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FÈISEAN NAN GAIDHEAL
REPORT OF THE TRUSTEES AND
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Nicolson
Chartered Accountants
& Registered Auditors
34 Church Street
Stornoway
Isle of Lewis
HS1 2JE



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for the Year Ended 31 March 2006

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**LEGAL AND ADMINISTRATIVE INFORMATION
for the Year Ended 31 March 2006**

TRUSTEES: Mr Ken Houston
Mr Ken Mackenzie
Mrs Kate Kerr
Katie Adam
Peggy Nicolson
Joan Robertson
Mrs Jane MacNeil
Mr George Stoddart
Mrs Jessie Newton
Mr Alasdair MacDonald

COMPANY SECRETARY: Ken Houston

CHARITY NUMBER: SC002040

REGISTERED OFFICE: Meall House
Portree
Isle of Skye
IV51 9BZ

AUDITORS. Nicolson
Chartered Accountants
& Registered Auditors
34 Church Street
Stornoway
Isle of Lewis
HS1 2JE

**REPORT OF THE TRUSTEES
for the Year Ended 31 March 2006**

The trustees, who are also directors of the company for the purposes of the Companies Act, present their report with the financial statements. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 in preparing the annual report and financial statements of the charity.

PRINCIPAL ACTIVITY

The principal activity of the Society in the year under review was that of the provision of support to Community Arts Festivals promoting Gaelic.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

Company and charity law requires trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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,
- prepared the financial statements on the going concern basis

The trustees have overall responsibility for ensuring that the charity has appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESERVES POLICY AND RISK MANAGEMENT

The directors continually review the charity's activities and the risks to which it is exposed. This involves the identification of potential risks and the design of policies to manage and mitigate risk.

The directors also monitor the level of free reserves, and ensure that these are sufficient to sustain operations over the coming year.

It is the view of the directors that the level of reserves is satisfactory for the coming year.

AUDITORS

A resolution proposing that Nicolson, Chartered Accountants, be re appointed as auditors of the charity will be put to the Annual General Meeting.

ON BEHALF OF THE BOARD:



Ken Houston Secretary

Dated 6 September 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FÈISEAN NAN GAIDHEAL

We have audited the financial statements of Feisean nan Gaidheal for the year ended 31 March 2006 on pages four to twenty seven. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's 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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described on pages three and four the trustees (who are also the directors of Fèisean nan Gaidheal for the purposes of company law) are responsible for the preparation of the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements 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 Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual 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 trustees' remuneration and transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FÈISEAN NAN GAIDHEAL**

Opinion

In our opinion the financial statements

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities of the state of the charity's affairs as at 31 March 2006, and of its incoming resources and application of resources, including its income and expenditure, in the year then ended, and

have been properly prepared in accordance with the Companies Act 1985

In our opinion the information given in the report of the directors is consistent with the financial statements

Nicolson

Nicolson
Chartered Accountants
& Registered Auditors
34 Church Street
Stornoway
Isle of Lewis
HS1 2JE

23 August 2006

**STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
for the Year Ended 31 March 2006**

	31.03.06			31 03 05
	Unrestricted Funds £	Designated Funds £	Restricted Funds £	Total Funds £
INCOMING RESOURCES				
Grants	320,771	452,492		773,263
Other income	94,608	28,687		123,295
Management fees earned	64,873			64,873
Memberships	4,115			4,115
Interest received	7,434			7,434
Total incoming resources	491,801	481,179		972,980
DIRECT CHARITABLE EXPENDITURE				
Grants awarded	135,341			135,341
Wages and salaries		239,272		239,272
Project support	93,477			93,477
Direct expenses	16,288	293,774		310,062
	245,106	533,046		778,152
OTHER EXPENDITURE				
Administrative salaries	123,650			123,650
Administrative overheads	96,577	35,431		132,008
Depreciation	799			799
	221,026	35,431		256,457
Total resources expended	466,132	568,477		1,034,609
Net (outgoing)/incoming resources	25,669	87,298		-61,629
Fund balances brought forward	25,653	182,754		208,407
Fund balances carried forward	51,322	95,456		146,778

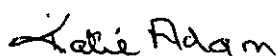
The notes form part of these financial statements

**BALANCE SHEET
31 March 2006**

	Notes	31.3.06 £	£	31 3 05 £	£
FIXED ASSETS					
Tangible assets	4		275		1,074
CURRENT ASSETS					
Stocks		3,478		2,306	
Debtors	5	87,728		70,171	
Cash at bank		<u>137,669</u>		<u>267,650</u>	
		228,875		340,127	
CREDITORS					
Amounts falling due within one year	6	<u>82,372</u>		<u>132,793</u>	
NET CURRENT ASSETS			<u>146,503</u>		<u>207,334</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>146,778</u>		<u>208,408</u>
FUNDS					
ICT project	7		2,319		8,087
Training project	7		25,848		27,246
Lochaber development fund	7		(6,099)		(5,292)
Blas Festival	7		(15,638)		
Schools project	7		89,026		152,714
General fund	7		<u>51,322</u>		<u>25,653</u>
			<u>146,778</u>		<u>208,408</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements were approved by the Board of Directors on 23 August 2006 and were signed on its behalf by



Katie Adam Director

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2006**

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in 2005 and applicable accounting standards.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

The charity has availed itself of Paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities. No separate SOFA has been presented for the charity alone as permitted by Section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities ("SORP") issued in October 2000, applicable accounting standards and the Companies Act 1985.

Grants received and receivable

Turnover represents net invoiced sales of goods and services, excluding VAT, grant income, membership fees and other earned income.

