



Shetland *arts*

Shetland Arts Development Agency  
Board of Trustees Annual General Meeting  
Thursday 24<sup>th</sup> August 2017 5:30pm  
Venue: Mareel

Item	Description	Report	Item taken by	ACTION
1	Welcome		Chair	
2	Minutes 22 September 2016		Chair	Approval
3	Annual Financial Statements	Attached	KE	Approval



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**Minute of Annual General Meeting of Shetland Arts Development Agency, Thursday 22<sup>nd</sup> September 2016, held at 5.30pm at Mareel Meeting Room, Lerwick**

**Present:**

Lorraine Hall (LH), Chair, Shetland Arts  
 David Ramsay (DR), Vice Chair, Shetland Arts  
 Robin Sandison (RS), Trustee, Shetland Arts  
 Alan Skinner (AS), Trustee, Shetland Arts  
 Ryan Stevenson (RSt), Trustee, Shetland Arts  
 Helen Nisbet (HN), Trustee, Shetland Arts (via telephone)

**In Attendance:**

Graeme Howell (GH), General Manager, Shetland Arts  
 Kerry Eunson (KE), Finance Manager, Shetland Arts  
 Glenda Mackay (GM), Administrator, Shetland Arts (Minute taker)  
 Jayne Anderson, Director, A9 Partnership

**Apologies:**

Olive MacLeod (OM), Trustee, Shetland Arts  
 Veronica Rocks (VR), Trustee, Shetland Arts

Item	Topic	Action
1	<p><b>Welcome</b></p> <p>The Chair welcomed everyone to the Annual General Meeting.</p> <p>The Chair noted our thanks as an organisation to the valuable contribution that the late Danus Skene brought to SADA over a number of years. His loss as a Trustee and a Board member will be very much felt. There is a memorial service for Danus Skene on Friday 28<sup>th</sup> October at 3pm at the St Columba's Church in Lerwick.</p>	
2	<p><b>Annual Financial Statements</b></p> <p>Jane Anderson of A9 Partnership who conducted SADAs audit, presented the Annual Financial Statements to the Board.</p> <p>Jane explained that there is a surplus on the unrestricted funds of £22K which has been reduced to £18K.</p> <p>Jane noted that the pension liability has improved and there is less of a liability now. This leaves SADA with an overall unrestricted fund surplus of £330K.</p> <p>There is an improved deficit position from the previous year.</p> <p>Page 15 and 16 explain that the accounts are compliant with</p>	

	<p>all the necessary legislation and that the accounts give a true view of the charities affairs at the year end.</p> <p>There is a management letter explaining a few points that could improve but overall the audit was more straightforward than the previous year.</p> <p>GH explained that there is a statement from the Chair this year, instead of a statement from the Chair and the General Manager like previous years.</p> <p><i>The Board approved the Annual Financial Statements and these were signed off at the meeting.</i></p>	
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Meeting closed at 5.40pm.

Minute approved:

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Lorraine Hall  
Chair, Shetland Arts Development Agency

**SHETLAND ARTS DEVELOPMENT  
AGENCY**

**TRUSTEES' REPORT & FINANCIAL STATEMENTS**

for the year ended

31 March 2017

# SHETLAND ARTS DEVELOPMENT AGENCY

## CHAIRPERSON'S MESSAGE

31 MARCH 2017

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My second year as chair of Shetland Arts Development Agency has been focussed on giving the organisation a sense of stability after the necessary changes of the previous year and to ensure that we continue to prioritise our fiscal, social and artistic responsibilities.

During the year we entertained over 200,000 audience members who engaged with over 4,500 concerts, performances, screenings and exhibition days. Highlights included Shetlander Neil Georgeson's first classical performance in Mareel since the opening season, an exhibition and talk by leading Scots artist Toby Paterson, and *Know Your Art From Your Elbow*, an entertaining and educating series of workshops looking at the 2016 Turner Prize nominations. The Pelagic Sculpture project has come to fruition with the installation of Jo Chapman's *Da Lightsome Buoy* on Lerwick's harbour side and my thanks go out to the commissioning partnership of LHD, Lerwick Port Authority, Shetland Catch and Shetland Fish Producers' Organisation. Another success for the year was the presentation of Martin Greens *Flit* which concluded its UK tour by wowing audiences in Shetland with its take on the importance of migration.

We have continued to develop our formal and informal education strands. September saw the first students enrol on the BA in Film Making which we have developed with partners across the UHI network. We also received another positive report from the Quality Standards Authority for our delivery of the film and music vocational pathways to under 14's. During the summer we built upon the success of our ever-popular Stage 1 drama workshops by offering some week-long opportunities for young people. The Summer Dance Intensive gave young people an opportunity to work with Kathryn Spence on devising a contemporary dance performance and the Creativity Camp allowed our younger participants to engage in a variety of different creative opportunities.

We have continued to work with a range of partners including Highlands and Islands Enterprise, the Centre for Rural Creativity and Shetland Islands Council to explore how best to support Shetland's Creative Industries and we have high hopes for the independent forum that is developing out of this work.

Our three festivals performed well in the year with new curators taking over at the helm of Fiddle Frenzy, whilst Wordplay made a welcome return to the festival schedule. Screenplay celebrated its 10<sup>th</sup> anniversary and hosted a wide variety of guests including producer Ian Softley, director Kim Longinotto and musician Richard Hawley.

I am pleased to be able to report that we have made another small surplus this year, building upon last year's financial stability and my thanks go out to the whole staff team for their hard work and dedication.

We were saddened by the sudden death of former chair and serving trustee Danus Skene and our thoughts are with his family. I would like to take this opportunity to thank my fellow Trustees for their continued hard work and commitment to Shetland Arts. I would also like to thank our funders Shetland Charitable Trust and Creative Scotland for their continued investment in the organisation.

I am confident that the staff and Trustees are well placed to face the challenges ahead as we continue to deliver on our purpose in the face of an ever-tightening financial situation.

Lorraine Hall  
Chair

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

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The Trustees are pleased to present their annual Trustees' Report together with the financial statements of the charity for the year ending 31 March 2017.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the trust deed and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2015.

### **OBJECTIVES AND ACTIVITIES**

Shetland Arts' principal objectives are laid out in our 2006 Trust Deed.

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.

### **Introduction**

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

We employ a robust process of evaluation for each element of every project we deliver. Every activity is submitted to the Programming Group on a Project Proposal Form (PPF) that contains a narrative statement and describes how the project relates to our Trust Deed, which programme area it is part of, which art forms it relates to and whether the work is contemporary, populist or traditional. This form also sets the Key Performance Indicators (KPIs) and the budget.

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All elements of the activity are considered, particularly how the outcomes will deliver our overall objectives for the year. The Programming Group sets key milestones and receives regular updates, with monitoring requirements being dictated by the scale of the project. Once an activity is completed, the PPF is reviewed against actuals and lessons are learned where appropriate.

Project Managers collate monthly Key Performance Indicators (KPIs) for each active project and each quarter a report is produced which includes KPIs, a narrative for each Priority Area and two or three Case Studies which highlight particular projects. These reports are submitted to Shetland Charitable Trust, circulated to Shetland Arts Trustees and made available on Shetland Arts website.

### **Three-Year Programme - Priority Areas**

In 2015 Shetland Arts committed to a three-year programme of activity building on nine years of quality arts programming to provide opportunities for people of all ages to access enjoyable creative experiences as participants and as audience, across a wide range of art forms. Up to 2014/15 SADA has focussed activity and reporting under artform-specific criteria. From 2015/16 onwards activity and reporting is under six Priority Areas of Activity, identified for 2015-18 as:

#### 1. Youth Arts

This includes the work we do with Shetland Youth Theatre and the support of groups such as Maddrim Media and the Shetland Young Promoters Group. It includes innovative projects designed to increase the engagement of young people in the arts and exchange programmes with organisations outwith Shetland, encouraging Shetland's youth to engage with and help shape cultural events in Shetland.

#### 2. Education & Learning

We are committed to the delivery of a programme of activities aimed at skills development for creative industries practitioners as well as classes and workshops aimed at increasing accessibility and participation in creative activities. The Gallery Education Programme works with schools to encourage access to and engagement with our exhibition programme. We also facilitate peer review and support by and for practitioners at all levels of participation and a range of formal learning opportunities in partnership with Shetland College UHI, from secondary school level through to masters level.

#### 3. Arts & Wellbeing

We will continue to advocate and support the provision of arts and cultural activities for older people in care settings and people in supported living programmes, delivered by local and national arts professionals. We also work in partnership with space2face, the restorative justice and arts programme.

