

**SHETLAND ARTS DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2014**

**Charity Number SC037082**

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

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2014**

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# SHETLAND ARTS DEVELOPMENT AGENCY

## TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS

### Trustees

Danus Skene, Chair	Appointed December 2010
Irvine Tait, Vice Chair	Appointed as Chair February 2013
Robina Barton	Resigned February 2014
Steven Cheverton	Resigned September 2014
John Dally	Appointed December 2012
Jill Franklin	Appointed December 2009 (re-appointed August 2013)
John Goodlad	Resigned April 2014
Alan Lindsay	Resigned September 2014
Leslie Lowes	Appointed February 2014
Olive MacLeod	Appointed December 2009 (re-appointed August 2013)
Michael Palmer	Appointed June 2014
Silke Reeploeg	Resigned April 2014
Veronica Rocks	Resigned December 2013
	Appointed May 2014

### Director

Gwilym Gibbons

### Address

Shetland Arts Development Agency  
Mareel  
Lerwick  
Shetland  
ZE1 0WQ

### Auditors

The A9 Partnership Limited  
47 Commercial Road  
Lerwick  
Shetland ZE1 0NJ

### Bankers

Clydesdale Bank plc  
Commercial Street  
Lerwick  
Shetland ZE1 0JJ

### Solicitors

Dowle, Smith & Rutherford  
113a Commercial Street  
Lerwick  
Shetland ZE1 0DL

### Founding Trust Deed

Registered BC & S on 13 January 2006

### Charitable Status

Scottish Charity No. SC037082

# SHETLAND ARTS DEVELOPMENT AGENCY

## CHAIRMAN'S MESSAGE

YEAR ENDED 31 MARCH 2014

The life and scope of Shetland Arts changed when Mareel opened in August 2012. A magnificent new resource became available to provide for the arts in Shetland, with major implications for providing new cultural experiences, good old-fashioned entertainment, high quality educational experience, recording and broadcasting facilities, and a relaxing social venue. Activities at Bonhoga Gallery, the Garrison Theatre and throughout Shetland continued, and grew.

This has been a year of attempting to digest these changes, and of pressing ahead to seize the opportunities presented by Mareel. This was the year in which strides were made towards its recognition as a valued feature of the Shetland landscape, and in which the building received a national architectural award. Mareel's provision has become a normal and accepted part of community life in Shetland. This process has been marked by significant events such as the visit of the Scottish cabinet in July 2013, with their use of the building for interaction with the public. The Viking Congress was an international success, as was the Textile Festival. We hosted the Scottish Ensemble among others, and produced to acclaim our own regular festivals of Fiddle Frenzy, Wordplay, and Screenplay.

Likewise, it has been a year of settling into productive routine for the staff of Shetland Arts. The frantic workload associated with opening Mareel in 2012 has led on into sustained pressure of activity through which shines a team spirit. We continue to try to give effectiveness, efficiency and coherence to the diverse work of Shetland Arts. I wish to express my appreciation and gratitude to all staff for the commitment they have shown in delivering a rich programme of activities, both at Mareel and in other venues. It is a particular pleasure to record the huge contributions to the work of Shetland Arts by Kathy Hubbard and Hazel Hughson, both of whom retired from the arts development team at the end of the year.

A year ago, in commenting on the financial background to Shetland Arts' activities, I observed that Mareel was neither formally completed nor fully paid for. In October and November, the capital project was closed off. This closure was made possible by further final capital contribution from HIE and Creative Scotland, and it is a pleasure to record gratitude to these agencies for helping to see the project through to completion.

A shadow is still cast over the revenue activity reported for 2013-14 by the capital project. There have been costs associated with closing off the capital project, and one-off costs incurred in connection with opening Mareel. These factors should be borne in mind in interpreting the Financial Review section of this report as we make progress towards sustainable operation.

It is essential that Shetland Arts operate sustainably, without any additional revenue support. In spite of the difficulties posed by closing off the Mareel capital project, we have managed without any additional revenue funding since the building opened, although maintaining cash flow has been an enduring battle. I express gratitude to our core funders, Shetland Charitable Trust and Creative Scotland, for their continued support. We are now an enterprise that is greatly less grant-dependent as a proportion of our business than we were, but this core funding is needed to continue to deliver quality arts services for Shetland.

In seeking to guarantee the future of Shetland Arts, we embarked during the year on a review process. This has been supported by our stakeholders – HIE, Shetland Charitable Trust, Shetland Islands Council, and Creative Scotland. All our work must be underpinned by financial sustainability.

**SHETLAND ARTS DEVELOPMENT AGENCY****CHAIRMAN'S MESSAGE (continued)****YEAR ENDED 31 MARCH 2014**

The review process has led to the drawing up of an ambitious revised business plan early in the 2014-15. Drawn up under the leadership of our Director, Gwilym Gibbons, involving Senior Management, Arts Development Officers and other staff, the business plan spells out a clear way forward for Shetland Arts over coming years.

I repeat the point that I made last year that I feel the Shetland public still to be insufficiently aware of the educational impact of the Mareel resource. In collaboration with Shetland College and University of the Highlands and Islands, Shetland Arts is providing a venue and facilities that give Shetland national significance in musical education. 2013/14 saw the first graduation of National Certificate and Higher National Certificate students from courses provided on our premises. Excellence and expertise will be drawn here and retained here, with significant economic as well as cultural consequences.

The year closed with the submission by Gwilym Gibbons of his resignation as Director. This marks a turning point for Shetland Arts. Gwilym's achievement in leading the organisation through the development and delivery of the Mareel project leaves a remarkable legacy. His leadership of the development and delivery of an innovative programme of artistic activities, of national significance, is to be celebrated. As the next phase of Shetland Arts development unfolds, signposted by the revised business plan whose formulation he has led, we look forward to welcoming new management during 2014/15 as we wish Gwilym well in fulfilling his new ambitions.

Danus Skene  
Chairman



# SHETLAND ARTS DEVELOPMENT AGENCY

## DIRECTOR'S STATEMENT

YEAR ENDED 31 MARCH 2014

During 2013-14, Shetland Arts has continued to deliver a broad range of high quality arts opportunity across the isles, against a difficult backdrop of legacy issues of the Mareel capital project.

The second half of this year saw the closing of all contractual matters related to the construction phase of Mareel. As an organisation, much of our management capacity has been regrettably, but necessarily, focused on resolution to a range of complex post construction issues. Through this period I would like to pay tribute to my Senior Management Team: Sheila Duncan (Head of Finance and Administration), Kathy Hubbard (Head of Development) and Holly Burford (Head of Operations) whose unstinting professionalism and commitment has enabled Shetland Arts to both embed the new enterprise that is Mareel into our community, and ensure support for all the arts activity we deliver, of which Mareel is just a small part.

You will see from the activity report on page 8, that Shetland Arts continues to reach far and wide into the Shetland community: from care homes to schools, country halls to our own venues of Bonhoga, the Garrison and Mareel, and out to the world through live broadcast and recorded content from our studio and events.

A healthy creative community relies on wider investment in, and support for the arts, far beyond that of just one organisation. To that end, Shetland Arts has continued to work in partnership across the Shetland creative sector. We have developed a range of collaborative projects and new creative relationships both within our sector and across others such as social care, criminal justice and education.

Kathy Hubbard (Head of Development) retired at the end of March 2014. Kathy joined Shetland Arts Trust in May 1999 as Shetland's first Assistant Arts Officer. She undertook various roles including Projects Manager and Arts Development Manager with Shetland Arts Trust, before becoming Head of Development for Shetland Arts Development Agency after the merger of Shetland Arts Trust and aspects of Islesburgh Trust in 2006. Kathy has seen through huge development and change in the arts in Shetland during her tenure. A great stalwart of community engagement in arts, she played a major role in the realisation of the long running, community ambition to bring a new cinema and music venue to Shetland, that today we know and love as Mareel. Kathy leaves an extraordinary legacy from a decade and half of energy and commitment to the arts. I wish to express my sincere thanks for, and on behalf of, past and current colleagues, and all who have been touched by the projects and activity she supported and delivered.

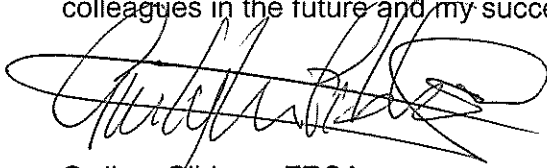
I wish to once again thank the Shetland Arts team: volunteers, trustees and staff for their continued commitment and support to this organisation. I would also like to express my thanks to our external supporters: funders, partners, audiences, performers and artists. Collectively I believe we deliver a range of creative activity and opportunity that is an envy, of not just rural island communities around Scotland, but around the world. There is much to be proud of.

## SHETLAND ARTS DEVELOPMENT AGENCY

### DIRECTOR'S STATEMENT (continued)

YEAR ENDED 31 MARCH 2014

Finally, to finish on a personal note, this will be my last Director's report for Shetland Arts having tendered my resignation from the post in March 2014. I would like to express my sincere thanks for the extraordinary creative opportunities and support that I have enjoyed over the past 8 years from: the people of Shetland, the Shetland Arts team and the wider arts sector across the UK. It is rare to work with such a talented and experienced team and have the opportunity to shape and grow a new organisation as its inaugural Director, in such an amazing place. I wish the very best to all my colleagues in the future and my successor in this highly challenging and rewarding role.



Gwilym Gibbons FRSA  
Director – Shetland Arts Development Agency

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

YEAR ENDED 31 MARCH 2014

The trustees present their report and financial statements for the year ended 31 March 2014.

### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

Shetland Arts Development Agency is a Registered Scottish Charity, constituted under a trust deed. The organisation is governed by a Board of Trustees who are responsible for long-term planning and strategic decision making, delegating the day to day operational decision making to the Director and the management team.

