EH14 2SA

Auditors

McDonald Gordon & Co Ltd, Chartered Certified Accountants and Registered Auditors,
29 York Place, Edinburgh, EH1 3HP

Bankers

Bank of Scotland, 206 St Johns Road, Edinburgh, EH12 8SH

Directors

The directors of the charitable company (the charity) are its trustees for the purpose of charity law. Throughout this report they are collectively referred to as the directors.

The directors serving during the year and since the year end were as follows

E Handley	(appointed 27/08/07)
A Roberts	(appointed 04/06/07)
M Cannon	(appointed 13/03/07)
B Fotheringham	(appointed 05/03/07)
K Newey	(appointed 06/11/06)
L Mungall	(appointed 03/07/07)
R Harper	

H Dalglish	(resigned)
G English	(resigned)
L Hansen	(resigned)
T Hartley	(resigned)
J Imrie	(resigned)
J MacDonald	(resigned)
D MacKinnon	(resigned)
W Winton	(resigned)
S Hashwa	(resigned)
W Robertson	(resigned)

Company Secretary

J MacDonald (resigned)

WHALE, The Arts Agency

DIRECTORS ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007 (continued)

Structure, Governance and Management

WHALE, The Arts Agency, is a company limited by guarantee having no share capital, and is governed by a Memorandum and Articles of Association dated 13 July 1998. It is registered as a charity with the Office of the Scottish Charity Regulator. Every member of the company undertakes to contribute to the company's assets if it should be wound up while he is a member or within one year after he ceases to be a member, a sum not exceeding £1.

Recruitment, appointment and training of directors

Board members are recruited from previous users, interested local people and through adverts in the Edinburgh Volunteer Centre. As previous users, or parents of users of services, some Board members bring first hand knowledge of WHALE's activities while others bring a range of professional skills.

Through six weekly Board meetings and regular attendance at activities and exhibitions, Board members are actively involved with WHALE. Expert advice is sought at Board meetings when new legislation impacts on the work of WHALE.

New Board members are introduced to WHALE through discussion with the agency manager, current Board members and attendance at activities and events. WHALE employs external agencies to run bespoke training for Board members, offering opportunities to explore issues.

Under the Articles of Association there shall be a minimum of four and a maximum of twelve directors of the company. It is desired that local directors should be in the majority and not more than six shall be from outwith the area of Wester Hailes and the surrounding district. Nominations to the Board of Directors should be submitted in writing at least 2 weeks prior to the AGM or other GM if appropriate but at the discretion of the Chairperson nominations may be accepted by the floor. Any casual vacancies may be filled by the Board.

Risk management

WHALE's Board is in the process of adopting a completely revised and up to date risk management strategy. The proposed approach to risk involves a comprehensive exercise to identify and assess risks facing the organisation, classified into categories: strategic, financial, operational and compliance risk. The potential impact of these risks, considered along with the likelihood of them materialising, will be assessed and recorded into a risk register. This register will be monitored regularly by the management team and Board. The responses to the risks identified will determine what action will be taken to control, mitigate or accept the risk, where it is reasonable to do so. This process will aid the prioritisation of risk and, in doing so, will help WHALE adopt a fully risk focused approach in the way that it conducts its operations.

WHALE's approach to risk management will be encapsulated in a risk strategy document, to be approved by the Board and dispersed throughout the organisation.

WHALE, The Arts Agency

DIRECTORS ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007 (continued)

Objectives and activities

The objects of the charity as described in its governing document are

- “To advance education and knowledge of the arts among the people of Wester Hailes and the surrounding area, by delivering lifelong learning, training and inclusive routes into further education and by becoming a best practice model of arts service
- To promote establish and operate other schemes of a charitable nature for the benefit of the said people.”