#### 4. Development & Support

The support of individuals and groups is integral to our work and includes arts practitioners and creative industries micro-businesses, audience development and our formal and informal education work. It also includes staff and volunteer development.

#### 5. Programme, Commissioning & Curation

This includes the programming of our cinema, gallery, exhibition spaces, theatre and auditorium; Screenplay and Wordplay, our highly successful book and film festivals; and Fiddle Frenzy. We also develop creative residencies in partnership with local and national bodies and extend our regional, national and international reach through the development of a variety of events.

#### 6. Broadcast, Recording & Intellectual Property

We maximise Mareel's digital production facilities (principally for music and video recording) to provide opportunities for musicians and producers to generate revenue and Intellectual Property.

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### Achievements & Performance

Priority Areas	Key Performance Indicators - Full Year 16/17			
	Concerts, Screenings and Exhibition Days	Audience Attendances	Development Sessions	Participations
1. Youth Arts	8	554	79	1,027
2. Education & Learning	8	209	1,115	7,629
3. Arts & Wellbeing	1	15	219	1,536
4. Development & Support	-	-	43	943
5. Programme, Commissioning & Curation	4,767	205,080	295	7,027
6. Broadcast, Recording & IP	-	-	178	1,058
Totals	4,784	205,858	1,929	19,220

### Notable variances between Target and Actual KPIs

	Target*	Actual	% Achieved
Concerts / Screenings / Exhibition Days	3,000	4,784	159.5
Audience Attendances	160,000	205,858	128.7
Development Sessions	1,300	1,929	148.4
Participations	9,000	19,220	213.6

\* Targets as set in 2014

The delivery of KPIs beyond the targets predicted for Concerts, Screenings and Exhibition Days and the resultant Audience Attendances can largely be attributed to a new exhibition space coming into use in the upstairs foyer of Mareel in Q4 of 2015/16 and a new Curated Retail initiative beginning to produce KPIs in Q4 of 2016/17.

Note: because many of our exhibition spaces are ambient and unticketed and therefore do not directly produce attendance and engagement data, we have been using divisors based on the attendance at other events in the same building which do produce attendance data (i.e. dividing the number of covers at the Bonhoga Café and number of tickets sold at events in Mareel by a percentage). Throughout 2017/18 we will be undertaking visitor research to test whether these divisors are accurate.

A significant contribution to the over delivery of Development Sessions and Participations was the introduction of two new formal education courses in film (NC Creative Industries: Film and BA Contemporary Film Making in the Highlands and Islands).

Other significant contributing projects include the Wellbeing Choir (launched in 2016) and Shetland Arts participation in the *We're Here Because We're Here* project.

The level of over delivery highlighted above is under review and will likely decrease to be more in line with targets as a result of the impact of Shetland Charitable Trust funding cuts over the coming three years.



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### Priority Area 1: Youth Arts

Highlights included:

- In August 2016, eight members of the **Shetland Young Promoters Group (SYPG)** sailed on the Swan to Norway to take part in a four-day cultural exchange between the Shetland Isles and the Sund Kommune. Kari-Anne Landro (Sund Mayor) noted, "The bondings between Shetland and Sund Kommune are strong. [The musicians] showed us variation, high quality and passion for music."
- In March **SYPG** staged their annual Battle of the Bands competition. The alcohol-free youth event featured six young bands competing to be crowned winners of the competition, with the winning band Sidewinder receiving a day in the Mareel Recording Studio as a prize.
- There were two six-week blocks of **Stage 1 Drama** sessions for 7-11 year olds over the autumn and winter months, each culminating in a short performances for family and friends. The sessions, in which young people devised and rehearsed stories based on a theme (Aliens and Selkies), were led by John Haswell who also provided mentorship to volunteers who helped deliver the sessions.
- Our **Summer Dance Intensive** this year featured two week-long courses of dance with Shetland-born choreographer Kathryn Spence. The first week was with five 15-26 year olds and the second week with five 11-14 year olds. During the week participants learned many contemporary dance techniques and used these skills to create two original dance pieces. One was filmed and the participants edited together a short dance video, and the other was performed at the Just Dance showcase in July.
- **Shetland Youth Theatre** devised and performed a new piece, *In the Still of the Night Have We Wept*, devised by the young people and centred around the poetry of the First World War. Led by John Haswell, the cast created an emotional, nuanced and innovative response to imagery, artifacts, documents and poems from the most cataclysmic war the world has ever experienced. The show toured Shetland in May, with performances in Baltasound Hall, Walls Hall, and the Garrison Theatre in Lerwick.
- **Creativity Camp** was an arts-filled week in summer with drama, dance, music, literature, film, visual art and crafts activities facilitated by local freelance artists. The week culminated with 15 children aged between 7-11 performing a 25-minute show to an enthusiastic audience of family and friends.
- In the run-up to the Christmas holidays, we held a series of **Christmas Craft Workshops** in which young people had the opportunity to create their own Christmas trees and decorations.
- Visual theatre show **Fisk** was a huge success in February, and Shetland Arts partnered with several groups to organise workshops with the performers.

### Priority Area 2: Education & Learning

Highlights included:

- 44 students (24 part-time and 20 full-time) enrolled on the **formal education courses** Shetland Arts deliver in partnership with Shetland College UHI through a Service Level Agreement including Vocational Pathways courses in Video Production and Sound Engineering, NC Music, HNC Music, BA Applied Music, BA Film Making (see below) and the MA Digital Production module (see below).
- This year saw the commencement of the new **UHI Contemporary Film Making in the Highlands and Islands BA (Hons)** course with the first intake of students. Shetland Arts have been working with partners at North Highland College, Moray College and Orkney College to develop the course over the past three years.
- This year also saw the roll out of a new **NC Creative Industries course framework** offering specialisms in Music and Film.
- The **MA Digital Production module** was delivered remotely to two students on the UHI MA Music and the Environment course. One student was based in Sao Paulo and the other in Rome.
- BA Applied Music students from Shetland participated in a three-day **Virtual Residency** during which they attended a series of video conference tutorials and worked online with music students throughout the UHI network to compose and record a piece of music based on the theme of migration.
- Music and Film students staged three **Student Showcases** in the Mareel auditorium comprising live music and projected film.

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- In March the Shetland College Vocational Pathways courses participated in a Scottish Qualifications Authority (SQA) External Verification. The final report highlighted numerous examples of best practice and excellence in the “*uniquely developed, contextualised and integrated curriculum*”. The SQA inspector summarised: “*As the Centre is key to the development of creative industry skillsets which will benefit the local economy, it was recommended that it continues to encourage progression routes with local schools. All of the above indicates the future potential for Mareel/UHI as a Centre of Excellence for Creative Industries education.*”
- The first quarter of the year featured the culmination of the pilot year of the **Bonhoga Education Programme**. The project, entitled **The Art World**, involved circa 300 pupils aged 5-16 from five schools in Shetland: Sandwick Junior High School, Aith Junior High School, Fetlar Primary School, Baltasound Junior High School and Whalsay School. The final exhibition was brought together at Bonhoga by lead artist Amy Gear (who returned to Shetland after completing her Masters at Royal College of Art in London in 2015). All the young participants visited the show in Bonhoga and took part in a final workshop.
- The next phase of the **Bonhoga Education Programme** continued after the successful review by Creative Scotland and funders Children & the Arts. Amy Gear continued to lead the project with the new theme of **THE FUTURE**. This schedule began in August with a visit from Travelling Gallery, the Edinburgh-based art gallery in a bus, which travelled to each of the target schools with the New Media Scotland exhibition *Blush Response*. Amy accompanied the bus to each school and worked with the 300 pupils to engage with the work’s themes. A six-week block of additional sessions was developed in Sandwick Junior High School to engage with a small group of primary pupils as a trailblazer to this year’s project, to stimulate involvement with the school, resulting in a successful small installation by the children in the school in October.
- As part of the **Bonhoga Education Programme**, five teachers and ten student ambassadors from the participating secondary schools were able to attend the performance of *Flit* at Mareel on 2nd November. This cross-artform performance explored themes of home and the movement of peoples, providing a platform for schools to engage with this year’s education programme work.
- During Q4 all the participating pupils from each of the five schools in the **Bonhoga Education Programme** visited the gallery. Each group came to see either the Vivian Ross-Smith or Toby Paterson exhibitions and engaged in a gallery workshop, and also took part in a practical workshop with Amy Gear and JJ Jamieson, creating work for the upcoming exhibition, **THE FUTURE**. Amy led these practical sessions, exploring the idea of life in Shetland 300 years from now. Jane Matthews (Exhibition Manager) and artist Vivian Ross-Smith led workshops in the gallery, introducing each group to the exhibiting artist’s work and encouraging discussion and thinking. A blog has been created to publicise the project and provide a platform for schools to interact with the programme as it heads into the next phase.
- Artists exhibiting in Bonhoga, **Vivian Ross-Smith** and **Toby Paterson**, gave talks to coincide with their shows. Vivian gave an informal talk in the gallery and Toby presented an evening event at Mareel. Both were also featured in online interpretive material.
- To coincide with the exhibition *Elemental* at Bonhoga, artist **Peter Davis** delivered an inspiring gallery talk about his work with tips and techniques. He also led a half-day experimental watercolour workshop in Mareel for adults and a morning workshop in the gallery for children. Both were fully booked, lively and inspiring.