The Trustees meet six-weekly to administer the activities of the Agency. The Board comprises a minimum of ten trustees, and a maximum of thirteen. Each trustee shall hold office for a period of three years with power to be re-appointed for a further period of three years. Trustees will retire on the third anniversary of their appointment. In the event of appointment for that further period, such trustees will not be eligible for appointment for a period of three years thereafter. The appointment of new trustees will be the job of a Nominations Committee constituted by three of the serving trustees. Trustees are normally recruited following public advertisement. The positions of Chair and Vice Chair are voted on by the existing Trustees, and these office holders serve in accordance with the Agency's Standing Orders.

In February 2013 it was agreed by the board that the quorum for meetings be reduced to five trustees. Decisions are made by majority vote at the six-weekly Trustees' meetings, although during the year-ended 31 March 2014 it has been necessary for the Board to meet eleven times.

Silke Reeploeg resigned in December 2013, and our Vice Chairman, Irvine Tait, resigned in February 2014. It was agreed by the Board that John Goodlad would take on the Vice Chairman role following his departure.

Trustee recruitment took place during the year, which resulted in Alan Lindsay being appointed in February 2014. New Trustees receive individual induction from the Director on appointment, and are encouraged to undertake training as appropriate to their role.

Shetland Arts Development Agency is charged by the Shetland Islands Council with delivering the Council's arts provision and is funded largely by the Shetland Charitable Trust to deliver arts services to the community in line with the Shetland Cultural Strategy's three themes of Access: Participation and Potential; Creativity and Heritage; and Learning, Economy and Regeneration.

Shetland Arts Development Agency also receives revenue funding from Creative Scotland, dependent upon its submission to them of an annual programme of activities. This programme must meet Creative Scotland's own objectives, which are to support excellence in artistic and creative practice, to improve access to, and participation in arts and creative activity, and to develop and sustain a thriving environment for the arts, screen and creative industries.

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the company, and are satisfied that systems are in place to mitigate our exposure to the major risks.



**SHETLAND ARTS DEVELOPMENT AGENCY**  
**ANNUAL REPORT OF THE TRUSTEES (continued)**  
**YEAR ENDED 31 MARCH 2014**

**STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

Shetland Arts IP C.I.C., a Community Interest Company, was incorporated on 25 July 2011. The Company is wholly owned by Shetland Arts Development Agency and was set up as a means to securing the Intellectual Property rights over films, books, music, etc and ensuring that any profits generated in this way can be retained for the good of Shetland. During the financial year, the company's transactions were not material to the group, so consolidation of the figures was not required.

**THE AGENCY OBJECTIVES**

The objects of the agency are to advance the education of the public resident in Shetland in the Arts, in particular the Arts of Dance, Drama, Theatre, Film, Literature, Music, Crafts, Visual Arts and any new form of Media.

In furtherance of the objects the Trustees shall seek to:-

- (i) encourage and assist in promoting and advancing the creation, practice, presentation and study of all forms of art – visual, performing and creative;
- (ii) support and encourage the continual development of all art forms;
- (iii) support existing, and encourage new, work;
- (iv) improve access to the arts and create opportunities for individuals, geographical communities and communities of interest, at all levels of experience and ability, to participate in and enjoy a diverse range of arts activity through performances, exhibitions and educational activities;
- (v) create opportunities for personal development through a community development approach within the arts;
- (vi) support professional artists through residencies, workshops and performances;
- (vii) promote excellence in artistic quality;
- (viii) develop the skills and experience of artist practitioners and participants and encourage learning; and
- (ix) provide facilities to support artistic activities.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

#### Introduction

In this financial year Shetland Arts continued to deliver a wide range of work throughout the community, collaborating with, and supporting artists and audiences and a range of different groups and organisations. This included the delivery of educational opportunities, both formal and informal, artist residencies, exhibitions, festivals and a programme of music, cinema and other events at Mareel.

#### Exhibitions by Local, National and international Artists and Makers at Bonhoga

Shetland Arts continued to deliver a high quality programme of exhibitions in 2013/14 exploring a wide variety of genres and styles by artists and makers from Shetland and the UK, alongside those from Iceland, Sweden, Denmark, Norway and Finland. All the exhibitions were accompanied by interpretation material and children's activity sheets. Talks and CPD events were organised where possible.

With funding from Scottish Natural Heritage, as part of their Year of Natural Scotland, Shetland Arts hosted a season of *Art in the Landscape* at Bonhoga from June to September. A site-specific artwork by landscape artist Julie Brook was commissioned for the gallery grounds to accompany her solo show in June, and additional funding enabled a series of children and families outdoor workshops, with a successful tour of Shetland by the Travelling Gallery Art Bus from Edinburgh.

Opportunities for local artists and makers to exhibit at the gallery were plentiful: the four winners from the 2012 Shetland Open exhibition were given professional and financial support to develop new work for their exhibition at Bonhoga in April 2013. The Cluness twins created an eclectic installation of hand-painted work for their hugely popular show in September while Paul Bloomer's dramatic and thought-provoking show of woodcuts in November extended to the upper Café bar in Mareel, enabling his huge works to be shown for the first time together, in Shetland. Dennis Coultts returned to Bonhoga in January 2014 to showcase more fascinating and popular images from Shetland in the 1960s.

Through the gallery, Shetland Arts explored diverse issues including nationalism, censorship and the Nordic theme of seasonal change through dynamic, often challenging work. *Entartet*, an audio installation by Vanishing Point Theatre Company (Glasgow), reflected on the infamous Munich Degenerate Art Show of 1935, raised important questions about freedom of expression. A schools' performance of this was well attended. *Lighten* considered seasonal change and northern light through the work of 12 contemporary textile artists from Shetland and five Nordic countries as part of the Shetland Arts International Textile Festival in August.

#### Promote and Support Visual Arts

Throughout 2013-14 Shetland Arts continued to offer support and advice to organisations, groups, and visual artists in Shetland. This ranged from one to one sessions, professional development and training opportunities to freelance employment, commissions, exhibitions and presentations.

## SHETLAND ARTS DEVELOPMENT AGENCY

### ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

#### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

2013-14 saw the first year of the newly merged Visual Art and Craft Award scheme, which replaced the Working Up and the Visual Artist Award schemes of previous years. Grants varied from £466 to £1500 and covered a percentage of the costs of creative, professional and economic development activities by Shetland artists and makers. During the two application rounds in July and October 2013, Shetland Arts received 25 applications and awarded 17 Visual Art and Craft Awards. The scheme was funded through Creative Scotland, the Shetland Islands Council Economic Development Unit and Shetland Arts.

In response to demand, during February 2014, Fraser Mouat (music lecturer, SADA) and Clair Aldington (Arts Development Officer, Visual Arts) led a one day training event which offered information and guidance to creative practitioners about self-employment, tax and national insurance.

In April 2013, Shetland Arts, in partnership with the Community Mediation Team (CMT), received two years' funding from Creative Scotland to run the space2face restorative arts project. The project marries restorative justice processes with creativity, and works with people of all ages who are responsible for causing harm to others and those they have harmed. In August 2013, space2face recruited two freelance artists. During 2013-14, our Visual Arts Development Officer, Clair Aldington, helped establish a weekly creative group for young teenage girls struggling with school attendance as part of space2face. This was done in partnership with Children and Families Social Work and Psychological Services. The weekly sessions continue, led jointly by Clair Aldington and a space2face artist. In March 2014, Alyson Halcrow (CMT) and Clair Aldington were invited to present space2face at Creative Scotland and attended a conference on the arts and criminal justice in HMP Barlinnie in Glasgow.

2013 saw the completion of the *LK243 Under Sail* touring exhibition around the UK and Norway, managed through Shetland visual arts development. This showcased work by artist Imi Maufe, which she had created as part of her residency on board the Swan for the Tall Ships' Races in 2011. The tour culminated in an exhibition and talk by Imi in Mareel during Wordplay in September.

The Arts Development Officers for Literature and Visual Arts continued to collaborate in order to develop the Arts In Care project and offered five workshops and training events for social care staff in using the arts in care settings with older people.

In October 2013, the Travelling Gallery toured Shetland for a week, supported by Scottish Natural Heritage funding as part of an *Art in the Landscape* season at Bonhoga. The tour was managed and co-ordinated by the Arts Development Officer, Visual Arts. It included a day at Baltasound Hall in Unst, which attracted over 100 participants, with Shetland makers and artists exhibiting their work in the Hall.

#### Promote and Support Craft Development

Throughout 2013-14 Shetland Arts continued to offer support and advice to organisations, groups, and Shetland makers. This took the form of mentoring individuals as well as the delivery of collaborative events. A major area of support for makers was through the Visual Art and Craft Award scheme as detailed under visual arts.

## SHETLAND ARTS DEVELOPMENT AGENCY

### ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

#### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Between July and September 2013, with support from the Nordic Cultural Fund and Creative Scotland, Shetland Arts hosted an International Textile Festival, which included *Lighten*, an exhibition of contemporary Nordic Textile art at Bonhoga Gallery; *In the Loop*3.5, an international textiles conference; Shetland textile tours; gallery talks; Meet Your Maker (supported by Craft Scotland) and networking events. Shetland Arts organised the conference in partnership with Winchester School of Art, University of Southampton, with 23 speakers taking part in the two and a half day conference. In other festival events, the Shetland Textile Museum partnered with Shetland Arts for Kerstin Lindström's *Own our own time* textiles performance piece at the Böd of Gremista Museum, which attracted 84 knitter participants. *Living Lerwick* (town centre development group) also involved 76 businesses in the Textile Festival who provided a fringe 'Fair Isle Festival' in Lerwick town centre, which included themed shop window displays, Fair Isle bunting, street music and craft stalls.