In order to achieve its objectives WHALE aims to improve the life chances and well being of the people of Wester Hailes and beyond through professionally led arts activities WHALE aims to celebrate local culture and, by having users at the heart of future planning, ensure activities reflect local demand

Operating a learning ladder of progression WHALE aims for participants to move from informal participation in arts activities to formal learning Access level courses run by Stevenson and Telford Colleges in the WHALE Learning Centre bring learning opportunities to the heart of the community, helping to engage harder to reach people

Activities, Achievements and performance

Amongst the activities carried out and projects undertaken by WHALE during the year were the following:

Way Out West this was a research project undertaken from August 2006 to June 2007 looking at the effect of our youth programmes on youth anti social and offending behaviour There were some interesting findings which will allow us to make a plan for the youth work at WHALE in the coming years A copy of the report can be obtained by contacting us or an abridged version is available from our website – www.whalearts.co.uk

For Adults:

IT Courses weekly beginners computing and ECDL classes, in partnership with Telford College

Sculpture Garden the creation of a garden space around WHALE to site sculpture in the future

Welcome Events 2 arts and information events held at WHALE to welcome new residents to Wester Hailes

Artemis Exhibition digital photography work by a group of women from BME backgrounds

For Young People:

Streets Arts open access art sessions two evenings a week including drama, break dancing and graffiti

Sound a project for young musicians who formed a band and recorded a CD of their songs

Summer Programme/

WHALE, The Arts Agency

DIRECTORS ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007 (continued)

Summer Programme three weeks of singing, dancing, drama and puppet making workshops

In terms of achievement, whilst data is not available for the 12 month period concluding with the company's financial year end, the following information for the period from August 2006 to July 2007 is indicative of the levels of achievement

- 23 projects and courses ran
- 12 one off events ran
- 629 people participated in WHALE activities
- which added up to 2,598 attendances
- 41 artists, tutors and seasonal workers provided activities
- 38 volunteers provided 1,920 hours of support to activities
- 45 young people took part in performances
- WHALE let space to over 20 organisations offering services to the local community

As well as housing our own programme the WHALE Learning Centre was busy during the year with courses, projects and events hosted by other organisations. Five locally based organisations let office space in the building. We have also let our workshops and meeting spaces to Re Union's canoe building projects and Women Onto Work's back to work course among others. All our lets are to organisations offering services to local people and over the years we have become an invaluable community resource.

Volunteers

During the 12 months to July 2007 the company utilised the services of 38 volunteers who provided a total of 1,920 hours of support to activity.

Financial Review

There was a surplus for the year of £26,086 in relation to the general fund however this was after the transfer from restricted to unrestricted funds of £55,837, as referred to in note 18.1. Without this transfer a deficit of £29,751 would have arisen.

The Board are committed to rectifying the position at 31 March 2007 as outlined in note 19 of the accounts, whereby current liabilities exceed current assets by £10,094 in relation to the general fund, by ensuring that expenditure is only incurred where there is income to support it and also by increasing income such as that in relation to rent and administration charges.

The company had a difficult year and in November 2006 we were facing closure and it was necessary to make two members of staff redundant. However, thanks to the hard work and loyalty of our staff, funders and participants, we negotiated a funding package that will see WHALE comfortably through the next 12 months.

The Board acknowledges the financial support of its principal funders: the Scottish Arts Council, the City of Edinburgh Council and the West Edinburgh Community Planning Partnership, as well as the many other organisations that have contributed to support our activities.

The Board would wish to draw attention to the fact that whilst the balance sheet appears to demonstrate an extremely healthy position with total charity funds in excess of £800,000, it is important to understand that the majority of this is the capital grant received from the Scottish Arts Council to fund the construction of our learning centre. Under the terms of the grant the SAC has a standard security over the property.

WHALE, The Arts Agency

DIRECTORS ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007 (continued)

Investment Powers

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the directors wish. The directors, having regard to the liquidity requirements of operating the company, have a policy of depositing available funds in an interest bearing deposit account.

Reserves policy

The directors recognise their corporate responsibility to ensure that the company has sufficient reserves to fund present and future liabilities.

The ultimate aim is to have around three months operating costs in reserve although the directors recognise that this may take some time to achieve.

Plans for future periods

The wider environment in which we are working has really changed this year. A new government and a new council means changes to funding structures which have the potential to really affect us.

With this in mind, we are re-assessing how we fund and deliver our work and looking into working in partnership as much as possible. We are working on projects to link us with other local organisations such as Hailesland Children and Families Centre and with city wide community arts organisations such as Craigmillar Community Arts and Out of the Blue. Coming up at WHALE we have programmes delivered by Edinburgh and Scottish cultural institutions such as Scottish Opera, Stills Gallery and the National Galleries of Scotland.