### Priority Area 3: Arts & Wellbeing

Highlights included:

- The newly appointed **Arts in Care** project Delivery Artists and volunteers were provided with two days of training, covering aspects such as workshop planning and delivering arts activities in specific care settings.

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- The **Arts in Care** 2016/17 programme included:
  - a series of workshops by **Genevieve White**, Lead Artist for the project, who worked with a group at **Annsbrae House** to write, perform and edit a short film which was premiered at Islesburgh Community Centre;
  - **Stephen Mercer** ran a heritage film project in **Whalsay Care Centre** and **Lana Fraser** worked with **Annsbrae** clients on a music project;
  - **Jane Cockayne** worked with **Supported Living and Outreach Clients** on a crafting project;
  - **Raman Mundair** led a multimedia project at the **Wastview Care Centre**;
  - **Vivian Ross-Smith** taught participants from **Annsbrae** the art of weaving;
  - and **Genevieve White** created a short film on the subject of superheroes with a group from **Supported Living and Outreach**. Each of the delivery artists have created blog entries about the projects, which can be found on the Shetland Arts website.
- Support for the innovative **space2face** restorative justice project continued with a series of workshops delivered by local freelance artists. The project provides a constructive way for offenders to confront the effects of their actions and also to make amends with their victims.
- The increasingly popular **Wellbeing Choir** started in 2016 with well-attended sessions in Mareel and other Lerwick venues, with songs from all eras and styles being explored.

### Priority Area 4: Development & Support

Highlights included:

- We provided support for rehearsals and logistics for the **We're Here Because We're Here** project conceived by Turner Prize winning artist **Jeremy Deller** which marked the centenary of the first day of the Battle of the Somme - a project in which thousands of volunteers dressed in First World War uniform appeared unexpectedly in locations across the UK on Friday 1 July 2016.
- We continued to support individual artists, creative groups and Creative Industry businesses, in terms of creative practice, funding, training and financial advice, and through the provision of freelance and performance opportunities.
- Shetland Arts, in partnership with **Train Shetland** and **Business Gateway**, delivered a series of free **Creative Industry Business workshops**. Topics included marketing, advertising and business startup.
- 20 local artists were awarded a total of approximately £20,000 in two tranches via the **Visual Art and Craft Award**, the annual award scheme managed by Shetland Arts and supported by Shetland Islands Council and Creative Scotland. The scheme offers Shetland visual and craft artists, through a competitive process, a professional development bursary for the creative and commercial development of their work.
- We continued to work with the **Garrison Theatre Steering Group** to gather the public's views on the future of the Garrison Theatre. A large-scale survey was undertaken and the results were presented to the SADA and Shetland Charitable Trust boards in late 2016. SADA and SCT agreed to continue their support for the Garrison Theatre for the next three years, in line with SCT's funding agreement with SADA.
- Mareel hosted the **Shetland Creative Industries Conference** in March in Mareel, a joint venture between HIE, SADA, SIC and UHI with around 100 attendees from a wide range of creative industry sectors. Mareel continued to host the monthly informal Shetland Creative Industries Forum networking events.
- Our popular **Life Drawing** classes continued with two rounds of six-week sessions.

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### Priority Area 5: Programme, Commissioning & Curation

Highlights included:

#### Cinema

- The ever-popular **cinema programme** continued to cater for a wide range of contemporary and populist tastes with regular screenings for specific audiences including Seniors, Babes in Arms, Subtitled Screening, Autism Friendly, ASN Friendly and Alternative Content including pre-recorded live drama and ballet.
- We celebrated the 10th birthday of our annual film festival **Screenplay** with a packed programme of 103 events over nine days with a total festival attendance of 4,450.
- The popular **Film Quiz** continued with around 100 participants each month.

#### Music

- Mareel hosted five concerts during the **Shetland Folk Festival**.
- The annual **Young Fiddler of the Year** competition and the **Schools Music Festival** took place in Mareel.
- **The Scottish Ensemble**, the UK's leading string ensemble, visited for a four-day residency. The ensemble hosted concerts, workshops and development sessions in a variety of locations throughout Shetland including schools, care centres, country halls and Mareel. The ensemble also performed 'pop-up' concerts in Sumburgh Airport and Tesco.
- SADA's **Classical Season** saw three contrasting performances by **Neil Georgeson** and a visit from **The Hebrides Ensemble** during 2016/17.
- SADA's **Fiddle Frenzy** festival and summer school, now in its 13th year, provided tuition in Shetland fiddle, accordion, guitar and mandolin and was attended by students from USA, Canada, New Zealand, Australia and Europe as well as from within the UK and Shetland.
- Regular informal music events included **Mixology**, **Open Mic Sessions** and **Singer-Songwriters** concerts.
- The **Shetland Community Orchestra** hosted the **BBC Ten Pieces** event in Mareel.
- Tribute acts included **The Dolly Parton Story** and **Buddy Holly and the Cricketers**.
- We welcomed **Flit**, a performance written and composed by **Martin Green** of Lau fame, featuring **Adrian Utley** (Portishead), **Dominic Aitchison** (Mogwai), **Becky Unthank** (The Unthanks) and **Adam Holmes**. The musicians explored themes of migration through darkly atmospheric songs set within a world of stop-motion animation.
- Our **Hogmanay** celebration was hosted by **Fiddlers' Bid** with a 1920s theme and offered a concert with a host of local musicians, film screenings in both Screen 1 & 2, and music in the Café Bar.
- The **East Winds Project** took place at Mareel run by Shapeshifters Productions in conjunction with Shetland Arts. This involved an exchange between young fiddle players from London and Shetland taking part in a week of workshops followed by a performance at Mareel and one in Cullivoe, Yell.
- As part of the yearly **Up Helly Aa** celebrations two **Fiery Sessions** concerts were held at the Garrison Theatre in the afternoon and Mareel was used as a hall in the evening. On Hop night there was a concert by **Federation of the Disco Pimp**.
- Local band **Forgotten Sons** launched their EP in Mareel
- A wide variety of music events were programmed by local promoters and organisations in SADA venues including **Ragged Wood Promotions**, **The Bashies**, **Shetland Country Club**, **Shetland Accordion and Fiddle Club**, **Shetland's Got Talent**, **Shetland Classic Car Show Variety Concert**, **Bergen Race Prizegiving Reception**.
- The music performance programme included performances by artists including **Gretchen Peters**, **Sharon Shannon with Shetland Fiddlers**, **Adam Holmes and the The Embers**, **Hjalitbonhoga with Gordon Gunn**, **Fara**, **Himmerland**, **Sarah Jarosz**, **Dean Owens**, **Blue Rose Code**, **Lewis & Leigh**, **The Unthanks**, **The Stray Birds**, **Clype**, the **Singer Songwriter Extravaganza**, **TMSA Young Trad Tour**.