The Arts Development Officer, Craft, was invited to present on contemporary Shetland textiles to the Viljandi Cultural Academy, University of Tartu, Conference, *Traditional Knitted Sweaters Around the Baltic Sea*, in Viljandi in May 2013.

The Arts Development Officer, Craft, continued to support monthly open knitting sessions in Mareel cafe, in partnership with Alzheimer Scotland, and additionally supported the Whalsay children's knitting group.

#### Promote and Support Drama Development

Following a year in which Shetland Youth Theatre activities were geared towards involvement in the Shetland Arts/National Theatre of Scotland project, *Ignition*, in 2013/14 the group returned to mounting its own projects. In October 2013, the company performed a brand new version of *Sweeney Todd* at the Garrison Theatre. Playing to packed houses, the production was rehearsed through August and September and received massive critical acclaim. The company then moved onto a long workshop/development process for its next production (to be performed in 2014/15). This is to be a highly experimental production of the 19th Century French Absurdist drama, *Ubu Roi*

Throughout the year, the Arts Development Officer, Drama, continued to offer intensive mentoring and support for Splinters Youth Theatre in Brae. The company, the leadership and senior members were all supported throughout the year as they prepared for, and performed two major productions.

Shetland Arts, in partnership with Stomping Ground Theatre Company, organised a summer school for both children and young people. The first group has now developed into ongoing weekly drama sessions for primary age children, the highly successful 'Beginners'. The older group fed into the work of Shetland Youth Theatre. Senior members of Shetland Youth Theatre were encouraged to volunteer in trainee leadership roles with the Beginners group.

The Arts Development Officer, Drama, continued to work with other agencies and groups, in particular the SWRI, to develop the links that had been established in previous years. Support was given by, and to, the Shetland Islands Council Drama Co-ordinator on a variety of projects, and to other drama groups on a responsive basis.

## **SHETLAND ARTS DEVELOPMENT AGENCY**

### **ANNUAL REPORT OF THE TRUSTEES (continued)**

**YEAR ENDED 31 MARCH 2014**

#### **ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)**

The Arts Development Officer, Drama, gave support to young people wishing to pursue a career in the performing arts and a recent graduate in stage design was employed to design costumes/set for Sweeney Todd.

#### **Promote and Support Dance Development**

Shetland Arts ran Traditional Dance sessions throughout Shetland in a variety of settings - schools, nurseries, youth groups, community settings, special needs groups and with outside agencies. Traditional dance continued to be extremely popular and to be the mainstay of the connection of dance activity with the whole of the Shetland community.

In a new initiative, Shetland Arts worked in partnership with a trained dance practitioner (originally from Shetland) who used Mareel to conduct a series of Dance classes for young people. This model proved successful and is being actively developed with other practitioners with a view to developing sessions in a variety of dance forms in the long term.

There has been continued dialogue with Northern Focus Parkour (especially since the 'Ignition' project) in order to develop plans for partnership projects in the future.

#### **Promote and Support Literature Development**

Wordplay 2013 was directed by Arts Development Officer, Literature, who supported a team of three volunteers in curating the festival. There were more than 20 events, including a variety of readings, presentations and workshops featuring music journalists and broadcasters, Mark Ellen and David Hepworth, celebrated cartoonist Steve Bell, musician and scholar, Will Kaufman, singer song writer, David Knopfler, performance poet, Lemn Sissay; and a number of sessions delivered by visiting writers in schools throughout Shetland. The festival also featured collaborations, in particular with the National Library of Scotland. Funding came from Shetland Arts and Creative Scotland, with sponsorship from BP/Sullom Voe Terminal and a donation from the Shetland Association of the Educational Institute of Scotland.

Shetland Arts ran a Primary Schools Residency in September, in partnership with Shetland Islands Council Creative Links and 5 Shetland Primary schools: Baltasound, Whiteness, Hamnavoe, Bells Brae and Sound. The artist in residence was storyteller Ian Stephen, who sailed to Shetland from Stornoway in order to take up the residency. He ran a total of twelve sessions engaging students in storytelling, both as participants and as audience. The sessions were well received and feedback was positive.

Shetland Arts continued to support the Lerwick and West Mainland writers groups. This included the provision of suitable, safe and accessible venues and support for the volunteer facilitators by the Arts Development Officer, Literature, and also with the provision of a platform for the groups to present and perform their work, and to promote their activity to the public at Wordplay.

The Arts Development Officer, Literature, continued to facilitate and lead weekly sessions for the Just Writing Group at Annsbrae House, in partnership with Annsbrae House management and staff. He also organised and led a series of hour-long sessions with tenants of the Supported Living and Outreach, in partnership with social care staff.

## **SHETLAND ARTS DEVELOPMENT AGENCY**

### **ANNUAL REPORT OF THE TRUSTEES (continued)**

**YEAR ENDED 31 MARCH 2014**

#### **ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)**

The Arts Development Officer, Literature, continued to offer one-to-one support to individuals resident in Shetland in the form of advice about publishing, offering feedback to work and suggesting next steps, and supporting individuals with funding applications.

Shetland Arts continued to work in partnership with a number of organisations including Shetland Library, with whom the Arts Development Officer, Literature met quarterly to share practice, plan jointly and discuss ideas for continued partnership work; and a number of schools through partnership working with SIC Creative Links.

The Arts Development Officer, Literature, taught the song-writing module of the National Certificate Music Course that Shetland Arts delivers in partnership with University of the Highlands and Islands (UHI).

#### **Promote and Support Music Development**

Shetland Arts continued to provide a varied programme of live music events featuring local and visiting acts which included performances at Mareel by The Beat; Roddy Wooble; Shooglenifty; The Scottish Ensemble; Tim Burgess; The Ukulele Orchestra of Great Britain; Seth Lakeman; Karine Polwart; The Springsteen Sessions; Eduardo Niebla in Concert; Ross Ainslie & Jarlath Henderson; Roddy Hart & The Lonesome Fire.

Concerts were also staged by returning locals Aly Bain (with Ale Moller & Bruce Molsky), Chris Stout (with Finlay MacDonald) and Vamm (featuring Catriona MacDonald).

Many of these events were co-promotions with a range of local and national promoters and were often accompanied by additional events in rural halls.

Furthermore, Mareel hosted a wealth of events as part of local music festivals, including the Shetland Folk, Jazz, Blues, American Roots and Schools Music festivals.

Fiddle Frenzy, Shetland Arts annual celebration of the Shetland fiddle tradition, entered its 10th year in August 2013. The week of events centred on workshops teaching the distinctive tunes and technique of the Shetland traditional fiddle style and evening concerts which featured local and visiting musicians.

A range of support (such as funding advice, subsidised PA hire and the Arts Development Officer, Music, sitting as Ex Officio committee member) was provided to groups including Shetland Jazz Club, Shetland Young Promoters Group, Shetland Community Orchestra, Youth Services, Shetland Moving Image Archive Group.

Shetland Arts also hosted regular informal music sessions included singer songwriter nights, student concerts, Sunday afternoon Jazz sessions, weekend DJ nights and traditional music sessions in the Mareel Auditorium and the Mareel Cafe Bar.

## SHETLAND ARTS DEVELOPMENT AGENCY

### ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

#### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Shetland Arts continued to deliver a range of full and part time educational courses in partnership with Shetland College, part of the University of the Highlands and Islands (UHI). These included National Certificate and Higher National Certificate Music courses; a Vocational Pathways course in Sound Engineering; support and facilities for Shetland based BA Applied Music students (delivered by Video Conferencing (VC) across the UHI network); and the delivery of a Masters level Digital Production module via VC. Extra-curricular development activities included the innovative "Weather Stations" project in which music students engaged with the local maritime community to develop compositions which were showcased at headphone based "Listening Stations" throughout Mareel. The student run "Battery Park Records", released their second commercial recording - an EP by local singer Lisa Johnson.

Additionally, Shetland Arts delivered a series of evening classes in Sound Engineering and a range of guest lectures from visiting musicians and music industry professionals.

Shetland Arts digital production capabilities continued to evolve with several commercially available recordings produced in Mareel's studio and a range of concerts and conferences broadcast in partnership with Promote Shetland.

#### **Promote and Support Film and Digital Media Development**

From January 2014, Shetland Arts worked in partnership with Shetland Moving Image Archive and Shetland Heritage Association on the *Ebb Tide* project to commission eight Shetland filmmakers to create six films for showing as part of the Commonwealth Games Cultural Programme in July 2014. This was funded through Creative Scotland.

The annual film festival, Screenplay 2013, included a mix of local, national and international films. There were a number of films by Scottish filmmakers and filmmakers resident in Shetland, including *Homemade in Shetland*, a programme of nineteen short films made by local filmmakers of all ages and skill levels. These were part of a broader programme that included new works such as *For Those in Peril*, *The Great Hip Hop Hoax*, *The Act of Killing*, *I Am Breathing*, and *Frances Ha*, as well as classics for children, animation for children, a David Morrissey retrospective, and a screening of *The Exorcist* complete with a talk and Q and A session with Mark Kermode which went down very well with the audience. Over 2300 people attended events during the nine days. The outreach programme covered schools, village halls and care centres, in some of the most remote communities including the islands of Foula, Fetlar and Whalsay.

SADA was able to exploit the digital technology offered at Mareel in order to skype film professionals who were unable to attend in person (Joshua Oppenheimer, Toby Jones and David Morrissey), thus extending the possibilities for audiences to participate in Q and A sessions after screenings.