Income from grants, including capital grants, is included in incoming resources when these are receivable, except as follows:

- When grants must be used in future accounting periods, the income is deferred until those periods.
- When conditions are applied, the income is deferred until such time as the conditions are met.

When grants, including capital grants, are for particular restricted purposes, but which do not amount to pre-conditions regarding entitlement, the income is included in incoming resources when receivable.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Plant and machinery	25% on cost
Fixtures and fittings	20% on cost
Computer equipment	12.5% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Company status

The charity is a company limited by guarantee. The members of the company are the trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

**NOTES TO THE FINANCIAL STATEMENTS continued
for the Year Ended 31 March 2006**

1 ACCOUNTING POLICIES continued

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements. Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally investments. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

Investment income and gains are allocated to the appropriate fund.

Resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received.

No amounts are included in the financial statements for services donated by volunteers.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

2 OPERATING PROFIT

The operating profit is stated after charging

	31 3.06	31 3 05
	£	£
Depreciation owned assets	799	6,361
Auditors' remuneration	1,081	934
Pension costs	<u>1,324</u>	<u>1,420</u>

No Trustee received any emoluments in either year.

3 TAXATION

As a charity, there is no liability to corporation tax.

NOTES TO THE FINANCIAL STATEMENTS continued
for the Year Ended 31 March 2006

4 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 April 2005 and 31 March 2006	<u>26,500</u>	<u>73,712</u>	<u>3,196</u>	<u>103,408</u>
DEPRECIATION				
At 1 April 2005	26,500	73,712	2,122	102,334
Charge for year	<u> </u>	<u> </u>	<u>799</u>	<u>799</u>
At 31 March 2006	<u>26,500</u>	<u>73,712</u>	<u>2,921</u>	<u>103,133</u>
NET BOOK VALUE				
At 31 March 2006	<u> </u>	<u> </u>	<u>275</u>	<u>275</u>
At 31 March 2005	<u> </u>	<u> </u>	<u>1,074</u>	<u>1,074</u>

Fixed assets represent those assets acquired by the company which were not funded by restricted funds, and consequently the full value of some assets utilised by the company is not reflected in these accounts

5 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.06	31 3 05
	£	£
Other debtors	<u>87,728</u>	<u>70,171</u>

Other debtors represents grants awarded but not received at the year ended, together with those retrospective claims for grant assistance which can be reasonably quantified

6 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.06	31 3 05
	£	£
Bank loans and overdrafts	18,936	79,331
Trade creditors	9,855	
Taxation and social security	5,883	5,206
Grants awarded but unpaid and accrued expenses	<u>47,698</u>	<u>48,256</u>
	<u>82,372</u>	<u>132,793</u>

NOTES TO THE FINANCIAL STATEMENTS continued
for the Year Ended 31 March 2006

7 FUNDS

	General fund £	ICT project £	Training project £
At 1 April 2005	25,653	8,086	27,246
Surplus for the year	25,669		
Grants received			54,207
Earned income			10,182
Salaries and expenses			(30,356)
Administrative costs		(5,767)	
Other costs			(35,431)
At 31 March 2006	<u>51,322</u>	<u>2,319</u>	<u>25,848</u>

	Lochaber development fund £	Blas Festival £	Schools project £	Totals £
At 1 April 2005	(5,292)		152,714	208,407
Surplus for the year				25,669
Grants received	32,274	146,500	219,511	452,492
Earned income		18,505		28,687
Salaries and expenses	(33,081)	(33,615)	(142,220)	(239,272)
Administrative costs		(147,028)	(140,979)	(293,774)
Other costs				(35,431)
At 31 March 2006	<u>(6,099)</u>	<u>(15,638)</u>	<u>89,026</u>	<u>146,778</u>

8 TRANSACTIONS WITH DIRECTORS

The directors of the company are members of organisations which receive grants from the company, and supply services to the company. Some directors also provide professional services such as tutoring to the company. The benefit from disclosing these transactions is, in the opinion of the directors, disproportionate to the cost involved.

**INCOME AND EXPENDITURE ACCOUNT
for the Year Ended 31 March 2006**

	31.3.06		31 3 05	
	£	£	£	£
Turnover				
Grant income	320,771		356,028	
Membership fees	4,115		3,910	
Bank interest	7,434		5,150	
Management fees & other income	64,873		33,919	
Sale of books	3,424		2,087	
Instrument bank revenue	6,882			
Meanbh Chuileag	81,101		56,396	
Fèis Alba	<u>3,201</u>		<u>6,273</u>	
		491,801		463,763
Expenditure				
Rent, rates and water	12,774		11,239	
Insurance	6,736		3,700	
Light and heat	1,340		1,921	
Telephone and fax	6,240		5,315	
Youth music initiative			600	
Meanbh Chuileag	78,715		63,435	
Core salaries	112,540		125,353	
National Insurance	9,786		8,560	
Pensions	1,324		1,420	
Staff expenses	16,288		20,741	
Grants awarded	135,341		159,722	
Stationery and printing	19,025		11,989	
Publications	132		6,568	
Musical instrument bank	2,530			
Annual Conference	6,841		8,551	
Board expenses	3,862		3,298	
Other expenses	5,146		2,374	
Tracking project	5,000		5,473	
Child Protection costs	7,487		7,864	
Radio project	2,275			
25th Anniversary celebrations	24,191			
25th Anniversary book	6,380			
Auditors' remuneration	1,081		934	
Depreciation of tangible fixed assets				
Plant and machinery			2,545	
Fixtures and fittings			3,017	
Computer equipment	<u>799</u>		<u>799</u>	
		<u>465,833</u>		<u>455,418</u>
		25,968		8,345
Finance costs				
Bank charges		<u>299</u>		
NET PROFIT		<u>25,669</u>		<u>8,345</u>