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### Exhibitions

- **Marc Wilson's** *The Last Stand* in Bonhoga - relics of war captured through a photographer's lens.
- Unst-based sculptor **Tony Humbleyard** and Glasgow-based dancer and choreographer **Jack Webb's** residency led to a dance performance and exhibition entitled *Bone & Shadow*.
- **The Art World** was the first project in a four-year Bonhoga Gallery education programme supported by Children & the Arts, delivered by Shetland Arts in partnership with SIC Creative Links. It was led this year by artist **Amy Gear** who returned to Shetland after completing her Masters at Royal College of Art in London. The project involved approximately 300 pupils aged 5-16 from five schools in Shetland.
- Also as part of *The Art World*, **The Travelling Gallery**, a custom-built, mobile art space inside a bus paid a visit to Shetland. It brought high-quality contemporary art exhibitions and events to schools and communities in five locations across Shetland.
- Local artist **Peter Davis' Elementa** exhibition in Bonhoga, workshops and gallery talk. His works were a response to Iceland, particularly its physical features, through the medium of watercolour. The show was complemented in the Lower Gallery by an exhibition of stark and illuminating small ink drawings from **Paul Bloomer** and a new textile range by **Niela Nell Kalra**.
- **The Shetland Open** at Bonhoga, with the Bairns' Open in the Lower Gallery and an exhibition of paper cuts by graphic artist **Caroline Rees** in the Craft Cabinet. Prizes were awarded to the four category winners and these artists are working towards a group exhibition for next year.
- *Noup & Noust*, a hugely popular solo show in Bonhoga by Shetlander **Bert Simpson**. The exhibition of nearly 50 watercolour paintings was a personal and nostalgic view of Shetland. In parallel in Bonhoga's Lower Gallery, was an exhibition of work by **Dee Beale**, a printmaker based in the north of England and collections of contemporary craft for Christmas in the cabinet.
- Local artist **Vivian Ross-Smith's Island Connections** exploring the relationship between people and land.
- Renowned visiting artist **Toby Paterson's** exhibition and artist talk *The Pinwheel: Abstraction, Architecture and Reality*.
- Spaces in Mareel were used for the exhibition of work by local photographers **Brydon Thomason** and **Richard Shucksmith**, work from participants of **SIC Supported Living and Outreach** creative workshops facilitated by Shetland Arts, a display by the **Royal Incorporation of Architects in Scotland** celebrating 100 years of Scottish architecture and *Shetland's Rainbow*, an exhibition celebrating the **LGBT+ community in Shetland**. The **Shetland Contemporary Art Collection** continued to be displayed on the long wall in the Cafe Bar.
- The **Pelagic Sculpture Project**, managed by Shetland Arts and commissioned by a partnership comprising Shetland Catch, Shetland Fish Producers' Organisation, Lerwick Port Authority and LHD, culminated with the unveiling of **Da Lightsome Buoy**, a large cast bronze sculpture, at Lerwick Harbour on Saturday 8th October.

### Drama, dance and comedy

- Events in The Garrison Theatre included the **Community School of Ballet Christmas Show**, the **Shetland County Drama Festival** and their hugely popular community production of *Oliver*, **Islesburgh Drama Group's** *Mother Goose* pantomime production and their spring production of *On Golden Pond*.
- **Go Get 'em Kid** from Tamsyn Russell Dance in Mareel - a playful and high-energy contemporary dance duet created for children aged 6+ years and their families.
- *The End* - a new contemporary dance performance choreographed by **Jack Webb**.
- Tortoise In A Nutshell production **Fisk** performed at Mareel which included puppetry, movement and intricate design alongside an evocative original soundtrack.
- Shows by comedians **Mark Thomas** and **Stuart Maconie**.

### Other

- **Anne Cleeves** launched her new book with a talk entitled *Shetland: On Page and Screen*.
- Non-arts events included the **European Committee of the Regions** conference, the **UCAS & Higher Education Fair**, and a wedding.

# SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2017

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## Priority Area 6: Broadcast, Recording and Intellectual Property

Highlights included:

- The **Mareel Recording Studio** underwent a rebranding and marketing campaign, consolidated the hire charges and commissioned a promo film to advertise more widely the range of services on offer.
- Recording Studio clients included local bands **The Revellers, Quantana, Big Time Quell, Small Hours, Visitors, Hjaltibonhoga, Kris Drever** and **Freda Leask**.
- The annual **Shetland Singer Songwriters Extravaganza** concert was recorded for future release.
- **Hannah Adamson** recorded her specially commissioned tune “Da Lightsome Buoy” to mark the unveiling of the Pelagic Sculpture.
- 20 students from the Anderson High School spent two days in the studio as part of their **Activities Week**, recording and mixing two songs to completion.
- BBC’s *The Voice* contender **Lisa Ward** recorded a full-length album, having recorded her debut EP at Mareel in 2014.
- **SYPG Battle Of The Bands** winners **Satire Division** cashed in their prize of one day in the studio, recording three tracks.
- Edinburgh-based folk band **Southern Tenant Folk Union** mixed their album in Mareel
- Audio mastering for JJ Jamieson’s film **Havera** was done in the Mareel Recording Studio in advance of the film’s première at Screenplay
- **Sharon Shannon** recorded a special one-off session featuring a hand-picked group of Shetland fiddlers.
- Last years’ participants in the Between Islands project – **Arthur Nicholson, Kris Drever** and **Willie Campbell** – recorded an album of original material over three days.
- The **Arts in Care Community Music Group** of Annsbrae clients led by Lana Fraser made use of the Mareel Recording Studio facilities for workshops in October, whilst December saw a visit from **Cope** clients to record spoken messages for their new answerphone system.
- **Vair** recorded and mixed their debut album. The basic sessions were committed to tape in the cosy surroundings of the Carnegie Hall in Sandwick, with the resulting tracks brought back to Mareel for editing and mixing.
- Up-and-coming pianist **Lewis Hall** began work on his debut album.
- Irish harpist **Una Monaghan** travelled to Shetland in January to record an album of harp and electronics.
- Recording and mastering sessions for commercial **TV and Radio** clients.
- Supported Promote Shetland on live broadcasts of the **Schools’ Music Festival** and the **Saltire Awards**
- Provided technical support for **Neil Georgeson’s** February recital, the **BBC Ten Pieces** classical/multimedia event and the **Committee Of The Regions** conference, chaired by Deputy First Minister John Swinney and featuring delegates from throughout Scotland.

## Volunteers

Shetland Arts has been fortunate in working with hundreds of volunteers throughout the year as part of our volunteering strategy. Volunteers, including the voluntary board of Trustees, have provided regular assistance with administration, research, festival curation, event management, marketing, assisting with the delivery of workshops and numerous other roles and functions.

## Change Management

The period 2016/17 has been focussed on embedding and reviewing the changes undertaken during the previous year. The process of consult, reflect, change, review has been adhered to and led to some further minor structural tweaks, although the priority has been to maintain stability after a period of significant change.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

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### FINANCIAL REVIEW

In 2016 the organisation was successful in generating an operating surplus and this year has focussed on ensuring this was not a one-off occurrence. The majority of supplier contracts held by the organisation have been reviewed to ensure we are receiving value for money. There was also continued focus on ensuring budgets were being followed.

The above helped the turnaround for the year which gives a surplus on the Unrestricted Funds of £13,054 (2016 - £18,180) for the year. This surplus of £13,054 in Unrestricted Funds comes after the deduction of depreciation in the year of £666,219. This depreciation is partly offset by a transfer made from the Restricted Capital Fund to Unrestricted Funds of £637,643. 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.

The Total Incoming Resources for the year were £2,512,081 (2016 - £2,507,870) made up as follows:

	2017 £	2017 %	2016 £	2016 %
Revenue grants received	1,030,972	41.0%	1,057,783	42.1%
Capital grants received	11,715	0.5%	-	-
Self-generated income	1,439,977	57.3%	1,416,728	56.5%
Donations and sponsorship	29,417	1.2%	33,359	1.4%
TOTAL	2,512,081	100%	2,507,870	100%

We received annual revenue funding of £694,878 from Shetland Charitable Trust (SCT) and £250,000 from Creative Scotland (CS) during the year.

Project funding was received from various funders, including Creative Scotland, Shetland Islands Council and Highlands and Islands Enterprise. This funding, combined with the use of our revenue funding and generated income has allowed the range of arts activity described under "Activities, Achievements and Performance" to take place during the year.

Total Resources Expended was £3,124,955 (2016 - £3,123,902) made up as follows:

	2017 £	2017 %	2016 £	2016 %
Stock and goods purchases	316,317	10.1%	311,760	10.0%
Charitable activities	2,808,638	89.9%	2,812,142	90.0%
TOTAL	3,124,955	100%	3,123,902	100%

Grants were given out by Shetland Arts in the year of £6,495 (2016 - £22,505). These are contained in the Charitable Activities line above and further details of the grant scheme are contained in note 7b.

All staff costs are included in charitable activities above and have increased from £1,179,179 in 2016 to £1,188,382 in 2017.

Shetland Arts is an approved member of the Shetland Islands Council Pension Scheme. The updated actuarial valuation of the pension scheme as at 31 March 2017 resulted in an increase of £739,000 in the Shetland Arts pension scheme liability, which is shown in the Statement of Financial Activities, decreasing the pension scheme liability in the Shetland Arts balance sheet to a total of £1,663,000.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

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The unrestricted fund is therefore in deficit. As explained above this fund is affected by the adjustment for our Pension Liability. The pension fund deficit is under constant review and appropriate advice from the fund managers on levels of future contributions will be actioned as required. The Trustees believe this deficit is strongly linked to the current market conditions and expect to see an improvement in the coming years.