#### **Encourage performances at Mareel and Garrison Theatre**

During 2013/14, The Garrison Theatre was used on 129 days. There were 47 performances (spread over 39 days) and 90 rehearsal/fit up sessions. In terms of local drama activity, the Garrison continued to be well used at key points in the year. It is, however, acknowledged that there was only one touring professional theatre visit during 2013/14. Shetland Arts would like to encourage touring professional theatre that is both high quality and economically viable and sees this as a focus in coming years.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

#### Conclusion

In the current economic climate funding for the arts has been hard to find. Shetland Arts have continued to secure additional project funding and find innovative ways to deliver the Arts Agency objectives.

#### VOLUNTEERS

Shetland Arts has been fortunate in working with over 135 volunteers throughout the year, as part of our volunteering strategy. Volunteers have provided regular assistance with administration, research, cinema projection, festival curation, event management, marketing and other roles and functions.

#### PLANS FOR THE FUTURE

Towards the end of 2013-14, a review of Shetland Arts Business Plan commenced, culminating in a revised Business Plan 2013 – 2018 being completed in July 2014. This Business Plan marks a significant moment in the development and delivery of arts activity in Shetland. It sets out a clear direction and set of priorities through a period that will see significant change both for Shetland Arts and the wider economy of the isles.

Over the next 3 years, Shetland Arts will consolidate and focus our staff and resources, respond to a new era in Shetland's creative and community life and deliver a broad range of high quality creative experiences for performers, artists, audiences and participants. We will maintain specialist skills and knowledge and build on our work to date to further the objectives of the charity, its partners and the needs of the community we serve.

Shetland Arts will implement a change to its senior management structure that strengthens commercial leadership, artistic leadership and consolidates our 5 years adaption into a creative social enterprise. Through a refreshed Board of Trustees we also strive to strengthen strategic overview and leadership.

We will focus our efforts across six key work streams, moving away from art form led activity;

- **Youth Arts** – including the Shetland Youth Theatre, creative residences and supporting activities in partnership with Shetland Youth Promoters Group and other organisation and groups.
- **Education and Learning** – including development and delivery of Vocational Pathways courses in Sound Engineering and Video Projections, NC Music, HNC Music, hosting BA Applied Music students and delivery of Master level modules together with a range of informal classes and Workshops.
- **Arts and Wellbeing** – including arts in care, work with mental health groups, arts on prescription (GP Referral) supported living and outreach, restorative justice (space2face) and individual and community wellbeing through participation in creative activity



## SHETLAND ARTS DEVELOPMENT AGENCY

### ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

#### PLANS FOR THE FUTURE (continued)

- **Development and Support** – of individuals (commercial and non-commercial), community groups and small creative enterprises at all levels of engagement.
- **Programme and Curation** – including venue programming, exhibitions and festival (Wordplay, Screenplay, Fiddle Frenzy and Shetland International Guitar Festival).
- **Broadcast, Recording and Intellectual Property Rights Support** – working with broadcast and recording partners, including 60North TV and Shetland Arts IP Community Interest Company to maximize digital content distribution and income generation.

#### FINANCIAL REVIEW

The Total Incoming Resources for the year were £4,048,228 (2013 - £2,773,987) is made up as follows;

	2014		2013	
Revenue funding	£908,038	22.4%	£908,038	32.7%
Planned maintenance funding	£12,354	0.3%	£24,337	0.9%
Project funding	£91,583	2.3%	£482,130	17.4%
Capital funding (Mareel)	£1,500,000	37.1%	£459,000	16.5%
Income generated from activities	£1,520,753	37.6%	£895,275	32.3%
Donations and sponsorship	£15,498	0.3%	£5,180	0.2%
Investment Income	£2	0.0%	£27	0.0%

We received annual revenue funding of £696,038 from Shetland Charitable Trust and £212,000 from Creative Scotland during the year. Both funding bodies have agreed a three year, stand still funding package which covers the period from 1 April 2012 to 31 March 2015. We were also provided with £12,354 planned maintenance funding from SCT in respect of this year, towards the upkeep of Weisdale Mill and Garrison Theatre.

Project funding was received from various funders, including Creative Scotland, Shetland Islands Council, Highlands and Islands Enterprise and Nordic Cultural Fund. This funding, combined with the use of our revenue funding and generated income, as allowed the range of arts activity described under “Activities, Achievements and Performance” (pages 8 to 14) to take place during the year.

Shetland Arts knew that the opening of Mareel, our purpose built Music & Cinema Venue, would mean that the organisation had the ability to generate significantly more income. The venue opened in late August 2012, so figures for 2013 only represent 7 months of this additional generated income. 2013-14 show our first full year of operation. As can be seen above, generated income represented 37.6% of our overall income in 2013-14.

## SHETLAND ARTS DEVELOPMENT AGENCY

### ANNUAL REPORT OF THE TRUSTEES (continued)

#### YEAR ENDED 31 MARCH 2014

Income of, £522,821, has been generated from Box office ticket sales in our venues and other locations throughout Shetland. Events income, including tickets sales for our own Festivals totalled £113,480, while Box Office Income generated from Film Screening during the year was, £387,546. We also generated £21,795 in film membership sales.

Income generated from bar and catering sales in Mareel during the year was, £469,512. This compares to £209,382 for the 7 months of activity in 2012-13. Efforts have been made during 2013-14 to refine and improve the performance of the Mareel Café Bar and this is reflected here. We have also generated foyer sales of £157,105 for the year (2013 - £89,377).

This year has also seen increased income from both café and shop income at Weisdale Mill. The Shop generated sales of £46,634 (2013 - £39,906) and café £67,846 (2013 - £58,823).

Further breakdown of our incoming resources can be found on page 29.

Total Resources Expended was £3,437,648 (2013 - £2,581,399). The breakdown of this cost can be found on pages 30 to 32.

Cost of generating funds was £323,046 (2013 - £182,163) representing the cost of stock purchased for re-sale in Shetland Arts venues. This increase again reflects the fact that 2013-14 figures include a full 12 months of activity in Mareel.

Charitable Activities Expenditure in the year was £3,104,177 (2013 - £2,387,342), as described in Note 7 (page 30) of the Financial Statements.

£1,517,785 was spent on direct service provision, made up of;

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Arts Development Costs (including staffing)	£529,258	£662,717
Operational Expenditure (including staffing)	£960,201	£678,325
Shetland Box Office Costs	£16,946	£17,431
Strategic Marketing	£11,380	£18,250

The reduction in Arts Development costs is due to the fact that 2012-13 included expenditure in relation to the Hansel of Film Project. There is also a respective reduction in the project funding in 2013-14.

Grants were given out by Shetland Arts in the year of £20,150 (2013 - £17,911). Further details of the grant scheme are contained in note 7b (page 30).

Operational Expenditure increased in 2013-14, which again reflects a full year of Mareel's activity. Operational salaries and wages cost rose by £181,642 in this year, but there were also increased costs in relation to the programming of both the Mareel Music Hall and the Cinemas as a result.

Support costs are detailed in note 7c (page 30) and are made up of staffing and general overhead costs for the organisation. Overheads during the year amounted to £1,194,893 (2013 - £661,279) and include depreciation of fixed assets of £640,114 (2013 - £135,828). There are notable increases in electricity costs (£42,069), cleaning costs (£23,527), licenses (£10,041), but also other overhead costs which relate specifically a full year's operation in Mareel.

## SHETLAND ARTS DEVELOPMENT AGENCY

### ANNUAL REPORT OF THE TRUSTEES (continued)

#### YEAR ENDED 31 MARCH 2014

Legal and professional fees in the year were £33,883 (2013 - £23,800). Part of this cost relates to work which has been funded by Creative Scotland and Highlands and Islands Enterprise to allow for the stabilisation of the organisation, following the completion of the Mareel Capital project and opening of the Venue (£18,041). There were also costs associated with advice in relation to the Shetland Islands Council lease agreement (£4,950) and our annual contract for Human Resources Advice (£5,289).

Support staff salaries and other staffing costs increased to £371,349 (2013 - £331,429). It has taken time to work out staffing requirements for Shetland Arts, following the opening of Mareel, and this increase recognises the need for additional staff supporting the whole organisation.

All staff costs are explained in note 7d (page 31) and have increased in 2014 to £1,351,385 (2013 - £1,167,159). Some of these employees are salaried staff on full or part-time contracts, whilst we also employ a bank of staff on casual workers agreements. This arrangement allows flexibility for Shetland Arts, and also the workers involved. The increase relates to operational and support staffing required to cover the full 12 months operation of Mareel in 2013-14. There is a need to ensure the correct training and support is in place for all our staff and we are grateful to Highlands and Islands Enterprise for the funding they provide to assist with this.

Net incoming resources before other recognised gains and losses for the year were £610,580 (per Statement of Financial Activities on page 22). This is made up of a surplus of £743,147 in the Restricted Capital Fund and a deficit of £132,567 in Unrestricted Funds.

The deficit of £132,567 in Unrestricted Funds comes after the deduction of depreciation in the year of £640,114. This depreciation is partly off-set by a transfer made from the Restricted Capital Fund to Unrestricted Funds of £756,853. This transfer is done to recognise the fact that capital grants received in this year and during earlier financial periods should be amortised over the same useful lifetime as the assets to which they relate. It should be noted that depreciation includes charges in respect of the Mareel building which is being depreciated over the life of the lease agreed with the Shetland Islands Council (discussed in more detail further on).

Shetland Arts is an approved member of the Shetland Council Pension Scheme. The updated actuarial valuation of the pension scheme as at 31 March 2014 resulted in an increase of £174,000 in the Shetland Arts pension scheme liability, which is shown in the Statement of Financial Activities, increasing the pension scheme liability in the Shetland Arts balance sheet to a total of £843,000.

