

SHETLAND ARTS DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2010

Charity Number SC037082

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

SHETLAND ARTS DEVELOPMENT AGENCY

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

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SHETLAND ARTS DEVELOPMENT AGENCY

TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS

Trustees

James Johnston, Chair	Appointed April 2006 (Appointed as Chair August 2009)
Johan Adamson	Appointed September 2007 (Resigned September 2010)
Robina Barton	Appointed September 2008
Mark Burgess	Appointed September 2008
John Dally	Appointed December 2009
Joyce Davies	Appointed December 2009
Sarah Molloy (formerly Glaseby)	Appointed September 2008 (Resigned September 2009)
John Goodlad	Appointed September 2008
Joanne Jamieson	Appointed April 2006 (Resigned May 2010)
Leslie Lowes	Appointed December 2009
Alan Murdoch	Appointed October 2006 (Resigned April 2010)
Donald Murray, Chair	Appointed November 2006 (Resigned December 2009)
James Sinclair	Appointed October 2006
George Smith	Appointed September 2007 (Resigned May 2010)

Director

Gwilym Gibbons

Address

Shetland Arts Development Agency
Toll Clock Shopping Centre
26 North Road
Lerwick
Shetland ZE1 0DE

Auditors

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

Bankers

Clydesdale Bank plc
Commercial Street
Lerwick
Shetland ZE1 0JJ

Solicitors

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

Founding Trust Deed

Registered BC & S on 13 January 2006

Charitable Status

Scottish Charity No. SC037082

SHETLAND ARTS DEVELOPMENT AGENCY

CHAIRMAN'S MESSAGE

YEAR ENDED 31 MARCH 2010

Creativity is nurtured, not taught. One of the ambitions of SADA is to develop the conditions in which creativity and innovation can flourish in our islands. Creativity is central to the work of our schools, but it is also essential in the business world where it is closely linked to enterprise and entrepreneurialism. In developing the creative potential of the young; parents and those working in the formal education system have the key roles. However, children receive their cultural education from the whole community. Volunteers and voluntary groups such as ours have a valuable contribution to make.

For some time, many businesses have recognised the need to develop the skills of their workforce in areas such as team working, creativity, use of technology, communication and problem-solving. In the arts, these are core skills. We believe that SADA has a primary role in fostering creativity and stimulating wealth-making opportunities for individuals now and in future. Never is the value of creativity, innovation and ability to imagine new beginnings more important than in these fast changing turbulent times.

Shetland's cultural achievements mostly depend on individuals – our organisation exists to support them. Those working in the cultural sector should have opportunities to continue to develop their professional skills, both as creators and business people. The purposes of arts and culture go beyond providing a living for those working in the sector. Without stimulating cultural activities, not only are the needs of our community likely to be neglected, but cultural expression itself can suffer.

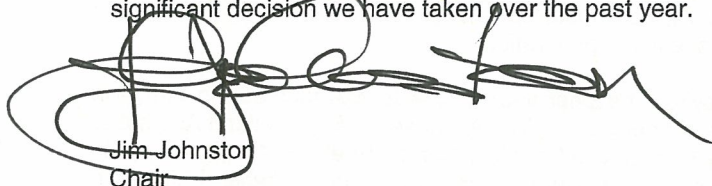
In the financial year from April 2009 to the end of March 2010, our organisation, like so many others, has had to weather some turbulent financial storms. The downturn in the markets caused one of our major funders to call us to attend meetings to discuss our future funding arrangements with subsequent difficult decisions to meet the changes of reduced core funding. However, the experience accelerated our desire to diversify income streams to support our ambitions.

As an organisation highly regarded by the Scottish Arts Council we enjoy Foundation Organisation status and funding to support our plans. However, it is the Shetland Charitable Trust that is our major external funder and without their support we would only be a shadow of the organisation that I am fortunate to chair. To these two funders, I wish to extend our heartfelt thanks.

Our major project this year continues to be the development of Mareel, the new music, cinema and creative industries centre now under construction on the Lerwick waterfront. These are obviously challenging times for new ventures of this scale. The Board of Trustees of Shetland Arts, together with the Director and his staff team, are working hard to develop new models of operation for our changing world and will undertake a rigorous review of the plans in place. In the meantime, Shetland Arts is proud that the creation of jobs in the construction of Mareel is making a contribution to the recovery of the Shetland economy.

To Gwilym Gibbons, our Director, our thanks for his leadership and management of the organisation. To the whole team of volunteers and staff, a big thank you for giving the organisation its creative edge, your commitment, professionalism and seemingly endless energy.

To my fellow trustees I thank you for your support, your time and commitment to the task. It is a privilege to Chair a Board that is so active and who have taken such a considered and due diligence approach in the many significant decisions we have taken over the past year.



Jim Johnston
Chair

SHETLAND ARTS DEVELOPMENT AGENCY

DIRECTOR'S STATEMENT

YEAR ENDED 31 MARCH 2010

It has been an extraordinary year for business and organisations: a period of turmoil that has seen our financial landscape change beyond recognition. Some argue that this new post-Global Financial Crisis world, coupled with the challenges of climate change, requires a new response as opposed to simply reconstructing the institutions and ways of the past. Reinvention, adaptation and creation are the domain of creative organisations and enterprises, so it should come as no surprise that the Creative Industries sector has continued to grow throughout this period of recession; Shetland Arts has been no exception.

The construction of Mareel, Shetland's new music, cinema and creative industries centre began on site in May 2009. The moment marked the end of a 13 year journey of discussion, consultation, fundraising and design. Our focus has now shifted to the implementation of the widely examined business plan that will guide the operation of the venue. Considerable work was undertaken during the year on preparing Shetland Arts to run Mareel from spring 2011 when it is due to open. Another highly demanding focus of the organisation has been the management of the capital construction itself over the past year, ensuring that the project stays on budget and on time: a challenge for any major construction, but one that has enjoyed the support of a close team made up of the Design Team and our main contractor DITT Construction Ltd.