### RESERVES POLICY

In April 2016 the Trustees approved a new reserves policy. SADA is working towards securing adequate reserves to meet current and potential future needs. The organisation aims to have unrestricted reserves of at least £200,000. This will allow the organisation to meet any unexpected expenditure that may arise. Within this reserve, funds will be designated to an Asset Replacement and Repair Reserve. In any year the organisation makes a surplus, 50% of this surplus will be designated into this fund. The fund will be used for the replacement and repair of the assets of the organisation.

Total funds as at 31 March 2017 are £9,590,483 (2016 - £10,942,357). This is split between Restricted Funds of £11,481,038 (2016 - £12,106,966) and Unrestricted Funds in a deficit position of £1,890,555 (2016 – deficit of £1,164,609). The funds in a deficit position are discussed in the financial review on pages 11 – 12.

### PLANS FOR THE FUTURE

There are four key areas for development over the coming years:

- a significant increase in remote and rural touring from 23 events in 2015/16 to 183 in 2018/19
- a new focus for Weisdale Mill as a leading craft centre in Scotland
- the launch of a mixed-media electronic arts strand of programming
- developing new ways of engaging with visiting artists, performers and creatives

### REFERENCE AND ADMINISTRATIVE DETAILS

<b>Trustees</b>	Alex Fenton Louise Garrick Lorraine Hall Alan Lindsay Olive MacLeod Lynn-Sayers McHattie Helen Nisbet David Ramsay Veronica Rocks Robin Sandison Danus Skene Alan Skinner Ryan Stevenson	Resigned 23 June 2016 Appointed 27 April 2017  Resigned 23 June 2017 Appointed 27 April 2017  Resigned 25 May 2017 Deceased 19 August 2016
<b>General Manager</b>	Graeme Howell	
<b>Address</b>	Shetland Arts Development Agency Mareel Lerwick Shetland ZE1 0WQ	
<b>Auditors</b>	The A9 Partnership Limited 47 Commercial Road Lerwick Shetland ZE1 0NJ	
<b>Bankers</b>	Clydesdale Bank plc Commercial Street Lerwick Shetland ZE1 0JJ	



# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

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**Solicitors** Harper Macleod  
St Olaf's Hall  
Church Road  
Lerwick  
Shetland ZE1 0FD

**Founding Trust Deed** Registered BC & S on 13 January 2006

**Charitable Status** Scottish Charity No. SC037082

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

#### **Governing document and organisation**

Shetland Arts Development Agency is an unincorporated 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 General Manager.

#### **Appointment of Trustees, their induction and training**

The Trustees meet bi-monthly to administer the activities of the Agency. During the year the Trust Deed required the board to be comprised of 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.

At the board meeting on 27 April 2017 the Trustees approved an amendment to the Trust Deed which reduced the minimum number of Trustees to seven. The Trustees make decisions by majority vote at their meetings. The board holds meetings every two months with a more detailed information session on specific topics of interest in the months between. Trustee recruitment took place during the year, which resulted in Lynn-Sayers McHattie and Louise Garriock being appointed in April 2017. New Trustees receive an individual induction from the General Manager on appointment and are encouraged to undertake training as appropriate to their role.

#### **Pay policy for senior staff**

The Trustees consider that the charity's Trustees and Senior Management Team comprise the key management personnel of the charity in charge of direction and controlling, running and operating the charity on a day-to-day basis. The Senior Management Team comprises the General Manager, Head of Creative Opportunities, Head of Production and the Finance Manager. All Trustees give their time freely and no trustee received remuneration in the year. Details of trustee's' expenses are disclosed in note 18 of the accounts.

The pay of the senior staff is reviewed annually. The pay rates are benchmarked against third sector averages in Shetland. The pay of the General Manager is set by the Trustees.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

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### Related parties

Shetland Arts Development Agency is funded 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.

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 secure the Intellectual Property rights over films, books, music, etc and ensure 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.

### Risk Management

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the charity, and are satisfied that systems are in place to mitigate our exposure to the major risks. The table below highlights the risks the board have identified as being the most significant.

Risk Title	Risk Detail	Mitigation
Funding	Our grant from Shetland Charitable Trust is agreed until 2020 and decreases by 5% per year from 2016-20. Creative Scotland are under increasing pressure from Scottish Government cuts and there may be an adjustment to the indicated level of funding 2017/18. We also expect the next three-year funding round from 2018-21 to be very competitive.	Ensure the organisation maintains good relationships with funders through open high-level communication, including chair-to-chair discussions. Consistent review of KPIs against targets to ensure delivery in line with expectations by Senior Management Team and Board. Early warning of any pertinent issues by General Manager to Trustees.
Commercial Income	Commercial income is always volatile and the changing nature of the economic situation in Shetland is cause for concern. SADA reliance on successful cinema, food and beverage takings is particularly vulnerable to any downturn to consumer spending.	Establishment of a finance sub committee of Trustees to support the General Manager and Finance Manager in their roles. Greater devolution of budgets to responsible managers to ensure better cost control. Phased planned expenditure that can be re-budgeted should commercial income fail to perform.
Reputation	SADA is coming out of a period of unpopularity around the construction of Mareel, and the necessary organisational restructure has received criticism from some quarters. The decisions that need to be made regarding SADA's ongoing management and ownership of various buildings in its estates portfolio are also a potential reputational risk.	Ensure future ambitions are clearly communicated and 'owned' by the whole organisation. Communication will always be carried out in an open and honest way. The Trustees will properly scrutinise all recommendations from the General Manager.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2017

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### STATEMENT OF TRUSTES' RESPONSIBILITIES

The Trustees are responsible for preparing the Trustees' Annual 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 2015 (FRS 102);
- 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 operation.

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.

### AUDITOR

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

Approved by the Trustees on 24 August 2017 and signed on its behalf by:

Chairperson

# SHETLAND ARTS DEVELOPMENT AGENCY

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2017

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We have audited the financial statements of Shetland Arts Development Agency for the year ended 31 March 2017 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

As explained more fully in the Trustees' Responsibilities statement set out on page 15, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed 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 Practices 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 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 2017, and of its incoming resources and application of resources, for the year then ended;
- 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).

# SHETLAND ARTS DEVELOPMENT AGENCY

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2017

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### **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 Annual Report of the Trustees 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 Auditor

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 (Incorporating Income and Expenditure Account)

for the year to 31 MARCH 2017

	Note	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2016 £
INCOME from:						
Donations	3	1,429	-	-	1,429	2,161
Charitable activities	4	250,000	780,972	11,715	1,042,687	1,057,783
Other trading activities	5	1,347,352	120,613	-	1,467,965	1,447,926
		<u>1,598,781</u>	<u>901,585</u>	<u>11,715</u>	<u>2,512,081</u>	<u>2,507,870</u>
EXPENDITURE on:						
Raising funds	6	316,317	-	-	316,317	311,760
Charitable activities	7	1,907,053	901,585	-	2,808,638	2,812,142
		<u>2,223,370</u>	<u>901,585</u>	<u>-</u>	<u>3,124,955</u>	<u>3,123,902</u>
NET INCOME/(EXPENDITURE)		(624,589)	-	11,715	(612,874)	(616,032)
Transfers between funds	19	637,643	-	(637,643)	-	-
NET INCOME/(EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		13,054	-	(625,928)	(612,874)	(616,032)
OTHER RECOGNISED GAINS AND LOSSES:						
Actuarial (losses)/gains on defined benefit pension schemes	17	(739,000)	-	-	(739,000)	312,000
Net Movement in Funds		(725,946)	-	(625,928)	(1,351,874)	(304,032)
Reconciliation of funds:						
Total funds brought forward		(1,164,609)	-	12,106,966	10,942,357	11,246,389
Total funds carried forward		(1,890,555)	-	11,481,038	9,590,483	10,942,357
		=====	=====	=====	=====	=====

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

All income and expenditure derive from continuing activities.