We believe that while we have a unique ability to involve local people in the arts, working in partnership will enable us to reach more people with more creative and exciting projects than ever.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors required to

select suitable accounting policies and then apply them consistently,
make judgements and estimates that are reasonable and prudent,
prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.


In the case of each of the persons who are directors at the time when the directors report is approved

- so far as the director is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

WHALE, The Arts Agency**DIRECTORS ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2007 (continued)****AUDITORS**

The auditors, McDonald Gordon & Co Ltd, will be proposed for re appointment in accordance with Section 385 of the Companies Act 1985

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies. It was approved by the board on **17/01/08** and signed on its behalf by

ANNE ROBERTS. 

17th January 2008

WHALE, The Arts Agency

INDEPENDENT AUDITORS REPORT TO THE TRUSTEES AND MEMBERS OF WHALE, The Arts Agency

This report is issued in respect of an audit carried out under Section 235 of the Companies Act 1985 and Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005

We have audited the company's financial statements for the year ended 31 March 2007, which comprise, Statement of Financial Activities, Balance Sheet and the related notes 1 – 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and to the charity's trustees as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the company's members and the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The responsibilities of the trustees, who are the directors of the charity for the purposes of company law for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company 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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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.

We have/

WHALE, The Arts Agency**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
WHALE, The Arts Agency (continued)**

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard – Provisions Available for Small Entities, in the circumstances set out in note 14 to the financial statements

GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosure in note 1 to the accounts regarding the accounts being prepared on a going concern basis. We consider that this matter should be drawn to your attention but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

The information given in the Directors' Report is consistent with the financial statements.



McDonald Gordon & Co Ltd
Chartered Certified Accountants
and Registered Auditors

29 York Place
Edinburgh
EH1 3HP

18th January 2008

WHALE, The Arts Agency

**STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2007**

		Unrestricted Funds	Restricted Funds		2007 Total Funds	2006 Total Funds
	Note	£	Income £	Capital £	£	£
Incoming resources						
Incoming resources from generated funds						
Voluntary income	4	25,553	79,498		105,051	86,078
Investment income	6	836			836	1,556
Incoming resources from charitable activities	7	31,577	57,121		88,698	131,133
Other income		<u>243</u>	<u> </u>	<u> </u>	<u>243</u>	<u> </u>
Total incoming resources		<u>58,209</u>	<u>136,619</u>	<u> </u>	<u>194,828</u>	<u>218,767</u>
Resources expended						
Costs of generating funds						
Cost of generating voluntary income	8	16,689			16,689	
Charitable activities	9	74,546	141,003	18,509	234,058	235,182
Governance costs	8	<u>7,751</u>	<u> </u>	<u> </u>	<u>7,751</u>	<u>3,055</u>
Total resources expended		<u>98,986</u>	<u>141,003</u>	<u>18,509</u>	<u>258,498</u>	<u>238,237</u>
Net income/(expenditure) for the year before transfers		(40,777)	(4,384)	(18,509)	(63,670)	(19,470)
Gross transfers between funds		<u>66,863</u>	<u>(11,026)</u>	<u>(55,837)</u>	<u> </u>	<u> </u>
Net movement of funds in year		<u>26,086</u>	<u>(15,410)</u>	<u>(74,346)</u>	<u>(63,670)</u>	<u>(19,470)</u>
Reconciliation of funds						
Total funds brought forward		<u>(4,347)</u>	<u>32,686</u>	<u>870,188</u>	<u>898,527</u>	<u>917,997</u>
Total funds carried forward		<u>21,739</u>	<u>17,276</u>	<u>795,842</u>	<u>834,857</u>	<u>898,527</u>

The statement of financial activities includes all gains and losses recognised in the year