Shetland Arts has also been responding to the fast changing financial climate in which it operates. The Global Financial Crisis had an immediate impact on the organisation. Shetland Arts, alongside Shetland Recreational Trust and Shetland Amenity Trust worked hard with our main core funder Shetland Charitable Trust (SCT) to find significant savings in order to protect the SCT's endowments, which were under significant stress from the collapse of global markets. Shetland Arts agreed to a reduction in core funding of £77,000 for the year to 31 March 2011.

Shetland Arts also has sought to diversify income streams with a view to reducing dependence on two core funders, SCT and the Scottish Arts Council, who together represent approximately 60% of our income. The writing was clearly on the wall regarding retraction of public and trust funds in coming years and there has been a need for early action to prepare for the very different world in which we now all live. The projections that Mareel will require no additional core funding, which had drawn much criticism during the period of hot debate last year, has become a key asset in Shetland Arts' move to a more social enterprise model of operation.

I was fortunate in October to be selected to join a twenty strong Scotland delegation of social enterprise leaders at the World Social Enterprise Forum in Melbourne. The event, which comprised an intense programme of social enterprise visits, greatly enhanced my knowledge and understanding of successful self-sustaining social enterprises both in Scotland and Australia. Much that was learned from this visit has and will continue to inform my recommendations on the business redesign of Shetland Arts in order that it meets the new challenges of our financial landscape and takes full advantage of the various opportunities our new world will offer.

In addition to our response to the global financial crisis, and managing the construction of Mareel, Shetland Arts has continued its now well established tradition of delivery of a broad range of arts development activity, festivals, events and performances, as well as the management of our venues: the Garrison Theatre, Bonhoga Gallery and our Toll Clock Offices. Shetland Arts received Inspire Fund support for the largest public art project Shetland has ever seen, Mirrie Dancers. The project, which is being delivered in three phases, saw the first and largest phase completed during the year. This project presented major logistical and management challenges as ten temporary light installations, powered by windmills, were installed throughout Shetland during the winter months, a winter which turned out to be one of the harshest in a generation.

Shetland Arts has continued to grow steadily in activity. The past year saw a 21.5% increase in turnover, excluding the significant capital expenditure on Mareel. In our publication, A Hansel of Art, Shetland Arts made a promise to reach a target of generating £2 for every £1 received from local funds. Shetland Arts continues to make progress on this promise with a year on year increase of return on local investment. Shetland Arts is on target to meet this promise by April 2012.

SHETLAND ARTS DEVELOPMENT AGENCY

DIRECTOR'S STATEMENT (continued)

YEAR ENDED 31 MARCH 2010

I am proud of our highly skilled and experienced team of staff and volunteers who, throughout our organisation, have all made their particular contribution towards securing the success we have enjoyed over the past year. The next twelve months will not be easy given the demands on the organisation to manage ongoing activity, build Mareel and prepare to run it, coupled with our intention to adapt to a more social entrepreneurial model of operation.

This year Shetland Arts said goodbye to Louise Morris our Capital Projects Support and Administration Officer; Louise played a key role in the support of Mareel both through the grant administration phase and during the first six months of grant reporting and claim making. The departure of Louise however, has led to the welcome of Lynda Anderson our new Administration Officer, who has arrived at a particularly busy time.

Shetland Arts has continued to receive support from a broad range of funders and sponsors both in terms cash and 'in kind' in the form of advice and time. I would like to particularly thank our two core funders: Shetland Charitable Trust and the Scottish Arts Council whose support is the foundation of our continued growth and success.

Finally, I would like thank the Board of Trustees for their unstinting support. They have continued to maintain a strong strategic overview of the development of Shetland Arts, employing rigorous scrutiny, as well as retaining a sense of humour when faced by large Board Packs and long reports. In particular, I would like to acknowledge the support and guidance I have enjoyed from the Chair of Shetland Arts, Jim Johnston, over the past twelve months of change, challenge and growth.



Gwilym Gibbons
Director

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

YEAR ENDED 31 MARCH 2010

The trustees present their report and financial statements for the year ended 31 March 2010.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Trustees meet six-weekly to administer the activities of the Agency, with day to day operation being delegated to the Director, who has responsibility for financial and employment matters and policy implementation. The Board comprises a minimum of ten trustees, and a maximum of thirteen. Three of the initial trustees will retire on 31 March 2010, three on 31 March 2011, with the remaining trustees retiring on 31 March 2012. Thereafter, trustees will retire on the third anniversary of their appointment. From April 2012, each trustee shall hold office for a period of three years with power to be re-appointed for a further period of three years. 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.

The quorum for a meeting of the Trustees is six trustees (where there are ten to eleven trustees) and seven (where there are twelve or thirteen trustees). Decisions are made by majority vote at the six-weekly Trustees' meetings.

New Trustees receive individual induction from the Director on appointment, and are encouraged to undertake training as appropriate to their role. The Board received training in governance from Arts and Business during 2007 – 2008.

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

This is the fourth year of the Agency's operation.

Shetland Arts Development Agency also receives foundation funding from the **Scottish Arts Council**, dependent upon its submission to SAC of an annual programme of activities. This programme must meet the Scottish Arts Council's own aims, which are to increase participation in the arts, to support artists in Scotland to fulfill their creative and business potential, and to place the arts, culture and creativity at the heart of learning.

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

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

THE AGENCY OBJECTIVES

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

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

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

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

1. Shetland Arts provides a **varied programme of arts** activities and for 2009/10 the year started with a visit from Italian baroque ensemble Arcomelo, which played to appreciative audiences at St Columba's Kirk and Busta House, as well as holding workshops at the Anderson High School and the Town Hall. They were assisted in coming here by the Italian Cultural Institute, and we hope that the contacts made during this visit will result in further collaborations in the future.