Fixed Asset Additions in the year totalled, £483,934. This is made up as follows;

Construction cost of Mareel	£435,966
Equipment for Mareel	£46,162
Transfer of 'The Booth' to Shetland Arts	£1,806

The unrestricted fund is in deficit. As explained above this fund is affected by the adjustment for our Pension Liability. Although the fair value of the pension scheme asset actually increased by £263,000 this was off-set by an increase of £437,000 in the present value of the scheme liabilities.

## **SHETLAND ARTS DEVELOPMENT AGENCY**

### **ANNUAL REPORT OF THE TRUSTEES (continued)**

**YEAR ENDED 31 MARCH 2014**

#### **FINANCIAL REVIEW (continued)**

Fixed asset additions are dealt with in the balance sheet, but respective capital funding is shown as incoming resources in the year it is received in the Statement of Financial Activities. Where a fixed asset has specifically been funded in the year by a capital grant, this grant is shown under the Restricted Capital Fund. A transfer is then made to recognise the release of this income over the estimated working lifetime of the fixed asset to which the funding applies. In this year a transfer of £566,026 was made. As discussed further in note 22 (page 41), on 27 May 2013, a lease and leaseback arrangement was agreed with the Shetland Islands Council (SIC) over the subjects at Mareel. The lease term is 99 years with the tenant being the SIC. A premium of £1,100,000 (plus VAT) was payable with an annual rent being £90,000 (this will be reviewed every five years). The SIC has the option to buy Mareel for £1 after 1 May 2037 when the grant conditions for Creative Scotland expire. This option is secured. The lease premium of £1,100,000 is being released over the life of the lease. A transfer, in the same matter as above, of £42,014, has therefore been made between capital restricted funds and unrestricted funds.

Further to the lease to the SIC, a sub-lease has been granted by the SIC back to Shetland Arts Development Agency for 24 year to 1 May 2037, with the rent being the same as the head lease. There is an option to terminate this sub-lease on six months' notice.

The substance of this transaction has resulted in the rent payable and receivable of £90,000 being netted off in the Statement of Financial Activities, therefore no income or expenditure is shown. As a result of this treatment, it was not considered appropriate to disclose an operating lease in relation to this transaction. The lease premium has been treated as restricted capital funds and is to be released over the lease period of 24 years, as noted above. This is included in the transfer of funds of £756,853.

#### **RESERVES POLICY**

The Shetland Charitable Trust has agreed that its arms length trusts, of which Shetland Arts Development Agency is one, may keep up to £50,000 as reserves.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

### STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the 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 incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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 charity will continue in business.

The trustees are responsible for keeping proper accounting records that 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 Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. 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.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements might differ from legislation in other jurisdictions.

### AUDITORS

The A9 Partnership Limited were re-appointed as the charity's auditors during the year and have expressed their willingness to continue in that capacity.

Approved by the Trustees on 23<sup>rd</sup> October 2014 and signed on its behalf by:

Danus Skene  
Chairman



# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES**

**YEAR ENDED 31 MARCH 2014**

We have audited the financial statements of Shetland Arts Development Agency for the year ended 31 March 2014 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely 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 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees 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 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**

As explained more fully in the Trustee's Responsibilities Statement set out on page 19, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Message, the Director's Statement and the Annual Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2014, and of its incoming resources and application of resources, for the year then ended; and

## SHETLAND ARTS DEVELOPMENT AGENCY

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2014

**Opinion on financial statements (continued)**

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1, to the financial statements concerning the charity's ability to continue as a going concern. During the year ended 31 March 2014, agreement was reached with the building contractor with regard to quantifying the charity's liability with regard to the final settlement of Mareel construction costs. However, the charity continues to experience ongoing cash flow difficulties on a day to day basis. Financial support beyond 31 March 2015 has been requested from funders but formal agreements concerning such funding are not yet in place. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the charity's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Shetland Arts Development Agency was unable to continue as a going concern.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



THE A9 PARTNERSHIP LIMITED  
Chartered Accountants & Statutory Auditors

23 October 2014

47 Commercial Road  
Lerwick  
Shetland  
ZE1 0NJ

The A9 Partnership Limited is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## SHETLAND ARTS DEVELOPMENT AGENCY

## STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 MARCH 2014

	Notes	2014			Total Funds £	2013 Total Funds £
		Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £		
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from generated funds</b>						
Voluntary income	2	8,560	6,938	-	15,498	5,180
Activities for generating funds	3	1,444,937	75,816	-	1,520,753	895,275
Investment income	4	2	-	-	2	27
<b>Incoming resources from charitable activities</b>	<b>5</b>	<b>908,038</b>	<b>103,937</b>	<b>1,500,000</b>	<b>2,511,975</b>	<b>1,873,505</b>
<b>TOTAL INCOMING RESOURCES</b>		<b>2,361,537</b>	<b>186,691</b>	<b>1,500,000</b>	<b>4,048,228</b>	<b>2,773,987</b>
<b>RESOURCES EXPENDED</b>						
<b>Costs of generating funds</b>						
Fundraising trading: cost of goods sold and other costs	6	323,046	-	-	323,046	182,163
Charitable activities	7	2,767,577	336,600	-	3,104,177	2,387,342
Governance costs	8	10,425	-	-	10,425	11,894
<b>TOTAL RESOURCES EXPENDED</b>		<b>3,101,048</b>	<b>336,600</b>	<b>-</b>	<b>3,437,648</b>	<b>2,581,399</b>
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS</b>						
Gross transfers between funds	20	(739,511) 606,944	(149,909) 149,909	1,500,000 (756,853)	610,580 -	192,588 -
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>						
		(132,567)	-	743,147	610,580	192,588
<b>OTHER RECOGNISED GAINS AND LOSSES</b>						
Actuarial gains/(losses) on defined benefit pension scheme	17	(174,000)	-	-	(174,000)	(198,000)
<b>NET MOVEMENT IN FUNDS</b>		<b>(306,567)</b>	<b>-</b>	<b>743,147</b>	<b>436,580</b>	<b>(5,412)</b>
<b>RECONCILIATION OF FUNDS</b>						
<b>TOTAL FUNDS BROUGHT FORWARD AT 1 APRIL 2013</b>		<b>(682,786)</b>	<b>-</b>	<b>12,651,926</b>	<b>11,969,140</b>	<b>11,974,552</b>
<b>TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2014</b>		<b>(989,353)</b>	<b>-</b>	<b>13,395,073</b>	<b>12,405,720</b>	<b>11,969,140</b>

The Statement of Financial Activities includes all gains and losses in the year.  
All incoming resources and resources expended derive from continuing activities.

The notes on pages 25 to 41 form an integral part of these financial statements.



## SHETLAND ARTS DEVELOPMENT AGENCY

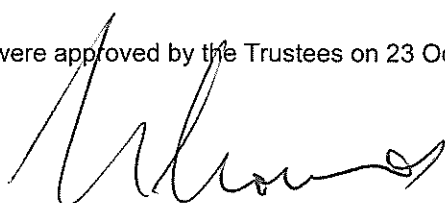
## BALANCE SHEET

YEAR ENDED 31 MARCH 2014

	Notes	£	2014 £	£	2013 £
<b>FIXED ASSETS</b>					
Tangible assets	10		13,399,538		13,555,718
Heritage assets	11		269,450		269,450
Investments	12		1		1
<b>Total Fixed Assets</b>			<u>13,668,989</u>		<u>13,825,169</u>
<b>CURRENT ASSETS</b>					
Stock	13	48,536		50,789	
Debtors	14	79,393		210,258	
Cash at bank and in hand		12,416		9,093	
<b>Total current assets</b>		<u>140,345</u>		<u>270,140</u>	
<b>CURRENT LIABILITIES</b>					
Creditors: Amounts falling due within one year	15	<u>461,775</u>		<u>1,351,200</u>	
<b>NET CURRENT (LIABILITIES) OR ASSETS</b>			<u>(321,430)</u>		<u>(1,081,060)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			13,347,559		12,744,109
Creditors: Amounts falling due after one year	16		<u>(98,839)</u>		<u>(105,969)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<u>13,248,720</u>		<u>12,638,140</u>
Defined benefit pension scheme liability	17		<u>(843,000)</u>		<u>(669,000)</u>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>			<u><u>12,405,720</u></u>		<u><u>11,969,140</u></u>
<b>THE FUNDS OF THE CHARITY</b>					
<b>RESTRICTED FUNDS</b>	20		13,395,073		12,651,926
<b>UNRESTRICTED FUNDS</b>					
Unrestricted income funds excluding pension liability		(146,353)		655,214	
Pension reserve		<u>(843,000)</u>		<u>(669,000)</u>	
<b>Total unrestricted funds</b>	20		<u>(989,353)</u>		<u>(682,786)</u>
<b>TOTAL CHARITY FUNDS</b>	21		<u><u>12,405,720</u></u>		<u><u>11,969,140</u></u>

These accounts were approved by the Trustees on 23 October 2014

Trustee



Trustee



The notes on pages 25 to 41 form an integral part of these financial statements.

# SHETLAND ARTS DEVELOPMENT AGENCY

## CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2014

<b>NET CASH FLOW</b>	<b>Notes</b>	<b>2014</b> £	<b>2013</b> £
Net cash inflow from operating activities	23	896,388	669,667
<b>Returns on investments and servicing of finance</b>			
Interest received		2	27
Interest paid		(4,936)	(5,329)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(483,934)	(1,113,796)
<b>Financing</b>			
Shetland Islands Council Bridging Loan		(382,869)	382,869
Capital element of loan repayments in year		(6,817)	(6,517)
		<hr/>	<hr/>
<b>(Decrease)/increase in cash</b>		<u>17,834</u>	<u>(73,079)</u>

### RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH AND BANK BALANCES

(Decrease)/Increase in cash in the year		17,834	(73,079)
Net cash at 1 April 2013		(5,418)	67,661
Net cash at 31 March 2014	24	<u>12,416</u>	<u>(5,418)</u>

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

### 1. ACCOUNTING POLICIES

#### **Basis of accounting**

The accounts are prepared under the historical cost convention, with the exception of pianos which are included at market value, and include the results of the charity's operations which are described in the Trustees' Report and all of which are continuing.