# SHETLAND ARTS DEVELOPMENT AGENCY

Charity Registration No. SC037082

## BALANCE SHEET

31 March 2017

	<i>Note</i>	2017 £	2017 £	2016 £	2016 £
<b>FIXED ASSETS</b>					
Tangible assets	11		11,564,118		12,204,581
Investments	12		1		1
			<u>                    </u>		<u>                    </u>
<b>TOTAL FIXED ASSETS</b>			<b>11,564,119</b>		<b>12,204,582</b>
<b>CURRENT ASSETS</b>					
Stock	13	35,473		40,317	
Debtors	14	59,790		86,325	
Cash at bank and in hand		32,282		49,747	
		<u>                    </u>		<u>                    </u>	
<b>TOTAL CURRENT ASSETS</b>		<b>127,545</b>		<b>176,389</b>	
<b>LIABILITIES</b>					
Creditors: Amounts falling due within one year	15	(323,067)		(431,029)	
		<u>                    </u>		<u>                    </u>	
<b>NET CURRENT LIABILITIES</b>			<b>(195,522)</b>		<b>(254,640)</b>
			<u>                    </u>		<u>                    </u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>11,368,597</b>		<b>11,949,942</b>
Creditors: Amounts falling due after more than one year	16		(115,114)		(83,585)
			<u>                    </u>		<u>                    </u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<b>11,253,483</b>		<b>11,866,357</b>
Defined benefit pension scheme liability	17		(1,663,000)		(924,000)
			<u>                    </u>		<u>                    </u>
<b>TOTAL NET ASSETS</b>			<b>9,590,483</b>		<b>10,942,357</b>
			<u>                    </u>		<u>                    </u>
<b>THE FUNDS OF THE CHARITY:</b>					
Capital restricted fund	19		11,481,038		12,106,966
Unrestricted funds:					
Unrestricted income funds excluding pension liability		(227,555)		(240,609)	
Pension reserve		(1,663,000)		(924,000)	
		<u>                    </u>		<u>                    </u>	
<b>Total unrestricted funds</b>			<b>(1,890,555)</b>		<b>(1,164,609)</b>
			<u>                    </u>		<u>                    </u>
<b>TOTAL CHARITY FUNDS</b>			<b>9,590,483</b>		<b>10,942,357</b>
			<u>                    </u>		<u>                    </u>

These financial statements were approved by the board of Trustees and authorised for issue on 2017 and are signed on their behalf by:

Trustee

Trustee

# SHETLAND ARTS DEVELOPMENT AGENCY

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	<i>Note</i>	2017 £	2016 £
<b>Cash flows used in operating activities:</b>	23	<b>(29,024)</b>	123,134
Net cash provided by/ (used in) operating activities		(29,024)	123,134
<b>Cash flow from investing activities:</b>			
Proceeds from the sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(25,756)	(13,067)
Net cash provided (used in) investing activities		(25,756)	(13,067)
<b>Cash flows from financing activities:</b>			
New borrowing		50,000	-
Repayments of borrowing		(8,874)	(7,448)
Interest paid		(3,811)	(4,304)
Net cash provided by (used in) financing activities		37,315	(11,752)
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(17,465)</b>	<b>98,315</b>
Cash and cash equivalents at the beginning of the reporting period		49,747	(48,568)
Cash and cash equivalents at the end of the reporting period		32,282	49,747
<b>Analysis of cash and cash equivalents</b>		2017 £	2016 £
Cash in hand		7,900	7,900
Cash at bank including overdrafts		24,382	41,847
Total cash and cash equivalents		32,282	49,747



# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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### 1. PRINCIPAL 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 the Weisdale Mill which is included at deemed cost, 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, applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) (the SORP), the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended) except as noted below.

Shetland Arts Development Agency meets the definition of a public benefit entity under FRS102. The financial statements have been prepared in compliance with FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The functional currency of Shetland Arts Development Agency is considered to be pounds sterling because that is the currency of the primary economic environment in which the charity operates.

#### **Consolidation**

The financial statements have been prepared for Shetland Arts Development Agency as an entity and in accordance with the SORP module 24, 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.

#### **Critical Accounting Estimates and Areas of Judgement**

The charity makes estimates and assumptions concerning the future. The charity has not identified any estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

#### **Going Concern**

The charity is dependent on funding however no material uncertainties that may cast significant doubt about the ability of the charity to continue as a going concern have been identified by the Trustees. As a result they have adopted the going concern basis of accounting.

#### **Income**

Income is included in the Statement of Financial Activities when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred. The following policies are applied to particular categories of income:

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.

#### **Capital Grants**

Capital grants are taken into account when they become receivable.

#### **Revenue Grants**

Revenue grants are taken into account when they become receivable.

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Expenditure

All expenditure is accounted for on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. It is probable that settlement will be required and the amount of the obligation can be measured reliably. All costs have been directly attributed to one of the functional categories of resources expended in the Statement of Financial Activities.

#### Support Costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include staff salaries, overheads and governance costs which support the charity's activities.

All costs are allocated between the expenditure categories of the SoFA on a basis designed to reflect the use of the resource.

#### Termination Benefits

Termination benefits are payable when employment is terminated by the charity before the normal retirement date, or whenever an employee accepts voluntary redundancy. Such benefits are recognised when the charity is demonstrably committed to terminating the employment without withdrawal or when an offer of voluntary redundancy is accepted.

#### 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 the rent payable to the Shetland Islands Council under the sub-lease of Mareel, which is netted off against rent receivable from the Shetland Islands Council under the head-lease, as explained in note 21.

#### Tangible Fixed Assets

No single equipment purchase with a cost below £500 (2015 - £2,000) is to be capitalised. Any item of equipment costing more than £500 is initially stated at cost.

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 was 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 – Weisdale Mill – 50 years  
Heritable Property – Mareel building – 24 years  
Plant and Equipment – 5 to 10 years  
Computer equipment – 3 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

#### Investments

Investments in subsidiary undertakings are initially capitalised at cost.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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### 1. PRINCIPAL 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.

#### Debtors

Trade and other debtors that are receivable within one year are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount pre-paid net of any trade discounts.

#### Cash at bank and in hand

Cash at bank and in hand is held to meet the short-term commitments as they fall due rather than for any investment purposes.

#### Liabilities

Liabilities arise from legal or constructive obligations that commit the charity to expenditure. A liability and related expenditure is recognised when all of the following criteria are met:

- Obligation – a present legal or constructive obligation exists at the reporting date as a result of a past event;
- Probable – it is more likely than not that a transfer of economic benefits, often cash, will be required in settlement; and
- Measurement – the amount of the obligation can be measured or estimated reliably.

Liabilities that are classified as payable within one year on initial recognition are measured at the undiscounted amount of cash or other consideration expected to be paid. Amounts are included in liabilities when authorised and committed.

#### Value Added Tax

Irrecoverable value added tax is written off when the expenditure to which it relates is incurred.

#### Retirement Benefits

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.

#### 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.

#### Financial Instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured their settlement value.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 2. LEGAL STATUS OF THE CHARITY

Shetland Arts Development Agency is an unincorporated registered Scottish charity constituted by its trust deed. The charity's address and details of its operations and principal activities are detailed within the Trustees' Report.

### 3. DONATIONS

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2016 £
Donations	1,429	-	-	1,429	2,161
	<u>1,429</u>	<u>-</u>	<u>-</u>	<u>1,429</u>	<u>2,161</u>
	=====	=====	=====	=====	=====

Donations of £511 were included in unrestricted funds in 2016.

The charity benefits greatly from the involvement and enthusiastic support of its many volunteers, details of which are given in the Trustees' Report. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the financial statements.

### 4. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2016 £
Shetland Charitable Trust	-	694,878	-	694,878	725,330
Creative Scotland revenue funding	250,000	-	-	250,000	250,000
Creative Scotland project funding	-	13,389	-	13,389	13,563
Local Authority – project funding	-	2,343	-	2,343	7,603
Other public funds	-	70,362	11,715	82,077	61,287
	<u>250,000</u>	<u>780,972</u>	<u>11,715</u>	<u>1,042,687</u>	<u>1,057,783</u>
	=====	=====	=====	=====	=====

Shetland Charitable Trust funding of £696,038 and Creative Scotland funding of £250,000 were unrestricted funds in 2016. All other charitable activities income in 2016 was restricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 5. OTHER TRADING ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2016 £
Business sponsorships	-	27,988	-	27,988	31,198
Box office/programme	593,317	-	-	593,317	579,744
Ancillary earned income	738,773	-	-	738,773	739,027
Other income	15,262	92,625	-	107,887	97,957
	<u>1,347,352</u>	<u>120,613</u>	<u>-</u>	<u>1,467,965</u>	<u>1,447,926</u>
	=====	=====	=====	=====	=====

£82,188 other income was restricted in 2016. Business sponsorships of £31,198 were included in restricted funds in 2016. All other trading activities income in 2016 was unrestricted.