Contemporary dance group Company Chordelia made a return visit to Shetland in April, performing at The Garrison Theatre.

There was classical music in partnership with the Johnsmas Foy Committee, as Shetland pianist Neil Georgeson and violinist Dave Worswick played to a full house at the Town Hall.

The Bohoga Gallery Curator ensured that a diverse programme of exhibitions has been on show at Bonhoga throughout the year, starting with Jennifer Talbot's April exhibition, 'Reaching Across', a series of hangings inspired by the landscape. The Shetland landscape was also the inspiration for Alison Hayes' dream like installation 'Island Sound', an enchanted blend of sounds and images played on to the back wall of the gallery. The landscape of Scandinavia and northern Europe featured in *Northern Traces* with Timo Jokela's powerful images of ice sculptures. *Architecture* was the theme of 'Building Biographies', a touring exhibition from The Lighthouse in Glasgow. The Bonhoga Touring Exhibition programme continued at Sumburgh Airport, The Peerie Shop Café, and at the Whalsay, Unst and Yell Leisure Centres. This included an exhibition by Frances Taylor to coincide with the Shetland Pony Breeders Show in August.

The Garrison Theatre was extremely busy all year with hardly an empty space left for bookings. Apart from the high level of community bookings we have had performances and workshops from visiting companies including *Imaginate* in June (*The Story of a Family*) performing at the Garrison and at two schools, and *the Puppet Animation Festival* with *Hotel Marionette* and *Iqbal the Child Weaver* (the latter in partnership with Shetland Amnesty International) undertaking shadow puppet and animation workshops with primary schools as well as performing at the theatre.

This year's Shetland YouthTheatre summer project was an adaptation of *Canterbury Tales*, an irreverent and boisterous production that went down very well with audiences.

The summer's main music event was the annual international fiddle school, *Fiddle Frenzy*, which was this year marketed under the 'Creative Connections' banner, thanks to an additional grant from Event Scotland as part of their Homecoming programme.

The *Wordplay* Book Festival took place in early September, with a very busy schedule of workshops and readings. Feedback was extremely positive. This year we introduced a 'festival club' in the evenings, which allowed visiting writers and participants/audiences to mingle and to share ideas

Scottish Opera visited The Garrison Theatre in September with a production of a full scale opera, *Katya Kabanova*.

Working in partnership with the Shetland Film Club, our film outreach programme included the National Schools Film Festival in November at the Museum and the *Africa-in-Motion* Film Festival in November at the Museum.

We received funding for jazz development from the Scottish Arts Council, and were able to kick the programme off with a *Jazz Weekender* event featuring pianist Harris Playfair. As well as a concert. this included education and outreach events at Islesburgh, and at Bells Brae, Sandwick and Dunrossness primary schools, all of which were very well received. There was more jazz later in the year with a visit from the Alyn Cosker Quartet.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Traditional dance workshops were undertaken across Shetland. A new dance venture, Belly Dancing for Families, proved very popular over the winter. The dance year ended with a visit from the stunning Dance Ihayami company, who delighted audiences with their inspirational Asian dancing.

We celebrated Up Helly Aa with our annual Fiery Sessions concert, followed by 'Stand Up Helly Aa', a stand-up comedy event.

Monthly film screenings of popular films have taken place throughout the year at The Garrison under a contractual arrangement with Filmobile Scotland.

2. Shetland Arts has continued to **encourage new work** this year, including working with ten local makers on the *Gunnister Man*, or *G-Man* project. Ten makers were brought together to develop their responses to the Gunnister Man exhibition at the Museum. This resulted in an attractive and thought-provoking exhibition case which ran alongside the main exhibition.

For this year's Screenplay festival, we produced a DVD of locally produced short films which proved very popular indeed, and was a useful development tool for film makers young and old. It featured new work by Maddrim Media (young film-makers' group) and other local film makers including 'Burnt Candle Productions', 'Bigger Than the Bag', Karen Emslie, Hilary Seatter and Philip Taylor.

The Bonhoga exhibitions for July, August and September included *Diaspora*, which included new work by Shetland artists living away from Shetland, and incoming artists who have made Shetland their home, and *Open*, the annual exhibition of Shetland artists' work.

A residency at The Booth by digital jeweller Jayne Wallace provided the starting point for new work related to fishing families.

Shetland's biggest ever public art project, *Mirrie Dancers*, introduced new work by artists Roxane Permar and Nayan Kulkarni. This digital media project also involved the public in creating ten exterior illuminations in sites across Shetland during the winter. At the same time, some of Shetland's finest lace knitters worked with the artists to provide inspirational and often experimental pieces of knitting that will be incorporated into the interior lighting of Mareel, the new cinema and music venue.

3. Shetland Arts promotes **access and participation** through its various activities, ensuring that events are held across Shetland. A joint Shetland Youth Theatre/YUF production (Yell, Unst and Fetlar), *Blackout*, was undertaken as part of the Shell/National Theatre Connections programme. The show premiered in Yell, followed by a performance at The Garrison in June, and a special performance for the Inter-Islands Children's Panel Seminar at the end of May. Thirty three young people performed this challenging piece by Davey Anderson in front of over sixty delegates, including Scotland's Minister for Children and Early Years, Adam Ingram, and it was exceptionally well received. The production also won a glowing review from the Scottish Arts Council's visiting assessor.

Our partnership with Shetland Film Club enabled us to extend the *Screenplay* Film Festival venues across Shetland, and to provide outreach activities in education, care homes, youth clubs and community halls throughout the year.

The *Fifteen Minutes* project, a series of occasional arts talks/demonstrations at the Montfield Day Hospital/Interim Placement Unit proved popular with patients. This involved brief lunch time performances and demonstrations of craft, visual art, music, dance and film.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Traditional Dance workshops took place across Shetland with schools and other groups including the Eric Gray Centre, the Fernlea Wishart Care Centre, the WRVS, various nurseries, Brownies and Guides, and mothers and toddlers groups.