In preparing the financial statements the charity follows best practice as laid down in the Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) (the SORP), applicable accounting standards, the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended) except as noted below.

#### **Consolidation**

The financial statements have been prepared for Shetland Arts Development Agency as an entity and in accordance with the SORP para 383(c), group accounts have not been prepared on the basis that there is no statutory requirement to prepare group accounts as the results of the subsidiary undertaking is not material to the group.

#### **Going concern**

As a result of delays in the construction of Mareel, significant additional construction costs and professional fees were incurred. Negotiations continued into the year ended 31 March 2014 and in November 2013, agreement was reached with the building contractor with regard to quantifying the charity's liability with regard to final settlement of Mareel construction costs. The charity was able to continue its operations with the support of Shetland Islands Council in the form of bridging finance and deferral of payment of amounts due to the Council included within trade creditors. During the year ended 31 March 2014, formal agreements were put in place for Mareel to be leased to Shetland Islands Council for a period of 99 years and sublet back to Shetland Arts Development Agency for a period of 24 years. The head lease agreement provided for a lease premium of £1,100,000 to be immediately payable by Shetland Islands Council to Shetland Arts Development Agency and for Shetland Islands Council to have an option to buy Mareel in 2037 for £1. The receipt of the lease premium enabled Shetland Arts Development Agency to repay Shetland Islands Council the amount of bridging finance utilised, together with amounts due included in trade creditors. There continues to be ongoing cash flow difficulties which are being met by generated income and funding from external providers. Financial support beyond 31 March 2015 has been requested from funders, but formal agreements concerning such funding are not yet in place.

#### **Fixed Assets**

No single equipment purchase with a cost below £2,000 is to be capitalised. Any item of equipment costing more than £2,000 is initially stated at cost.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

### 1. ACCOUNTING POLICIES (continued)

#### Fixed Assets (continued)

Heritable Property, other than the Mareel building, is not depreciated as the property is considered to have a useful life as a building of greater than 50 years and so any depreciation charge is considered immaterial. The trustees consider that this departure from United Kingdom Generally Accepted Accounting Practice (UK GAAP) is necessary in order to provide a true and fair view.

Paintings are not depreciated as they are considered to have a useful life of greater than 50 years and therefore any depreciation is considered immaterial. The trustees consider that this departure from United Kingdom Generally Accepted Accounting Practice (UK GAAP) is necessary in order to provide a true and fair view.

The pianos were re-valued on 31 March 2011. The valuations were based on a review of second-hand piano sellers' websites and were carried out by Sheila Duncan, who is an internal employee of Shetland Arts Development Agency and is not a qualified valuer.

Depreciation is provided on all other tangible 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. The estimated useful lifetime of assets was calculated as;

Heritable Property – Mareel building	- 24 years
Plant and Equipment	- 5 to 10 years
Computer	- 3 years

#### Heritage Assets

Heritage property, excluding the Mareel property, is included at the valuation on transfer from Shetland Arts Trust at April 2006 and it is not depreciated as the property is considered to have a useful life as a building of greater than 50 years and so any depreciation charge is considered immaterial. The trustees consider that this departure from United Kingdom Generally Accepted Accounting Practice (UK GAAP) is necessary in order to provide a true and fair view.

#### Investments

Investments in subsidiary undertakings are initially capitalised at cost.

#### Capital Grants

Capital grants are taken into account when they become receivable.

#### Revenue Grants

Revenue grants are taken into account when they become receivable.

#### Creditors

Funds are included in creditors when authorised and committed.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

### 1. ACCOUNTING POLICIES (continued)

#### Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

#### Pensions

Eligible employees of the Shetland Arts Development Agency are members of the Local Government Pension Scheme, a multi-employer 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 statement of financial activities so as to spread the cost of pensions over the service lives of employees.

#### Incoming Resources

Incoming resources are included in the Statement of Financial Activities when;

- the charity becomes entitled to the resources
- the trustees are virtually certain they will receive the resources; and
- the monetary value can be measured with sufficient reliability

Where incoming resources have related expenditure (as with fundraising or contract income) the incoming resources are reported gross in the Statement of Financial Activities.

Income from grants relating to projects is included to the extent of completion of the project concerned. This is generally equivalent to the sum of relevant expenditure incurred on the project during the year and any related contribution towards overhead costs. Deferred incoming resources is held within creditors.

Donations, legacies and similar incoming resources are included in the year in which they are receivable, which is when the charity becomes entitled to the resource.

The value of volunteer help received is not included in the accounts but is described in the Trustees' Annual Report.

#### Resources Expended

All expenditure is accounted for on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the Statement of Financial Activities.

**SHETLAND ARTS DEVELOPMENT AGENCY****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2014****1. ACCOUNTING POLICIES (continued)****Funds**

With the adoption of the statement of recommended practice, funds require to be classified between restricted funds which are subject to specific terms as to their use laid down by the donor, and unrestricted funds which can be used at the discretion of the Trustees in the furtherance of the objectives of the Trust.

Restricted Capital Funds are grant funding that has been received in respect of specific capital expenditure. A transfer is made from this fund to show the amortisation of this funding over the useful estimated lifetime of the assets to which the funding applied. This transfer is made to unrestricted reserves as the depreciation of assets is recorded here.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are accounted for in the Statement of Financial Activities within resources expended on a straight line basis over the period of the lease, with the exception of rent payable to the SIC under the sub-lease of Mareel, which is netted off against rent receivable from the SIC under the head-lease, as explained in note 22.

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

	2014			Total Funds £	2013 Total Funds £
	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £		
<b>2. VOLUNTARY INCOME</b>					
Business sponsorships	-	6,938	-	6,938	3,950
Donations	8,560	-	-	8,560	1,230
	<u>8,560</u>	<u>6,938</u>	<u>-</u>	<u>15,498</u>	<u>5,180</u>
<b>3. ACTIVITIES FOR GENERATING INCOME</b>					
Box office	509,472	13,349	-	522,821	327,281
Box office fee income	2,454	-	-	2,454	2,938
Ancillary earned income					
Contract income	-	62,467	-	62,467	53,283
Management fees	6,266	-	-	6,266	14,021
Membership Income	2,950	-	-	2,950	-
Garrison Theatre hire income	5,041	-	-	5,041	5,296
Rental income	68,617	-	-	68,617	35,359
Bar & catering income	469,512	-	-	469,512	209,382
Foyer sales	157,105	-	-	157,105	89,377
Merchandise sales	4,862	-	-	4,862	5,631
Weisdale Mill shop	46,634	-	-	46,634	39,906
Exhibition sales commission	4,426	-	-	4,426	3,251
Weisdale Mill café	67,846	-	-	67,846	58,823
Development course income	739	-	-	739	98
Recharges income	6,128	-	-	6,128	23,155
Equipment hire	3,808	-	-	3,808	-
Screen advertising	14,515	-	-	14,515	7,360
Recording Studio Income	4,310	-	-	4,310	-
Miscellaneous income	9,922	-	-	9,922	8,128
Insurance claim	60,330	-	-	60,330	-
Other earned income	-	-	-	-	136
	<u>1,444,937</u>	<u>75,816</u>	<u>-</u>	<u>1,520,753</u>	<u>895,275</u>
<b>4. INVESTMENT INCOME</b>					
Bank interest received	2	-	-	2	27
<b>5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES</b>					
Shetland Charitable Trust	696,038	12,354	-	708,392	720,375
Shetland Islands Council	-	-	1,100,000	1,100,000	-
Creative Scotland revenue funding	212,000	-	-	212,000	212,000
Creative Scotland Project funding	-	52,790	200,000	252,790	452,870
Local Authority - Project funding	-	8,100	-	8,100	8,578
Other public funds	-	30,693	200,000	230,693	479,682
	<u>908,038</u>	<u>103,937</u>	<u>1,500,000</u>	<u>2,511,975</u>	<u>1,873,505</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

	Notes	2014			2013	
		Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	
<b>6. COSTS OF GENERATING FUNDS</b>						
<b>Fundraising trading costs</b>						
Catering stock purchases		298,060	-	-	298,060	159,446
Shop and gallery stock purchases		24,986	-	-	24,986	22,717
		<u>323,046</u>	<u>-</u>	<u>-</u>	<u>323,046</u>	<u>182,163</u>
<b>7. CHARITABLE ACTIVITIES EXPENDITURE</b>						
Direct service provision	7a	1,394,721	123,064	-	1,517,785	1,376,723
Grant funding	7b	-	20,150	-	20,150	17,911
Support costs	7c	1,372,856	193,386	-	1,566,242	992,708
		<u>2,767,577</u>	<u>336,600</u>	<u>-</u>	<u>3,104,177</u>	<u>2,387,342</u>
<b>7a. Direct service provision</b>						
Development Expenditure		406,194	123,064	-	529,258	662,717
Operations Expenditure		960,201	-	-	960,201	678,325
Shetland Box Office		16,946	-	-	16,946	17,431
Strategic Marketing		11,380	-	-	11,380	18,250
		<u>1,394,721</u>	<u>123,064</u>	<u>-</u>	<u>1,517,785</u>	<u>1,376,723</u>
<b>7b. Grant funding</b>						
Grants paid to individuals		<u>-</u>	<u>20,150</u>	<u>-</u>	<u>20,150</u>	<u>17,911</u>
The grants made during the year relate to the Visual Arts and Craft Award Scheme. This scheme is made possible through funding from Creative Scotland and Shetland Islands Council. Support costs associated with this scheme amounted to £816.						
<b>7c. Support costs</b>						
Support staff salaries and other staffing costs		371,349	-	-	371,349	331,429
Overheads	7e	1,001,507	193,386	-	1,194,893	661,279
		<u>1,372,856</u>	<u>193,386</u>	<u>-</u>	<u>1,566,242</u>	<u>992,708</u>



## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

	Notes	2014			Total Funds £	2013 Total Funds £
		Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £		
<b>7d. All staff costs</b>						
Development salaries		199,722	30,815	-	230,537	262,219
Operational salaries and wages		728,751	-	-	728,751	547,109
Support salaries and wages		357,306	-	-	357,306	313,671
	19	1,285,779	30,815	-	1,316,594	1,122,999
Staff training		12,010	-	-	12,010	6,597
Recruitment and relocation		4,594	-	-	4,594	14,046
Mileage and car allowance		12,817	-	-	12,817	14,586
Professional fees		186	-	-	186	533
Travel and subsistence		7,074	-	-	7,074	7,848
Volunteer expenses		44	-	-	44	26
Recharges of staff time	-	3,588	-	-	3,588	-
Miscellaneous		1,654	-	-	1,654	524
		<u>1,320,570</u>	<u>30,815</u>	<u>-</u>	<u>1,351,385</u>	<u>1,167,159</u>
<b>7e. Overheads</b>						
Stationery		5,959	-	-	5,959	5,050
Equipment		10,968	-	-	10,968	2,364
ICT		30,780	-	-	30,780	31,751
Photocopier lease		17,317	-	-	17,317	21,053
Electricity		116,188	-	-	116,188	74,119
Telephone and fax		5,518	-	-	5,518	5,583
Cleaning		56,662	-	-	56,662	33,135
Postage		2,562	-	-	2,562	3,085
Trustee expenses		128	-	-	128	2,897
Hospitality		88	-	-	88	176
Legal and professional fees		15,842	18,041	-	33,883	23,800
Bank charges		6,488	-	-	6,488	3,682
Publications and subscriptions		2,523	-	-	2,523	1,679
Licences		22,620	-	-	22,620	12,579
Rates		2,105	-	-	2,105	3,649
Office lease		-	-	-	-	15,417
Storage facilities		7,995	-	-	7,995	9,068
Repairs and maintenance		10,389	-	-	10,389	24,245
Planned Maintenance		-	26,532	-	26,532	27,720
General overheads		1,858	-	-	1,858	291
Insurance		35,888	-	-	35,888	30,243
Depreciation		640,114	-	-	640,114	135,828
Payroll processing		4,559	-	-	4,559	8,003
Bank interest		20	-	-	20	94
Loan interest		4,936	-	-	4,936	5,235
Cost of moving offices		-	-	-	-	2,569
Mareel project costs		-	148,813	-	148,813	177,964
		<u>1,001,507</u>	<u>193,386</u>	<u>-</u>	<u>1,194,893</u>	<u>661,279</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

Notes	2014			Total Funds £	2013 Total Funds £
	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £		
<b>8. GOVERNANCE COSTS</b>					
Auditors remuneration:					
Audit	7,925	-	-	7,925	10,075
Actuary fee	2,500	-	-	2,500	1,819
	<u>10,425</u>	<u>-</u>	<u>-</u>	<u>10,425</u>	<u>11,894</u>

## 9. ANALYSIS OF MOVEMENT IN DEFERRED INCOMING RESOURCES

	Opening Balance £	Deferred In Year £	Released in Year £	Closing Balance £
-Film Memberships paid in advance	2,724	-	(2,724)	-
-Hire invoices credited post year-end	-	4,288	-	4,288
<b>Awards For all</b>				
-Created Space	3,394	-	-	3,394
<b>Children In Need</b>				
-Space2Face (under 18 years)	2,572	-	(2,572)	-
<b>Community Mediation Group</b>				
-Space2Face (over 18 years)	1,384	-	-	1,384
<b>Robertson Trust</b>				
-Power Of Place	700	-	(700)	-
<b>Creative Scotland Grants</b>				
-Textile Festival 2013	1,000	-	(1,000)	-
-Space2Face	-	10,190	-	10,190
<b>Shetland Charitable Trust</b>				
-Planned Maintenance funding	18,539	6,185	(18,539)	6,185
-Revenue Funding	-	58,003	-	58,003
	<u>30,313</u>	<u>78,666</u>	<u>(25,535)</u>	<u>83,444</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

## 10. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
<b>COST/VALUATION</b>					
As at 1 April 2013	12,611,219	1,300,346	42,800	2,862	13,957,227
Additions during period	<u>437,772</u>	<u>46,162</u>	<u>-</u>	<u>-</u>	<u>483,934</u>
As at 31 March 2014	<u>13,048,991</u>	<u>1,346,508</u>	<u>42,800</u>	<u>2,862</u>	<u>14,441,161</u>
<b>DEPRECIATION</b>					
As at 1 April 2013	-	401,509	-	-	401,509
Charge for period	<u>493,494</u>	<u>146,620</u>	<u>-</u>	<u>-</u>	<u>640,114</u>
As at 31 March 2014	<u>493,494</u>	<u>548,129</u>	<u>-</u>	<u>-</u>	<u>1,041,623</u>
<b>NET BOOK VALUE</b>					
As at 31 March 2014	<u>12,555,497</u>	<u>798,379</u>	<u>42,800</u>	<u>2,862</u>	<u>13,399,538</u>
As at 1 April 2013	<u>12,611,219</u>	<u>898,837</u>	<u>42,800</u>	<u>2,862</u>	<u>13,555,718</u>

The pianos were re-valued on 31 March 2011. The valuations were based on a review of second-hand piano sellers websites and were carried out by, Sheila Duncan, who is an internal employee of Shetland Arts Development Agency and is not a qualified valuer. The trustees are not aware of any material changes since the last valuation of pianos.

The historic cost of the pianos was £44,255.

## 11. HERITAGE ASSETS

	Heritage Property £
<b>COST/VALUATION</b>	
As at 1 April 2013 and 31 March 2014	<u>269,450</u>
<b>NET BOOK VALUE</b>	
As at 31 March 2014	<u>269,450</u>
As at 1 April 2013	<u>269,450</u>

The heritage property is the Weisdale Mill building. The building is utilised essentially as a gallery and was constructed circa 1855.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

### 12. INVESTMENTS

	Investment in Subsidiary £
<b>COST</b>	
As at 1 April 2013	1
As at 31 March 2014	1

On 25 July 2011, Shetland Arts Development Agency purchased 1 ordinary share of £1 in Shetland Arts IP C.I.C, representing a 100% interest. Shetland Arts IP C.I.C. is a community interest company which was set up as a means of securing intellectual property rights over films, books, music, etc. pertaining to Shetland in order to ensure that any profits generated therefrom can be retained for the good of Shetland.

As at 31 March 2014, Shetland Arts IP C.I.C. had not yet commenced its activities.

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

13. STOCK	2014 £	2013 £
Weisdale Mill sales area stock	14,566	16,621
Weisdale Mill café stock	652	652
Dialect Programme book stock	3,425	3,425
Garrison Theatre stock	271	327
Mareel Foyer Stock	10,715	10,839
Mareel Cafe/Bar Stock	18,907	18,925
	<u>48,536</u>	<u>50,789</u>
	<u>48,536</u>	<u>50,789</u>
14. DEBTORS	£	£
Trade debtors	19,502	12,282
Amount due by subsidiary undertaking	388	225
Other debtors	4,250	15,738
Prepayments and accrued income	55,253	182,013
	<u>79,393</u>	<u>210,258</u>
	<u>79,393</u>	<u>210,258</u>
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	£	£
Trade creditors	229,182	843,299
VAT	36,838	-
Accruals	66,485	73,392
Deferred income	83,444	30,313
PAYE & NI	19,359	-
Bank overdraft	-	14,511
Shetland Islands Council Bridging	-	382,869
Secured bank loan	7,129	6,816
Other creditors	19,338	-
	<u>461,775</u>	<u>1,351,200</u>
	<u>461,775</u>	<u>1,351,200</u>
16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR		
Secured bank loan (falling due in less than 5 years)	31,944	30,541
Secured bank loan (falling due after 5 years)	66,895	75,428
	<u>98,839</u>	<u>105,969</u>
	<u>98,839</u>	<u>105,969</u>

The bank loan is secured on the Kergord Hatchery property and Weisdale Mill building.

## SHETLAND ARTS DEVELOPMENT AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

#### 17. PENSION SCHEME

Shetland Arts Development Agency provides pension arrangements to eligible employees through a multi-employer defined benefit statutory 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 was at 31 March 2014 and this is updated on a triennial basis. A summary of the membership data used and the benefits valued at the latest formal valuation are set out in the formal valuation report. Hymans Robertson LLP reviews the most recent full actuarial valuation and updates it annually at the charity's balance sheet date to reflect current conditions.

Assumptions as at	31-Mar-14 % per annum	31-Mar-13 % per annum
Inflation/pension increase rate	2.8%	2.8%
Salary increases	5.1%	5.1%
Expected return on assets	6.2%	5.3%
Discount rate	4.3%	4.5%
Proportion of employees opting for early retirement	0.0%	0.0%

The overall expected rate of return on assets (including the effect of major categories of assets) is based on recommended return assumptions derived from the HRAM model, the proprietary stochastic asset model developed and maintained by Hymans Robertson LLP.