All incoming resources and resources expended derive from continuing activities

The notes on pages 11 to 20 form an integral part of these financial statements

WHALE, The Arts Agency

**BALANCE SHEET
AS AT 31 MARCH 2007**

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	15	827,675	848,010
Current assets			
Debtors	16	7,085	31,247
Cash at bank and in hand		<u>22,610</u>	<u>45,423</u>
		<u>29,695</u>	<u>76,670</u>
Liabilities			
Creditors falling due within one year	17	<u>(22,513)</u>	<u>(26,153)</u>
Net current assets		<u>7,182</u>	<u>50,517</u>
Total assets less current liabilities		<u>834,857</u>	<u>898,527</u>
Net assets		<u>834,857</u>	<u>898,527</u>
The funds of the charity			
Unrestricted funds			
General	18	21,739	(4,347)
Total unrestricted funds			
Restricted funds			
Income		17,276	32,686
Capital		<u>795,842</u>	<u>870,188</u>
Total restricted funds	18	<u>813,118</u>	<u>902,874</u>
Total charity funds		<u>834,857</u>	<u>898,527</u>

The financial statements, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved by the board on 17th Jan 2008 and signed on their behalf by Brian J. Gatherringham

Brian J. Gatherringham
17th January 2008

The notes on pages 11 to 20 form an integral part of these financial statements

WHALE, The Arts Agency

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historic cost convention and in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standards and the Companies Act 1985. The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to prepare a cashflow on the grounds that it is a small company. The principal accounting policies adopted in the preparation of the financial statements are set out below.

INCOMING RESOURCES

Voluntary income comprises all incoming resources from grants that provide core funding or are of a general nature together with donations. Grants which do not have particular service requirements are included within this category of incoming resources. Income is recognised at such time as there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Income is only deferred where the donor specifies that the grant or donation may only be expended in future accounting periods or conditions imposed by the donor which must be met before the charity has unconditional entitlement to the grant or donation have not been attained. In such circumstances income is credited to deferred income and accounted for as a liability.

Investment income comprises interest receivable on cash balances held in interest bearing deposits.

Income from charitable activities comprises income received under contract or where entitlement to grant funding is subject to particular service requirements. Such income is recognised as earned (as the related services are provided).

RESOURCES EXPENDED

Expenditure is recognised when a liability is incurred. Contractual arrangements are recognised as goods or services are supplied.

- Costs of generating funds are those costs incurred in attracting voluntary income.
- Charitable activities include expenditure associated with the various projects and other activities in furtherance of the charity's objectives and include both the direct costs and support costs relating to these activities.
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.
- Support costs relating to a specific activity are allocated directly to that activity. Where support costs relate to several activities they have been apportioned as set out in note 8.

WHALE, The Arts Agency

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2007

GOING CONCERN

Whilst the balance sheet at 31 March 2007 shows there are net current assets in relation to total funds of £7,182, the position as detailed in Note 19 with regard to the general fund is that current liabilities exceed current assets by £10,094

Notwithstanding the foregoing the directors consider that it is still appropriate to prepare the accounts on a going concern basis based on expected future funding the commitment to ensure that expenditure is only incurred where corresponding funding is in place.

PENSIONS

During the year the company made contributions to a defined contribution scheme which are charged to the income and expenditure account when payable. The company also made contributions to a multi employer defined benefit scheme, the Scottish Voluntary Sector Pension Scheme, independently operated by The Pensions Trust, where the share of the net assets and liabilities applicable to the company has not been requested by the directors as outlined in note 20. Accordingly, these financial statements include pension costs payable on a defined contribution basis.

TANGIBLE FIXED ASSETS

Individual fixed assets costing £250 or more are capitalised at cost

Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives as follows

Buildings	over 44 years on a straight line basis
Fixtures, fittings and equipment	over 10 years on a straight line basis

GRANTS FOR THE PURCHASE OF FIXED ASSETS

Grants received by the Charity which are specifically for the purchase of fixed assets are recognised as incoming resources in the Statement of Financial Activities when receivable. The relevant fund in which the net book value of assets so acquired is reflected is then reduced over the economic life of the asset in line with its depreciation.

FUNDS STRUCTURE

The Charity has various types of funds which require to be separately disclosed as follows

Unrestricted funds are funds which are expendable at the discretion of the Board in furtherance of the objects of the charity

Restricted funds are funds to account for situations where a donor requires that a donation can only be spent on a particular purpose or where funds have been raised for a specific purpose. Related expenditure is identified to the fund, together with a fair reflection of support costs.