The *Mirrie Dancers* project involved the public in selecting sites for the illuminations. This was followed up with a series of twelve 'Light Labs' across Shetland, where participants were taught how to use 'flip' movie cameras to take 'light videos' with, which they then enhanced using moving image software. The resulting videos were then converted into 'light scores' for use in the exterior illuminations which took place over the winter. They will ultimately be used for the exterior lighting of Mareel.

The *Peerie Willie Guitar Festival* took place during September with concerts in Baltasound, Bigton, Busta House and the Town Hall as well as schools' workshops at the Anderson High School, Mid Yell Junior High School, Aith Junior High School and Sandwick Junior High School.

September saw a second visual arts and literature project get underway for the residents of Taing House, following a successful pilot project last year.

4. In **supporting and promoting personal development** our work continues with the Annsbrae 'Just Writing' Group, the ILP Literature Group, the Lerwick Writers' Group and the West Mainland Writers' Group. Volunteer curators were involved in the planning of the Wordplay Festival and were instrumental in its success.

Our support of the Young Promoters Group saw young people developing skills and confidence in planning and running their own gigs.

Shetland Arts, working in partnership with SIC Adult Learning, supported a number of evening classes in craft, literature and music, and this year for the first time included film with *The Dark Side of the Cinema* at The Garrison Theatre and a course run at Hillswick Hall entitled *In the Company of the Coen Brothers*, run in partnership with Shetland Film Club.

5. In pursuit of our goal to **support professional artists**, *Mirrie Dancers* provided year long work not only for the two lead artists but also for their mentee and for a number of Shetland photographers.

After months of determined fund raising we were able to launch *Space to Face*, a project undertaken in partnership with the Shetland Community Mediation Team and Restorative Justice. Four artists have been employed to work with individual young offenders on the creation of artworks to offer to victims of their crimes. Visual artists have also been employed in undertaking education and CPD activities at Bonhoga Gallery, and in the completion of the *Created Spaces* garden project at the new Quoys housing development.

Professional craft makers have been supported by *Working Up*, a devolved funding scheme made possible by the Scottish Arts Council with matched funding from the SIC. This craft award fund is administered by SADA and goes to assist craft makers with key developments in their practise. Shetland Arts administered a similar grant award scheme for visual artists, with funding received matched funding from the Scottish Arts Council and Shetland Islands Council. Both schemes resulted in many new and significant development activities undertaken by Shetland artists and makers.

Shetland Arts is committed to the support of recent graduates who are starting out in their new careers, and this year the Bonhoga Gallery featured an exhibition by local graduate artist/photographer Chloe Garrick. Entitled *Feint Ae Wird*, the exhibition contained a series of photographs taken by Chloe during her travels in the Far East.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

6. Shetland Arts believes in **promoting excellence in artistic quality** and this year saw an extensive period of fund raising activity and research into a proposal for *Portage*. This was in response to a Scottish Arts Council initiative relating to new and innovative ways of curating and exhibiting craft, and one which would break down some of the boundaries between craft and visual art, challenging audiences and makers to think differently about what they are seeing and creating. This required us to work closely on researching cutting edge makers and artists both in the UK and abroad, and preparing an exhibition and curation plan for 2010/11. Funding was made available in the first stage of the process for the three officers to visit makers and galleries in Scandinavia, northern Europe and the UK.

October saw a month long contemporary dance residency by Martin Robinson, formerly of Martial Dance. The main purpose of the residency was to work with a small number of young dance mentees to develop their dance practise and choreography skills, but Martin also worked with the young people at the Bridges Project, with the Anderson High School and Sandwick Junior High School, and with Yell Youth Club. Martin's input encouraged young dancers to make extraordinary advances in their dance practise, the results of which could be seen in his choreographed piece, *G-Man*, which complemented the Gunnister Man exhibition.

Another residency which encouraged excellence, this time in creative writing, was undertaken by Kurdish poet Choman Hardi, on her second visit to Shetland.

7. In **developing skills for artists** we have provided Continuing Professional Development for Art Teachers as part of the Bonhoga Education Programme. Along with CPD, the Gallery Education Programme included artist-led workshops in schools based on artists' exhibitions.

Training was undertaken in Pro Tools Sound Recording software, with five staff members and volunteers being trained up on industry standard software in the build-up towards Mareel.

Another Shetland Arts/Shetland Museum and Archives collaboration was *Viewpoint*, an exhibition of three dimensional Shetland craft in Shetland Museum & Archives Boat Shed corridor, which took place over three weeks at Christmas. This offered a brief view into the range of materials craftmakers are currently using in Shetland to form contemporary three dimensional craft or applied art.

A major project for literature during November was a creative writing residency by John Hudson. The main focus of the residency, apart from creative writing itself, was publishing and making use of contemporary internet publishing opportunities.

Shetland Arts was awarded a contract for developing the proposed NC and HNC course provision at the Shetland College/UHI, a new initiative whereby young people will not necessarily have to leave Shetland in order to further their music education.

At the end of the year we provided a Film Making Workshop for Young People, immediately followed by a weekend of film making activity in Burra.

8. Shetland Arts is required to **provide facilities in support of the arts**, and apart from running the Weisdale Mill and the Bonhoga Gallery, our main activity in this area has been to progress the construction of Mareel, a new cinema, music and education venue, due to open on Lerwick's waterfront in spring 2011.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

9. **Volunteers play a significant role** in the activities of the organisation, from assistance with administration to help with running events. This relationship is of mutual benefit – the organisation is able to achieve more for the public, and the volunteers gain experience for their future careers, or simply personal satisfaction at having been involved with things they enjoy and to which they have a commitment. A number of our volunteers have gained recognised volunteering awards for their activities with SADA.
10. Shetland Arts **values the relationship it has with its employees and beneficiaries**. Programmes are drawn up through team discussions and all employees are encouraged to contribute, not just on their specific area of expertise, but to the whole arts operation. Our staff, deserve credit for their skill and enthusiasm in ensuring an excellent service was provided for our beneficiaries during the year.