Mortality assumptions	31-Mar-14 Years	31-Mar-13 Years
Longevity at age 65 for current pensioners		
Men	23.0	23.0
Women	25.8	25.8
Longevity at age 65 for future pensioners		
Men	24.9	24.9
Women	27.7	27.7

#### Assets (Employer Share)

	Long term rate of return expected at 31-Mar-14	Fund value at 31-Mar-14 £ 000	Long term rate of return expected at 31-Mar-13	Fund value at 31-Mar-13 £ 000
Equities	6.7%	1,639	5.7%	1,464
Bonds	3.8%	184	3.5%	143
Property	4.8%	143	3.9%	107
Cash	3.7%	82	3.0%	71
Total		<u>2,048</u>		<u>1,785</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

## 17. PENSION SCHEME (Continued)

Net Pension Liability as at	31-Mar-14 £ 000	31-Mar-13 £ 000
Fair value of Employer Assets	2,048	1,785
Present value of funded liabilities	(2,667)	(2,238)
Net (under)/overfunding in funded plans	(619)	(453)
Present value of unfunded liabilities	(224)	(216)
Unrecognised past service cost	-	-
Net asset/(liability)	(843)	(669)
Amount in the balance sheet		
Liabilities	(843)	(669)
Assets	-	-
Net Pension (liability)/asset	(843)	(669)

## Analysis of amount charged in the SOFA

Recognition in the SOFA	31-Mar-14 £ 000	31-Mar-14 % of pay	31-Mar-13 £ 000	31-Mar-13 % of pay
Current service cost	187	26.8%	121	21.4%
Interest cost	115	16.5%	95	16.8%
Expected return on employer assets	(98)	(14.0%)	(86)	(15.2%)
Past service cost/(gain)	-	0.0%	57	10.1%
Losses/(gains) on curtailment and settlements	-	0.0%	-	0.0%
<b>Total</b>	<b>204</b>	<b>29.3%</b>	<b>187</b>	<b>33.1%</b>
Actual return on plan assets	126		223	

Reconciliation of defined benefit obligation	31-Mar-14 £ 000	31-Mar-13 £ 000
Opening defined benefit obligation	2,454	1,886
Current service cost	187	121
Interest cost	115	95
Member contributions	43	36
Actuarial losses/(gains)	124	290
Past service costs/(gains)	-	57
Losses/(gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Liabilities assumed in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	(8)	(8)
Estimated benefits paid	(24)	(23)
Closing defined benefit obligation	2,891	2,454

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

## 17. PENSION SCHEME (Continued)

## Major categories of plan assets as a percentage of total plan assets

	31-Mar-14	31-Mar-13
Equities	80%	82%
Bonds	9%	8%
Property	7%	6%
Cash	4%	4%

## Reconciliation of fair value of employer assets

	31-Mar-14 £ 000	31-Mar-13 £ 000
Opening fair value of employer assets	1,785	1,415
Expected return on assets	98	86
Contributions by members	43	36
Contributions by the employer	118	134
Contributions in respect of unfunded benefits	8	8
Actuarial gains/(losses)	28	137
Assets distributed on settlements	-	-
Assets acquired in a business combination	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	(8)	(8)
Estimated benefits paid	(24)	(23)
Closing fair value of employer assets	<u>2,048</u>	<u>1,785</u>

## Amounts for the current and previous accounting periods

	31-Mar-14 £ 000	31-Mar-13 £ 000	31-Mar-12 £ 000	31-Mar-11 £ 000	31-Mar-10 £ 000
Fair value of employer asset	2,048	1,785	1,415	972	813
Present value of defined benefit obligation	(2,891)	(2,454)	(1,886)	(1,295)	(1,290)
Surplus/(deficit)	<u>(843)</u>	<u>(669)</u>	<u>(471)</u>	<u>(323)</u>	<u>(477)</u>
Experience gains/(losses) on assets	28	137	248	(8)	183
Experience gains/(losses) on liabilities	(1)	1	(247)	(112)	72



## SHETLAND ARTS DEVELOPMENT AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

#### 17. PENSION SCHEME (Continued)

##### Amount recognised in SOFA

	31-Mar-14 £ 000	31-Mar-13 £ 000	31-Mar-12 £ 000	31-Mar-11 £ 000	31-Mar-10 £ 000
Actuarial gains/(losses)	(96)	(153)	(122)	39	(282)
Other actuarial adjustment	(78)	(45)	(26)	115	2
Actuarial gains/(losses) recognised	<u>(174)</u>	<u>(198)</u>	<u>(148)</u>	<u>154</u>	<u>(280)</u>
<b>Cumulative actuarial gains and losses</b>	<u>(651)</u>	<u>(555)</u>	<u>(402)</u>	<u>(280)</u>	<u>(319)</u>

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2015 will be approximately £127,000.

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.

#### 18. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year. Travelling expenses claimed by Trustees totalled £128, for the year (2013 - £2,897). Trustees were paid £ - Nil (2013 - Nil) during the year for commissioned work. During the year, donations of £5,160 were received from Trustees. £1,275 of this figure was through the 'Friends of Mareel' scheme.

During the year, Shetland Arts Development Agency paid expenses of £163 (2013 - £125) on behalf of its subsidiary, Shetland Arts IP C.I.C.. No interest is being accrued on this balance. It will be repaid when income is generated in the Community Interest Company. The balance at the year end was £388 (2013 - £225).

#### 19. ANALYSIS OF EMPLOYEE COST

	31-Mar-14 £	31-Mar-13 £
Salaries	1,128,136	924,673
National insurance	61,938	54,518
Pension Costs	<u>126,520</u>	<u>143,808</u>
<b>Total</b>	<u>1,316,594</u>	<u>1,122,999</u>

No employee received emoluments of over £60,000 during the year.

Employee No	2014	2013
Full Time	22	22
Part Time	<u>78</u>	<u>58</u>
	<u>100</u>	<u>80</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

#### 20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted General Funds £	Unrestricted Pension Reserve £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2013	(13,786)	(669,000)	-	12,651,926	11,969,140
Total Incoming Resources	2,361,537	-	186,691	1,500,000	4,048,228
Total Resources Expended	(3,101,048)	-	(336,600)	-	(3,437,648)
Other Recognised Gains And Losses	-	(174,000)	-	-	(174,000)
Transfer amortisation of Restricted Capital Fund	566,026	-	-	(566,026)	-
Transfer from Unrestricted Funds to cover negative balance in Restricted Funds	(1,096)	-	149,909	(148,813)	-
Transfer amortisation of lease premium	42,014	-	-	(42,014)	-
<b>Total Funds as at 31 March 2014</b>	<u>(146,353)</u>	<u>(843,000)</u>	<u>-</u>	<u>13,395,073</u>	<u>12,405,720</u>

#### 21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March are represented by:	Unrestricted General Funds £	Unrestricted Pension Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Fixed Assets	273,916	-	-	13,395,073	13,668,989
Current Assets	140,345	-	-	-	140,345
Current Liabilities	(461,775)	-	-	-	(461,775)
Long-Term Liabilities	(98,839)	-	-	-	(98,839)
Provisions	-	(843,000)	-	-	(843,000)
<b>Total Net Assets</b>	<u>(146,353)</u>	<u>(843,000)</u>	<u>-</u>	<u>13,395,073</u>	<u>12,405,720</u>

Included with restricted capital funds are amounts of £1,057,986 relating to the lease premium received from the Shetland Islands Council during the year as noted in the Trustees' report financial review and also discussed in note 22 (page 41).

#### 22. OPERATING LEASES

At 31st March 2014 the charity had aggregate annual commitments under non-cancellable operating leases as set out below

	31-Mar-14		31-Mar-13	
	Land & Buildings £	Other items £	Land & Buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	-	-	-
Within 2 to 5 years	-	9,340	-	10,680
	<u>-</u>	<u>9,340</u>	<u>-</u>	<u>10,680</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

## 22. OPERATING LEASES (continued)

	31-Mar-14		31-Mar-13	
	Plant & Machinery £	Other items £	Plant & Machinery £	Other items £
Operating lease payment made in the year	7,690	-	10,680	-
	<u>7,690</u>	<u>-</u>	<u>10,680</u>	<u>-</u>

On 27 May 2013, a lease was granted by Shetland Arts Development Agency to the Shetland Islands Council (SIC) over the subjects at Mareel. The lease term is 99 years with the tenant being the SIC. A premium of £1,100,000 (plus VAT) was payable with an annual rent being £90,000 (this will be reviewed every five years). The SIC has the option to buy Mareel for £1 after 1 May 2037 when the grant conditions for Creative Scotland expire. This option is secured. Further to this, a sub-lease has been granted by the SIC back to Shetland Arts Development Agency for 24 year to 1 May 2037, with the rent being the same as the head lease. There is an option to terminate this sub-lease on six months' notice.

The substance of this transaction has resulted in the rent payable and receivable of £90,000 being netted off in the Statement of Financial Activities, therefore no income or expenditure is shown. As a result of this treatment, it was not considered appropriate to disclose an operating lease in relation to this transaction. The lease premium has been treated as restricted capital funds and is to be released over the lease period of 24 years. This is included in the transfer of funds of £756,853.

## 23. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Net incoming resources before transfers	610,580	192,588
Depreciation	640,114	135,828
Interest received	(2)	(27)
Interest payable	4,936	5,329
Decrease/(Increase) in stocks	2,253	(28,771)
Decrease in debtors	130,865	180,070
(Decrease)/increase in creditors	<u>(492,358)</u>	<u>184,650</u>
Net cash inflow from operating activities	<u>896,388</u>	<u>669,667</u>

## 24. ANALYSIS OF CHANGES IN CASH AND BANK BALANCES

	31-Mar-13 £	Cashflow £	31-Mar-14 £
Cash in hand and bank	9,093	3,323	12,416
Bank overdraft	<u>(14,511)</u>	<u>14,511</u>	<u>-</u>
	<u>(5,418)</u>	<u>17,834</u>	<u>12,416</u>