Restricted funds are further sub divided into **Capital restricted funds** and **Income restricted funds**. The former represents restricted funds provided for capital projects, with the latter category representing all other restricted funds of the charity

WHALE, The Arts Agency

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2007**

2. LEGAL STATUS OF THE CHARITY

The Charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

3. TRANSACTIONS WITH DIRECTORS

There were no transactions with the directors which require to be reported.

None of the directors of the company received any remuneration during the year or in the previous year.

4. VOLUNTARY INCOME

	Note	Unrestricted £	Restricted £	2007 Total £	2006 Total £
Grants	5	25,000	58,198	83,198	62,552
Donations etc		<u>553</u>	<u>21,300</u>	<u>21,853</u>	<u>23,526</u>
		<u>25,553</u>	<u>79,498</u>	<u>105,051</u>	<u>86,078</u>

5. VOLUNTARY INCOME – GRANTS

	Unrestricted £	Restricted £	2007 Total £	2006 Total £
WECPP – Community Regeneration Fund		58,198	58,198	62,552
SAC	10,000		10,000	
CEC – Relief Fund	10,000		10,000	
WEVSF	<u>5,000</u>		<u>5,000</u>	
	<u>25,000</u>	<u>58,198</u>	<u>83,198</u>	<u>62,552</u>

6. INVESTMENT INCOME

The Charity's investment income arises from an interest bearing bank deposit account.

7. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	Unrestricted £	Restricted £	2007 Total £	2006 Total £
Grants		42,218	42,218	103,003
Fees and other income	6,080	14,903	20,983	6,408
Rent and admin charges	<u>25,497</u>		<u>25,497</u>	<u>21,722</u>
	<u>31,577</u>	<u>57,121</u>	<u>88,698</u>	<u>131,133</u>

The company's income in respect of rent and admin charges is treated as income from charitable activities on the basis that the directors consider the charges are made to organisations who predominantly carry out activities, which are in furtherance of the objects of the charity.

WHALE, The Arts Agency

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2007

8. ANALYSIS OF SUPPORT COSTS

	Charitable activities	Cost of generating voluntary Income	Governance	2007 Total	2006 Total
	£	£	£	£	£
Accountancy and audit			2,174	2,174	3,055
Professional fees			15	15	3,017
Staff costs	110,265	15,638	5,212	131,115	108,797
Office costs	<u>12,618</u>	<u>1,051</u>	<u>350</u>	<u>14,019</u>	<u>12,047</u>
	<u>122,883</u>	<u>16,689</u>	<u>7,751</u>	<u>147,323</u>	<u>126,916</u>

In the current year salary costs have been allocated to activities on the basis of an estimate of the time spent by a particular member of staff on an activity. Office costs have been allocated to activities on a similar basis.

In the previous year staff costs and office costs were allocated as relating entirely to charitable activities.

9. ANALYSIS OF CHARITABLE EXPENDITURE BY FUND TYPE

The charity undertakes direct charitable activities only and does not make grant payments.

	Unrestricted	Restricted Income	Restricted Capital	Restricted Total	2007 Total	2006 Total
	£	£	£	£	£	£
Support costs – note 8	34,764	88,119		88,119	122,883	123,861
Direct project costs	7,706	50,104		50,104	57,810	76,171
Premises costs	29,099		18,509	18,509	47,608	26,253
Travel	1,210	1,392		1,392	2,602	3,706
Other costs	<u>1,767</u>	<u>1,388</u>		<u>1,388</u>	<u>3,155</u>	<u>5,191</u>
	<u>74,546</u>	<u>141,003</u>	<u>18,509</u>	<u>159,512</u>	<u>234,058</u>	<u>235,182</u>

In the opinion of the directors premises costs relate, in all material respects, entirely to direct charitable expenditure.

10. ANALYSIS OF STAFF COSTS

	2007 Total	2006 Total
	£	£
Salaries and wages	109,767	97,045
Social security costs	10,215	8,905
Pension costs	5,496	2,847

There were no employees (2006 – nil) who received emoluments above £60,000 during the year.