PLANS FOR FUTURE PERIODS

2010/2011 will be dominated by our preparations for the arrival of Mareel, but other similarly significant ideas are being advanced for major developments around the Weisdale Mill.

Whilst these major projects are being progressed, Shetland Arts will still be offering a broad range of activities in every art form.

FINANCIAL REVIEW

Total Incoming Resources for the year were £5,542,452. This is significantly higher than in previous years due to capital funding received of £3,920,024 for the construction of Mareel. The remainder of Incoming Resources for this year, £1,622,428 (£1,335,418 - 2009) is made up as follows;

Core grant funding	£930,179	57.3%
Project funding	£362,244	22.3%
Income generated from activities	£319,590	19.7%
Donations & sponsorship	£8,283	0.5%
Investment Income	£2,132	0.2%

Core funding of £773,376 was received from Shetland Charitable Trust and foundation funding of £156,803 from the Scottish Arts Council. Shetland Charitable Trust also provided a further £51,210 to fund planned maintenance of the organisation during they year. The remainder of funding received in the year related to specific projects and came from various different funding bodies, but primarily Scottish Arts Council.

Shetland Arts Development Agency seeks to generate income from activities where possible to reduce its reliance on grant funding. Income generated from activities in the year came from Box Office sales (31.4%), Bonhoga Shop & Café sales (27.0%), Recharges income (19.7%), Art courses (6.0%), Exhibition Sales (5.8%) and Miscellaneous Other Income (10.1%).

Capital funding received in the year in relation to the construction of Mareel came from the following funders;

	<u>Funding received</u> <u>2009/10</u>	<u>Total Mareel</u> <u>Project Funding</u>
	£	£
Shetland Islands Council	£2,435,061	£5,190,000
Shetland Development Trust	£197,018	£965,000
Scottish Arts Council Capital Lottery Fund	£734,561	£2,120,000
Highland and Islands Enterprise	nil	£965,000
European Regional Development Fund	£503,384	£2,822,203
Grannochy Trust	£50,000	£50,000
Total	£3,920,024	£12,112,203

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

Total Resources Expended was £1,681,208 (£1,377,031 – 2009). £783,762 was spent on staffing costs (including travel and subsistence) with £900,323 being spent on Direct Service Provision. Overheads for the organisation during the year amounted to £223,184 and include £40,182 of depreciation on fixed assets. The purchase of stock for the both Bonhoga shop & café and also the Garrison Tuck Shop amounted to £54,846 during the year.

Net Incoming Resources before other recognised gains and losses for the year were £3,861,224. Again this figure is significantly higher than in previous years, due to the inclusion in our Financial Statements of all capital funding for Mareel. There were net outgoing resources in our unrestricted funds of £80,821 during the year, however. This has come about as a result of a number of factors.

Firstly, the nature of how capital funding and costs are treated in charity accounts mean that £52,152 of this deficit is due to depreciation charged in the year and amortisation adjustments made by transfer between unrestricted funds and the restricted capital fund. In real terms all our assets have been fully funded in the year they were purchased.

We had a shortfall in funding for the overhead costs of the Garrison Theatre during the year of £12,360. We had hoped to reduce costs and generate extra income to address this, but this has not been possible. Shetland Arts was successful in seeking funding to install the District Heating system in the building during the year however, and this will mean a reduction in costs in future years.

The cost of providing the Shetland Box Office service has also contributed £11,032 towards our deficit during the year, as charges for the system were more than we had budgeted for and also we have made less income than expected. This is in part related to the fact that we have so far been unable to get the Shetland Box Office available on-line, but we are striving to make this happen during the next financial year. The charge for providing the service is currently under review so future income is anticipated to increase.

Our overheads for the year were largely within budget with savings made in many areas. This is despite making provision in our accounts for a £10,000 electricity accrual for Weisdale Mill, due to higher than expected usage. The remainder of our deficit has come about due to not managing to generate as much income as we had budgeted for from sponsorship and external funding sources.

Shetland Arts has a comprehensive business plan which covers the next 3 years and incorporates the transition the organisation will make once Mareel is completed and in operation. This plan is under-going review and revisions are being made to address the reduction to our core funding in future years and general tightening of the public purse. Trustees have agreed that we need to look for ways to generate income and become less reliant on grant funding, and we feel confident that this can be achieved.

Fixed Assets for the organisation are increased by the inclusion of the construction costs to date for Mareel, with £3,920,024 being spent during the year. There was also investment during the year in a new Lighting System for the Garrison Theatre. The inclusion of these figures makes the Balance Sheet of the organisation much stronger.

Current Assets and Liabilities at the year-end are also higher. This is again mainly due to the construction of Mareel and accruals made for both income and expenditure related to the building work.

Defined benefit pension scheme liability has been included as per calculation received from Shetland Islands Council and prepared by their actuaries. Unfortunately this shows an increase in the pension liability of £280,000 at the year-end.

RESERVES POLICY

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

SHETLAND ARTS DEVELOPMENT AGENCY**ANNUAL REPORT OF THE TRUSTEES (continued)****YEAR ENDED 31 MARCH 2010****STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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

The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to;

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

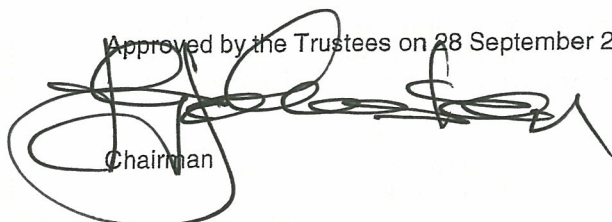
The trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustees Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

AUDITORS

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

Approved by the Trustees on 28 September 2010 and signed on its behalf by:



Chairman

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

YEAR ENDED 31 MARCH 2010

We have audited the financial statements of the Shetland Arts Development Agency for the year ended 31 March 2010 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The trustees' responsibilities 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) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors 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 the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

We also report to you if, in our opinion, the information given in the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if the charity's financial statements are not in agreement with these accounting records or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard – Provisions Available for Small Entities (revised), in the circumstances set out in note 22 to the financial statements.