### 6. RAISING FUNDS

Catering stock purchases	272,852	-	-	272,852	286,773
Shop and gallery stock purchases	43,465	-	-	43,465	24,987
	<u>316,317</u>	<u>-</u>	<u>-</u>	<u>316,317</u>	<u>311,760</u>
	=====	=====	=====	=====	=====

All Raising Funds expenditure in 2016 was unrestricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 7. CHARITABLE ACTIVITIES

	Notes	Unrestricted Funds £	Restricted Funds £	Capital Funds £	Total Funds £	2016 £
Direct service provision	7a	1,005,119	420,057	-	1,425,176	1,339,065
Grant funding	7b	-	6,495	-	6,495	22,505
Support costs	7c	901,934	475,033	-	1,376,967	1,450,572
		<u>1,907,053</u>	<u>901,585</u>	<u>-</u>	<u>2,808,638</u>	<u>2,812,142</u>
		=====	=====	=====	=====	=====
<b>a. Direct Service Provision</b>						
Development expenditure		250,000	151,021	-	401,021	375,376
Operations expenditure		747,322	269,036	-	1,016,358	919,419
Shetland Box Office		-	-	-	-	25,588
Strategic marketing		7,797	-	-	7,797	18,682
		<u>1,005,119</u>	<u>420,057</u>	<u>-</u>	<u>1,425,176</u>	<u>1,339,065</u>
		=====	=====	=====	=====	=====
<b>b. Grant Funding</b>						
Grants paid to individuals		-	6,495	-	6,495	22,505
		<u>-</u>	<u>6,495</u>	<u>-</u>	<u>6,495</u>	<u>22,505</u>
		=====	=====	=====	=====	=====
<p>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.</p>						
<b>c. Support Costs</b>						
Support staff salaries and other staffing costs		-	274,581	-	274,581	325,509
Overheads		901,934	190,049	-	1,091,983	1,107,883
Governance costs		-	10,403	-	10,403	17,180
		<u>901,934</u>	<u>475,033</u>	<u>-</u>	<u>1,376,967</u>	<u>1,450,572</u>
		=====	=====	=====	=====	=====

Of the total Charitable Activities expenditure of £2,812,142 in 2016, £226,781 was restricted and £2,585,361 was unrestricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 8. ANALYSIS OF GOVERNANCE COSTS

	2017 £	2016 £
<i>Auditor remuneration:</i>		
Audit	9,000	9,500
Accounting services	-	632
<i>Non auditor fee:</i>		
Accounting services	1,403	7,048
	-----	-----
	10,403	17,180
	=====	=====

### 9. ANALYSIS OF STAFF COSTS

	2017 £	2016 £
Salaries and wages	1,021,178	1,022,782
Social security costs	65,948	48,792
Pension costs	100,256	107,605
	-----	-----
Total	1,187,382	1,179,179
	=====	=====

No employees received emoluments of over £60,000 during the year (2016: none)

Redundancy costs for the year were £13,068 (2016: £47,311). These were accounted for when paid and were calculated in the statutory method. Redundancy costs were met in part by specific funding received from Creative Scotland.

#### The average number of staff was:

2017	2016
91	96
===	===

### 10. ANALYSIS OF MOVEMENT IN DEFERRED INCOMING RESOURCES

	Opening Balance £	Deferred in Year £	Released in Year £	Closing Balance £
Advance sales	2,938	2,827	(2,938)	2,827
Creative Scotland	-	5,055	-	5,055
Children & the Arts Sponsorship	1,750	-	(1,750)	-
Screenplay and Wordplay	2,500	-	(2,500)	-
Advance sales Fiddle Frenzy	13,054	5,293	(13,054)	5,293
Pelagic Sculpture Project	50,039	-	(50,039)	-
Historic Scotland	-	8,900	-	8,900
People's Postcode Lottery	-	9,424	-	9,424
	-----	-----	-----	-----
	70,281	26,206	(64,988)	31,499
	=====	=====	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 11. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
Cost/valuation					
As at 1 April 2016	13,191,816	1,359,575	42,800	2,862	14,597,053
Additions	-	25,756	-	-	25,756
As at 31 March 2017	13,191,816	1,385,331	42,800	2,862	14,622,809
Depreciation					
As at 1 April 2016	1,580,985	811,487	-	-	2,392,472
Charge for year	543,746	122,473	-	-	666,219
As at 31 March 2017	2,124,731	933,960	-	-	3,058,691
Net book amount					
31 March 2017	11,067,085	451,371	42,800	2,862	11,564,118
31 March 2016	11,610,831	548,088	42,800	2,862	12,204,581

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 was 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.

Included within the net book value of Heritable Property of £11,067,085 are assets with restricted title or pledged as security for liabilities. The Mareel building, with a net book value of £10,811,996 (2016 – £11,350,353) has been granted as security over a 99 year grant, the conditions of which are discussed further in note 22. The Weisdale Mill building, with a net book value of £253,283 (2016 - £258,672) has been granted as security over the bank loan included in Creditors. The Booth building, with a net book value of £1,805 (2016 - £1,805) has been granted as security over the bank loan included in Creditors. See notes 16 and 17.

### 12. INVESTMENTS

	Investment in Subsidiary £
COST	
As at 1 April 2016 and 31 March 2017	1
	==

On 25 July 2011, Shetland Arts Development Agency purchased 1 ordinary share of £1 in Shetland Arts IP C.I.C (company number: SC404044), 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 2017, Shetland Arts IP C.I.C. had not yet commenced its activities. At 31 March 2017 the aggregate reserves of Shetland Arts IP C.I.C. amounted to a net deficit of £1,573 (2016 – net deficit of £1,183) and the loss for the year to that date was £390 (2016 – loss of £412).



# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 13. STOCK

	2017 £	2016 £
Goods for resale	35,473 =====	40,137 =====

### 14. DEBTORS

	2017 £	2016 £
Trade debtors	20,270	50,374
Amount due by subsidiary undertaking	893	388
Other debtors	4,667	4,250
Prepayments and accrued income	33,960	31,313
	-----	-----
	59,790 =====	86,325 =====

### 15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Trade creditors	169,982	178,302
VAT	15,366	41,967
Other creditors	22,812	35,921
Accruals	48,030	79,804
Deferred income	31,499	70,281
Secured bank loan	17,404	7,807
PAYE & NIC	17,974	16,947
	-----	-----
	323,067 =====	431,029 =====

Deferred income is recognised in circumstances where the charity is not yet entitled to the income. A reconciliation of this balance can be seen at note 10.

### 16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Secured bank loan (falling due in less than 5 years)	75,442	34,947
Secured bank loan (falling due after 5 years)	39,672	48,638
	-----	-----
	115,114 =====	83,585 =====

The bank loan is secured on the Weisdale Mill building and The Booth building.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 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 has reviewed the most recent full actuarial valuation at 31st March 2014 and has updated it annually at the charity's balance sheet date to reflect current conditions.

<b>Assumptions as at</b>	2017	2016
Inflation/pension increase rate	2.4%	2.2%
Salary increases	4.4%	4.2%
Discount rate	2.6%	3.5%

The discount rate used to place a value on the liabilities is determined by reference to market yields on high quality corporate bonds at the reporting date. The approach adopted by Hymans Robertson to setting the discount rate involved constructing a corporate bond yield curve based on the constituents of the iBoxx AA corporate bond index.

<b>Mortality assumptions</b>	2017 Years	2016 Years
Longevity at age 65 for current pensioners		
Men	22.8	22.8
Women	23.8	23.8
Longevity at age 65 for future pensioners		
Men	24.9	24.9
Women	26.7	26.7

### Assets (Employer Share)

	Percentage 2017	Fund value at 2017 £ 000	Percentage 2016	Fund value at 2016 £ 000
Equities	81%	2,457	77%	1,928
Bonds	8%	243	10%	250
Property	11%	333	13%	326
Cash	0%	-	0%	-
	-----	-----	-----	-----
Total	100%	3,033	100%	2,504
	=====	=====	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 17. PENSION SCHEME (Continued)

<b>Net Pension Liability as at</b>	2017 £ 000	2016 £ 000
Fair value of Employer Assets	3,033	2,504
Present value of funded liabilities	(4,443)	(3,216)
	-----	-----
Net under funding in funded plans	(1,410)	(712)
Present value of unfunded liabilities	(253)	(212)
Unrecognised past service cost	-	-
	-----	-----
Net liability	(1,663)	(924)
	=====	=====
Amount in the balance sheet		
Liabilities	(1,663)	(924)
Assets	-	-
	-----	-----
Net Pension liability	(1,663)	(924)
	=====	=====
<b>Amounts recognised in the SOFA</b>	2017 £ 000	2016 £ 000
Current service cost	(120)	(132)
Net interest cost	(33)	(40)
Plan introductions, changes, curtailments and settlements	96	89
Remeasurements:		
Changes in demographic assumptions	-	-
Changes in financial assumptions	(1,086)	393
Other experience	(12)	47
Return on assets excluding amounts included in net interest	416	(45)
	-----	-----
	(739)	312
	=====	=====
<b>Actual return on plan assets</b>	2017 £ 000	2016 £ 000
Return on assets excluding amounts included in net interest	416	(45)
Interest income on plan assets included in net interest	88	78
	-----	-----
Return on plan assets	504	33
	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 17. PENSION SCHEME (Continued)

	2017 £ 000	2016 £000
<b>Reconciliation of defined benefit obligation</b>		
<b>Opening defined benefit obligation</b>	3,428	3,629
Current service cost	120	132
Past service cost (including curtailments)	-	22
Interest cost	121	118
Member contributions	29	27
Actuarial losses/(gains)	1,098	(440)
Unfunded benefits paid	(9)	(9)
Benefits paid	(91)	(51)
	-----	-----
Closing defined benefit obligation	4,696	3,428
	=====	=====
<b>Reconciliation of fair value of employer assets</b>		
<b>Opening fair value of employer assets</b>	2,504	2,393
Interest income	88	78
Contributions by members	29	27
Contributions by the employer	87	102
Contributions in respect of unfunded benefits	9	9
Return on assets excluding amounts included in net interest	416	(45)
Unfunded benefits paid	(9)	(9)
Benefits paid	(91)	(51)
	-----	-----
Closing fair value of employer assets	3,033	2,504
	=====	=====

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2018 will be approximately £90,000.