WHALE, The Arts Agency

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2007**

11. STAFF NUMBERS

The average number of full time equivalent employees (including casual and part time staff) during the year was as follows

	2007 Number	2006 Number
Staff members	6	5

12. DEPRECIATION CHARGED IN STATEMENT OF FINANCIAL ACTIVITIES

	2007 £	2006 £
Depreciation of tangible fixed assets owned by the company		
Buildings	18,509	
Plant & machinery	4,375	4,024

13. TAXATION

The company is a registered charity and as such its activities fall within the exemptions afforded by Section 505 of the Income and Corporation Taxes Act 1988. Accordingly, no provision is considered necessary for taxation.

14. AUDITOR'S REMUNERATION

The auditor's remuneration of £2,174 (2006 £1,000) related solely to the audit with additional accountancy work undertaken of £0 (2006 £2,055).

In common with many other businesses of our size and nature we use our auditors to assist with the preparation of the financial statements.

15. TANGIBLE FIXED ASSETS

	Buildings £	Plant and machinery £	Total £
Cost:			
As at 1 April 2006	814,351	41,208	855,559
Additions	<u> </u>	<u>2,549</u>	<u>2,549</u>
As at 31 March 2007	<u>814,351</u>	<u>43,757</u>	<u>858,108</u>
Depreciation:			
As at 1 April 2006		7,549	7,549
Charge for the year	<u>18,509</u>	<u>4,375</u>	<u>22,884</u>
As at 31 March 2007	<u>18,509</u>	<u>11,924</u>	<u>30,433</u>
Net book value			
As at 31 March 2007	<u>795,842</u>	<u>31,833</u>	<u>827,675</u>
As at 1 April 2006	<u>814,351</u>	<u>33,659</u>	<u>848,010</u>

WHALE, The Arts Agency

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2007**

The company has granted a security over its building to the Scottish Arts Council in respect of all obligations undertaken in terms of the funding agreement between the company and SAC

The company's building is situated on land owned by the City of Edinburgh Council to whom a ground rent of £1 is payable per annum. The terms of the lease were 25 years from the date of entry, which it is understood was in early 1999

Notwithstanding the foregoing, the directors consider it appropriate that the company's building is depreciated over 44 years from 1 April 2006

16. DEBTORS

	2007	2006
	£	£
Trade debtors	1,131	11,888
Prepayments and accrued income	<u>5,954</u>	<u>19,359</u>
	<u>7,085</u>	<u>31,247</u>

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Trade creditors	9,772	18,775
Other taxes and social security costs	8,684	2,549
Other creditors and accruals	<u>4,057</u>	<u>4,829</u>
	<u>22,513</u>	<u>26,153</u>

WHALE, The Arts Agency

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2007**

18. ANALYSIS OF CHARITABLE FUNDS

	Balance at 31 March 2006 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2007 £
Unrestricted					
General fund	<u>(4,347)</u>	<u>58,209</u>	<u>(98,986)</u>	<u>66,863</u>	<u>21,739</u>
Restricted – income funds					
Streets Ahead	2,606	7,007	(9,457)	2,171	2,327
Sound	7,230	8,850	(5,350)	(4,623)	6,107
No Fears	16,900		(16,140)	(760)	
Community Regeneration Fund		58,198	(58,198)		
5 th Gear		17,568	(17,568)		
Way Out West		20,680	(13,836)	(866)	5,978
Other projects	<u>5,950</u>	<u>24,316</u>	<u>(20,454)</u>	<u>(6,948)</u>	<u>2,864</u>
Total restricted	<u>32,686</u>	<u>136,619</u>	<u>(141,003)</u>	<u>(11,026)</u>	<u>17,276</u>
Restricted – capital funds					
Building Fund –note 18 1	<u>870,188</u>	—	<u>(18,509)</u>	<u>(55,837)</u>	<u>795,842</u>
Total restricted	<u>902,874</u>	<u>136,619</u>	<u>(159,512)</u>	<u>(66,863)</u>	<u>813,118</u>
TOTAL FUNDS	<u>898,527</u>	<u>194,828</u>	<u>(258,498)</u>	—	<u>834,857</u>

PURPOSES OF RESTRICTED FUNDS

Community Regeneration fund – this partly funds the salaries of core staff

Building fund – this was the grant received in relation to the WHALE Learning Centre

Other restricted funds – these relate to projects which are carried out in furtherance of the objects of the charity

TRANSFERS BETWEEN FUNDS

Where, after accounting for direct costs, there is a surplus in relation to a project funded by a restricted fund, it is the charity's policy to make an appropriate charge in respect of premises and support costs. This is accounted for as a transfer between restricted and unrestricted funds.