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2010

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31 March 2010 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.



THE A9 PARTNERSHIP LIMITED

Chartered Accountants & Statutory Auditors

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

47 Commercial Road
Lerwick
Shetland
ZE1 0NJ

28th September 2010

SHETLAND ARTS DEVELOPMENT AGENCY

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 MARCH 2010

		2010			2009
	Notes	Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	0	8,283	0	8,283
Activities for generating funds	3	227,203	92,387	0	319,590
Investment income	4	2,132	0	0	2,132
Incoming resources from charitable activities	5	<u>930,179</u>	<u>352,089</u>	<u>3,930,179</u>	<u>5,212,447</u>
TOTAL INCOMING RESOURCES		<u>1,159,514</u>	<u>452,759</u>	<u>3,930,179</u>	<u>5,542,452</u>
RESOURCES EXPENDED					
Costs of generating funds					
-Fundraising trading: cost of goods sold and other costs	6	54,846	0	0	54,846
Charitable activities	7	1,006,946	614,856	0	1,621,802
Governance costs	8	<u>4,560</u>	<u>0</u>	<u>0</u>	<u>4,560</u>
TOTAL RESOURCES EXPENDED		<u>1,066,352</u>	<u>614,856</u>	<u>0</u>	<u>1,681,208</u>
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS					
Gross transfers between funds	18	<u>93,162</u>	<u>(162,097)</u>	<u>3,930,179</u>	<u>3,861,244</u>
		<u>(173,983)</u>	<u>162,097</u>	<u>11,886</u>	<u>0</u>
NET INCOMING/(OUTGOING) RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES					
		(80,821)	0	3,942,065	3,861,244
OTHER RECOGNISED GAINS AND LOSSES					
Gains on revaluation of fixed assets for the charity's own use		27,375	0	0	27,375
Actuarial losses on defined pension scheme		<u>(280,000)</u>	<u>0</u>	<u>0</u>	<u>(280,000)</u>
NET MOVEMENT IN FUNDS		(333,446)	0	3,942,065	3,608,619
RECONCILIATION OF FUNDS					
TOTAL FUNDS BROUGHT FORWARD AT 1 APRIL 2009		<u>52,757</u>	<u>0</u>	<u>135,546</u>	<u>188,303</u>
TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2010		<u>(280,689)</u>	<u>0</u>	<u>4,077,611</u>	<u>3,796,922</u>

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

The notes on pages 18 to 31 form an integral part of these financial statements.

SHETLAND ARTS DEVELOPMENT AGENCY

BALANCE SHEET

YEAR ENDED 31 MARCH 2010

	Notes	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	10		3,999,840		80,545
Heritage assets	11		<u>269,450</u>		<u>269,450</u>
Total Fixed Assets			<u>4,269,290</u>		<u>349,995</u>
CURRENT ASSETS					
Stock	12	14,814		17,537	
Debtors	13	177,780		47,766	
Cash at bank and in hand		<u>867,086</u>		<u>121,247</u>	
Total current assets		<u>1,059,680</u>		<u>186,550</u>	
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	14	<u>1,055,048</u>		<u>151,242</u>	
NET CURRENT ASSETS			<u>4,632</u>		<u>35,308</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			4,273,922		385,303
Defined benefit pension scheme liability	15		<u>(477,000)</u>		<u>(197,000)</u>
NET ASSETS INCLUDING PENSION LIABILITY			<u><u>3,796,922</u></u>		<u><u>188,303</u></u>
THE FUNDS OF THE CHARITY					
RESTRICTED FUNDS			4,077,611		135,546
UNRESTRICTED FUNDS					
Unrestricted income funds excluding pension liability		196,311		249,757	
Pension reserve		<u>(477,000)</u>		<u>(197,000)</u>	
Total unrestricted funds			<u>(280,689)</u>		<u>52,757</u>
TOTAL CHARITY FUNDS	19		<u><u>3,796,922</u></u>		<u><u>188,303</u></u>

These accounts were approved by the Trustees on 28th September 2010

Trustee

Trustee

The notes on pages 18 to 31 form an integral part of these financial statements.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1. ACCOUNTING POLICIES

Basis of accounting

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

In preparing the financial statements the charity follows best practice as laid down in the Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), the FRSSE (effective April 2008), applicable accounting standards and are in accordance with the Charities Accounts (Scotland) Regulations 2006.

Fixed Assets

No single equipment purchase with a cost below £2,000 is to be capitalised. Any item of equipment costing more than £2,000 is initially stated at cost. Heritage property is included at the valuation on transfer from Shetland Arts Trust at April 2006 and it is not depreciated as the property is considered to have a useful life as a building of greater than 50 years and so any depreciation charge is considered immaterial. The trustees consider that this departure from United Kingdom Generally Accepted Accounting Practice (UK GAAP) is necessary in order to provide a true and fair view.

Paintings are not depreciated as they are considered to have a useful life of greater than 50 year 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.

A separate asset category of "Pianos" has been created and assets under this category will be re-valued on an annual basis, as permitted by paragraph 266 of the Charities SORP. Pianos are not depreciated. The trustees have effected this policy in order to provide a true and fair view by more accurately reflecting the true value of these assets, for which there is an active second-hand market. Previously these assets were included within "Equipment" and were depreciated.

The pianos were re-valued on 31 March 2010. The valuations were based on a review of second-hand piano sellers websites and were carried out by, Sheila Duncan, who is an internal employee of Shetland Arts Development Agency and is not a qualified valuer.

Capital Grants

Capital grants are taken into account when they become receivable.