Hymans Robertson confirm the figures presented above are prepared only for the purposes of Financial Reporting Standard 102 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under the International Accounting Standard IAS 19, for bulk transfers or for other statutory purposes under LGPS Regulations.

### 18. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year (2016 - £nil). No travelling expenses were claimed by Trustees in the year (2016 - one trustee - £111). Trustees were paid £nil (2016 - £nil) during the year for commissioned work. As at 31 March 2017, a balance of £nil (2016 - £nil) was owed to Trustees.

During the year, Shetland Arts Development Agency paid expenses of £nil (2016 - £348) on behalf of its subsidiary, Shetland Arts IP C.I.C. As at 31 March 2017 a balance of £893 (2016 - £388) was owed to Shetland Arts Development Agency. No interest is being accrued on this loan. It will be repaid when income is generated in the Community Interest Company.

The Trustees consider that the charity's Trustees and Senior Management Team comprise the key management personnel of the charity in charge of direction and controlling, running and operating the charity on a day-to-day basis. The Senior Management Team comprises the General Manager, Head of Creative Opportunities, Head of Production and the Finance Manager. The total employee benefits of the key management personnel were £180,877 (2016 - £138,165).

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 19. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Reserve £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2016	(240,609)	(924,000)	-	12,106,966	10,942,357
Total Incoming Resources	1,598,781	-	901,585	11,715	2,512,081
Total Resources Expended	(2,223,370)	-	(901,585)	-	(3,124,955)
Other Recognised Gains And Losses	-	(739,000)	-	-	(739,000)
Transfer amortisation of Restricted Capital fund	591,810	-	-	(591,810)	-
Transfer amortisation of lease premium	45,833	-	-	(45,833)	-
	=====	=====	=====	=====	=====
Total Funds as at 31 March 2017	(227,555)	(1,663,000)	-	11,481,038	9,590,483

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.

### 20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £
Fixed Assets	83,081	-	-	11,481,038	11,564,119
Current Assets	127,545	-	-	-	127,545
Current Liabilities	(323,291)	-	-	-	(323,291)
Long-Term Liabilities	(114,890)	-	-	-	(114,890)
Provisions	-	(1,663,000)	-	-	(1,663,000)
	=====	=====	=====	=====	=====
Total Net Assets	(227,555)	(1,663,000)	-	11,481,038	9,590,483

Included within restricted capital funds are amounts of £920,486 (2016 - £966,321) relating to the lease premium received from the Shetland Islands Council during the year ended 31 March 2014.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

### 21. OPERATING LEASES

At 31st March 2017 the charity had total future commitments under non-cancellable operating leases as set out below:

	2017	Other	2016	Other
	Land &	items	Land &	items
	Buildings		Buildings	
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	6,332	-	6,331
Within 2 to 5 years	-	17,413	-	23,745
	—	—	—	—
	-	23,745	-	30,076
	====	=====	=====	=====

	2017	Other	2016	Other
	Plant &	items	Plant &	items
	Machinery		Machinery	
Operating lease payment made in the year	6,330	-	10,872	-
	—	—	—	—
	6,330	-	10,872	-
	====	====	=====	==

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 years to 1 May 2037, with rent being the same as the head lease. There is an option to terminate this sub-lease on six months' notice.

### 22. FINANCIAL INSTRUMENTS

The carrying amount for each category of financial instrument, measured at amortised cost, is as follows:

	2017	2016
	£	£
<b>Financial liabilities</b>		
Loan payable falling due within 1 year	17,404	7,807
Loan payable falling due between 2 – 5 years	75,442	34,947
Loan payable falling due after 5 years	39,672	48,638
	—	—
	132,518	91,392
	=====	=====

The loan financing is in the form of two secured loans. The first has a fixed interest rate (being 4% per annum over the Bank's base rate) and is due to finish in November 2025. The second has a variable interest rate (being 4% per annum over the Bank's base rate) and is due to finish in March 2022. The total interest paid during the year was £3,811 (2016 - £4,304).

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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### 23. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017	2016
	£	£
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(612,874)	(616,032)
Adjustments for:		
Interest paid	3,811	4,304
Depreciation charges	666,219	667,660
Loss on sale of fixed assets	-	-
(Increase)/decrease in stocks	4,844	(845)
(Increase)/decrease in debtors	26,535	(42,817)
Increase/(decrease) in creditors	(117,559)	110,864
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(29,024)	123,134
	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

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The following pages do not form part of the statutory financial statements  
which are part of the independent auditor's report on pages 16-17



# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

		2017		2016
	£	£	£	£
<b>INCOME</b>				
Donations and business sponsorships		29,417		33,359
Revenue grants received		1,042,687		1,057,783
<b>Box office/programme</b>				
Box office income	501,404		501,188	
Hire of rooms	78,503		59,973	
Broadcasting income	-		3,750	
Membership sales	13,410		14,833	
Total	593,317		579,744	
<b>Ancillary Earned income</b>				
Food and beverage	518,813		512,175	
Foyer	121,161		145,748	
Retail	74,329		54,979	
Box Office commission	3,813		-	
Exhibition sales commission	5,931		5,306	
Equipment hire	-		6,423	
Screen advertising	14,726		14,396	
Total	738,773		739,027	
<b>Other Earned income</b>				
Education and training income	92,625		90,729	
Miscellaneous	15,262		2,242	
Recharges income	-		4,986	
Total	107,887		97,957	
<b>TOTAL INCOME FOR YEAR</b>		<b>2,512,081</b>		<b>2,507,870</b>
<b>LESS:</b>				
Catering purchases	272,852		286,773	
Shop and gallery purchases	43,465		24,987	
	316,317		311,760	
<b>Development expenditure:</b>				
Programme	199,648		176,668	
Travel and subsistence	46,892		-	
Marketing	2,390		7,759	
Education	-		5,509	
Salaries and NIC	150,665		188,991	
Overheads and other expenses	-		777	
Other staff related costs	1,426		(4,328)	
	401,021		375,376	
<b>Surplus carried forward to next page</b>		<b>1,794,743</b>		<b>1,820,734</b>

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

<b>Surplus brought forward from previous page</b>	<b>1,794,743</b>	<b>1,820,734</b>
<b>Operations expenditure:</b>		
Programme	203,994	216,734
Travel and subsistence	9,027	
Marketing	24,942	5,963
Salaries and NIC	777,733	687,969
Other staff related costs	662	8,753
	1,016,358	919,419
Strategic marketing	7,797	18,682
Grants paid to individuals	6,495	22,505
Support staff salaries	261,207	302,218
Other staffing costs	13,374	23,291
	274,581	325,509
<b>Overheads</b>		
Print, postage and stationery	4,428	5,443
Small equipment purchases and hire	8,114	7,508
ICT	26,632	30,884
Operating lease - equipment	21,081	14,909
Electricity	86,010	89,275
Telephone and fax	8,908	6,551
Cleaning	63,955	62,578
Motor expenses	402	-
Trustee expenses	82	186
Hospitality	567	65
Legal and professional fees	9,485	58,606
Bank charges	15,684	17,487
Publications and subscriptions	(187)	2,948
Licences	43,474	44,078
Rates	17,882	22,288
Rent	4,377	8,448
Repairs and maintenance	63,367	20,057
Planned maintenance	-	33,490
General overheads	8,217	(189)
Insurance	39,438	34,563
Depreciation	666,219	667,659
Bank interest	3	-
Loan interest	3,811	4,304
Bad Debts written off	34	2,333
	1,091,983	1,133,471
Amortisation	(637,643)	(634,212)
Governance costs	10,403	17,180
	<b>24,769</b>	<b>18,180</b>
	<b>=====</b>	<b>=====</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		