WHALE, The Arts Agency

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2007**

18.1 TRANSFER FROM BUILDING FUND TO GENERAL FUND

In the financial statements for the year ended 31 March 2006 the balance on the restricted building fund exceeded the cost of the company's building as included under fixed asset by £55,937

The directors consider that the reason for this was as follows

The company was involved in a long running dispute with the contractor responsible for the building of the WHALE Learning Centre. The contractor was seeking an additional amount in excess of £60,000 in respect of the original construction. Both parties had until October 2005 to instruct formal proceedings, however this has not been initiated.

The dispute related to a series of snagging works which were not rectified to the satisfaction of WHALE. The directors understand that WHALE separately paid for certain of the rectification works to be carried out by persons other than the contractor. It is likely that some of this expenditure has been included in prior year accounts as repairs and maintenance and analysed as unrestricted expenditure, as opposed to be capitalised as an additional cost of the company's building.

The construction of the building was funded via a grant from the Scottish Arts Council who have indicated to WHALE that they will not seek to recover any of the funding advanced in this regard and in fact SAC were involved in attempting to settle the dispute with the contractor.

Under the above circumstances the directors consider it appropriate that the balance on the building fund is reduced by £55,837 via a transfer to unrestricted funds in order that the carrying amount of fixed assets – buildings equates to the balance on the building fund.

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Fund £	Restricted Funds £	Total £
Tangible fixed assets	31,833	795,842	827,675
Cash at bank and in hand	5,334	17,276	22,610
Other net current assets/(liabilities)	<u>(15,428)</u>	<u> </u>	<u>(15,428)</u>
	<u>21,739</u>	<u>813,118</u>	<u>834,857</u>

**20. PENSION COMMITMENTS/CONTINGENT LIABILITY
ON WITHDRAWAL FROM DEFINED BENEFIT SCHEME**

The company contributes to two different pension schemes

- (i) The Scottish Voluntary Sector Pension Scheme. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state Scheme. It is not possible in the normal course of events and without unreasonable cost to the company, to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the plan, the accounting charge for the period represents the employer contributions payable. During the year the company had one active member and a number of deferred members.

WHALE, The Arts Agency

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2007

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the "projected unit credit" method.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% pa
• Investment return pre retirement	6.10
• Investment return post retirement	4.80
• Rate of salary increases	4.00
• Rate of pension increases	
for pensionable service pre 6 April 2005	2.50
for pensionable service post 5 April 2005	2.25
• Rate of price inflation	2.50

The market value of the Scheme's assets at the valuation date was £33.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £6.7 million (equivalent to a past service funding level of 83%).

As the actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee has prepared a recovery plan setting out the steps to be taken to make up the shortfall. Under this plan, if the valuation assumptions are borne out in practice, the pattern of contributions as set out in the plan, should be sufficient to eliminate the post service deficit on an ongoing funding basis by 31 March 2022. The Pensions Regulator has reviewed the recovery plan for the Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any Scheme funding directions under Part 3 of the Pensions Act 2004.

The contributions of the members were 6% of earnings during the year and the company paid contributions at the rate of 12% during the year. The pension charge payable by the company was £2,555. There were no amounts outstanding and payable to the Scheme at the year end.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy out debt.

WHALE, The Arts Agency**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2007**

The leaving employer's share of the buy out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2005 which was £148,000.

The company continues to offer membership of the Scheme to its employees and has no plans to withdraw from the Scheme, hence the amount previously referred to represents a contingent liability at 30 September 2005.

- (ii) A Defined Contribution Scheme operated by the company. The assets of the Scheme are held separately from those of the company in an independently administered fund.

The pension charge payable by the company was £2,941.