Revenue Grants

Revenue grants are taken into account when they become receivable.

Creditors

Funds are included in creditors when authorised and committed.

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.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES (continued)

Pensions

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

Incoming Resources

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

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

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

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

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

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

Resources Expended

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

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.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

	2010			2009
	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £
2. VOLUNTARY INCOME				
Business sponsorships	0	1,500	0	1,500
Donations	0	6,783	0	6,783
	<u>0</u>	<u>8,283</u>	<u>0</u>	<u>8,283</u>
	<u>0</u>	<u>8,283</u>	<u>0</u>	<u>7,594</u>
3. ACTIVITIES FOR GENERATING INCOME				
Box office	100,271	0	0	100,271
Ancillary earned income				95,722
Garrison Theatre hire income	6,912	0	0	6,912
Rental income	1,345	0	0	1,345
Sales	14,066	2,233	0	16,299
Bonhoga shop	28,428	0	0	28,428
Exhibition sales	18,469	0	0	18,469
Bonhoga café	57,712	0	0	57,712
Arts courses	0	19,155	0	19,155
Recharges income	0	62,987	0	62,987
Miscellaneous income	0	5,157	0	5,157
Insurance claims	0	0	0	0
Other earned income	0	2,855	0	2,855
	<u>227,203</u>	<u>92,387</u>	<u>0</u>	<u>319,590</u>
	<u>227,203</u>	<u>92,387</u>	<u>0</u>	<u>255,499</u>
4. INVESTMENT INCOME				
Bank interest received	2,132	0	0	2,132
	<u>2,132</u>	<u>0</u>	<u>0</u>	<u>13,755</u>
5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES				
Scottish Arts Council revenue grants	156,803	0	0	156,803
Partnership funding	0	74,564	0	74,564
Project funding (Voted and lottery)	0	173,327	734,561	907,888
Local Authority - Project funding	0	28,344	2,632,079	2,660,423
Other public funds	773,376	75,854	563,539	1,412,769
	<u>930,179</u>	<u>352,089</u>	<u>3,930,179</u>	<u>5,212,447</u>
	<u>930,179</u>	<u>352,089</u>	<u>3,930,179</u>	<u>1,058,570</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

		2010			2009
		Unrestricted	Restricted	Restricted	Total
		Funds	Funds	Capital	Funds
		£	£	Funds	£
Notes				£	
6. COSTS OF GENERATING FUNDS					
Fundraising trading costs					
Food stock purchases		33,864	0	0	33,864
Shop and gallery stock purchases		20,974	0	0	20,974
Craft stock purchases		8	0	0	8
		<u>54,846</u>	<u>0</u>	<u>0</u>	<u>54,846</u>
					<u>49,095</u>
7. CHARITABLE ACTIVITIES EXPENDITURE					
Direct service provision	7a	299,519	600,804	0	900,323
Grant funding	7b	0	14,052	0	14,052
Support costs	7c	707,427	0	0	707,427
		<u>1,006,946</u>	<u>614,856</u>	<u>0</u>	<u>1,621,802</u>
					<u>1,304,806</u>
7a. Direct service provision					
Project staff costs	7d	299,519	0	0	299,519
Programming		0	529,626	0	529,626
Cinema and music venue		0	1,598	0	1,598
Shetland Box Office		0	13,388	0	13,388
Recharged expenditure		0	29,066	0	29,066
Development costs		0	4,025	0	4,025
Programme marketing		0	23,101	0	23,101
		<u>299,519</u>	<u>600,804</u>	<u>0</u>	<u>900,323</u>
					<u>636,526</u>
7b. Grant funding					
Grants paid to individuals		0	14,052	0	14,052
		<u>0</u>	<u>14,052</u>	<u>0</u>	<u>14,052</u>
					<u>9,014</u>
The grants made during the year relate to a craft initiative in partnership with the Shetland Islands Council and the Scottish Arts Council. The support cost associated with the initiative amounted to £3,500.					
7c. Support costs					
Support staff salaries and other staffing costs	7d	484,243	0	0	484,243
Overheads	7e	223,184	0	0	223,184
		<u>707,427</u>	<u>0</u>	<u>0</u>	<u>707,427</u>
					<u>659,266</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

		2010			2009
		Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £
7d. All staff costs					
Project Staff salaries	7a	299,519	0	0	299,519
Support Staff salaries	7c	434,646	0	0	434,646
	17	734,165	0	0	734,165
Staff training	7c	12,518	0	0	12,518
Recruitment and relocation	7c	375	0	0	375
Mileage and car allowance	7c	15,936	0	0	15,936
Mareel support	7c	0	0	0	0
Travel	7c	20,229	0	0	20,229
Volunteer expenses	7c	539	0	0	539
		<u>783,762</u>	<u>0</u>	<u>0</u>	<u>783,762</u>
7e. Overheads					
Stationery		5,204	0	0	5,204
Equipment		5,338	0	0	5,338
ICT		12,547	0	0	12,547
Photocopier lease		15,993	0	0	15,993
Electricity		28,124	0	0	28,124
Telephone and fax		3,962	0	0	3,962
Cleaning		3,672	0	0	3,672
Postage		3,469	0	0	3,469
Trustee expenses		1,764	0	0	1,764
Hospitality		182	0	0	182
Legal and professional fees		1,419	0	0	1,419
Bank charges		1,477	0	0	1,477
Publications and subscriptions		1,221	0	0	1,221
Licences		3,606	0	0	3,606
Rates		3,843	0	0	3,843
Office lease		37,000	0	0	37,000
Storage facilities		8,197	0	0	8,197
Repairs and maintenance		27,077	0	0	27,077
General overheads		136	0	0	136
Insurance		13,428	0	0	13,428
Depreciation		40,182	0	0	40,182
Payroll processing		5,967	0	0	5,967
Royalties Due		(708)	0	0	(708)
Loss on disposal of fixed assets		84	0	0	84
		<u>223,184</u>	<u>0</u>	<u>0</u>	<u>223,184</u>
					<u>196,751</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

8. GOVERNANCE COSTS

Auditors remuneration:

Audit	5,000	0	0	5,000	5,000
Accountancy services	(490)	0	0	(490)	15,880
Actuary fee	50	0	0	50	2,250
	<u>4,560</u>	<u>0</u>	<u>0</u>	<u>4,560</u>	<u>23,130</u>

Audit fees for the year ended 31 March 2010 were £5,000 (2009: £5,000). Our auditors The A9 Partnership Limited also provided other services of (£490) (2009: £15,880) during the year.

9. ANALYSIS OF MOVEMENT IN DEFERRED INCOMING RESOURCES

	Opening Balance £	Deferred In Year £	Released in Year £	Closing Balance £
Art Courses Income				
-Fiddle Frenzy subscriptions prepaid	663	1,144	663	1,144
Architecture & Design Scotland				
-Power Of Place	0	8,000	0	8,000
Awards For all				
-Quoys Sensory Garden	1,164	0	1,164	0
-Created Space	0	5,000	0	5,000
Co-operative Fund				
-Art in Care Homes	0	1,000	0	1,000
Esme Fairbairn				
-Mirrie Dancers	0	7,843	0	7,843
Gulbenkian Foundation (via Taigh Chearsabhagh)				
-LK243 Under Sail	0	7,000	0	7,000
Highland & Islands Enterprise				
-Feasibility Study Westside Cluster	0	8,000	0	8,000
Paul Hamlyn Foundation				
-Space2Face	5,529	0	3,833	1,696
Scottish Arts Council Grants				
-Youth Music Forum	7,000	0	7,000	0
-Young Fiddlers Project	6,016	0	6,016	0
-Portage	1,448	33,415	1,448	33,415
-Mirrie Dancers	0	36,300	0	36,300
-The Voyage	0	3,384	0	3,384
-Craftmakers Award Scheme 3	0	324	0	324
Shetland Islands Council				
-Taking Over The Theatre (Zetland Trust)	2,000	0	2,000	0
-Music Course Co-ordinator Income	0	5,000	0	5,000
-Mareel Construction	0	177,451	0	177,451
Visit Scotland				
-Celebrating Shetland Festival	1,650	0	1,650	0
	<u>25,470</u>	<u>293,861</u>	<u>23,774</u>	<u>295,557</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

10. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
COST/VALUATION					
As at 1 April 2009	0	289,368	0	2,862	292,230
Revaluation in year	0	0	(1,455)	0	(1,455)
Transfer of assets to new category	0	(44,255)	44,255	0	0
Additions during period	3,920,024	12,161	0	0	3,932,185
Disposals during period	0	(510)	0	0	(510)
As at 31 March 2010	<u>3,920,024</u>	<u>256,764</u>	<u>42,800</u>	<u>2,862</u>	<u>4,222,450</u>
DEPRECIATION					
As at 1 April 2009	0	211,685	0	0	211,685
Revaluation in year	0	0	(28,830)	0	(28,830)
Transfer of assets to new category	0	(28,830)	28,830	0	0
Charge for period	0	40,182	0	0	40,182
Disposals during period	0	(427)	0	0	(427)
As at 31 March 2010	<u>0</u>	<u>222,610</u>	<u>0</u>	<u>0</u>	<u>222,610</u>
NET BOOK VALUE					
As at 31 March 2010	<u>3,920,024</u>	<u>34,154</u>	<u>42,800</u>	<u>2,862</u>	<u>3,999,840</u>
As at 1 April 2009	<u>0</u>	<u>77,683</u>	<u>0</u>	<u>2,862</u>	<u>80,545</u>

The pianos were re-valued on 31 March 2010. The valuations were based on a review of second-hand piano sellers websites and were carried out by, Sheila Duncan, who is an internal employee of Shetland Arts Development Agency and is not a qualified valuer.

The revaluation of Pianos during the year has reduced the total depreciation charge for the year by £28,830. The historic cost of the pianos was £44,255.

11. HERITAGE ASSETS

	Heritage Property £
COST/VALUATION	
As at 1 April 2009 and 31 March 2010	<u>269,450</u>
NET BOOK VALUE	
As at 31 March 2010	<u>269,450</u>
As at 1 April 2009	<u>269,450</u>

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

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	2010 £	2009 £
12. STOCK		
General stock	10	3
Weisdale Mill sales area stock	9,787	10,681
Weisdale Mill café stock	701	628
Dialect Programme book stock	3,425	3,571
Garrison Theatre tuck shop stock	891	1,317
Lise Sinclair CD	0	1,337
	<u>14,814</u>	<u>17,537</u>
13. DEBTORS	£	£
Trade debtors	16,430	14,018
Accrued income	44,452	18,628
Prepayments	6,227	10,956
VAT	<u>110,671</u>	<u>4,164</u>
	<u>177,780</u>	<u>47,766</u>
14. CREDITORS	2010 £	2009 £
Bank overdraft	0	4,787
Trade creditors	395,662	36,621
Deferred income	295,557	25,970
Accruals	<u>363,829</u>	<u>83,864</u>
	<u>1,055,048</u>	<u>151,242</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

15. 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 2008 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.

Assumptions as at	31 March 2010 % per annum	31 March 2009 % per annum
Inflation/pension increase rate	3.8%	3.1%
Salary increases	5.3%	4.6%
Expected return on assets	7.3%	6.6%
Discount rate	5.5%	6.9%
Proportion of employees opting for early retirement	0.0%	0.0%

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

Mortality assumptions	31 March 2010 Years	31 March 2009 Years
Longevity at age 65 for current pensioners		
Men	21.5	20.7
Women	24.9	23.8
Longevity at age 65 for future pensioners		
Men	23.5	22.0
Women	27.0	25.0

Assets (Employer Share)

	Long term rate of return expected at 31 March 2010	Fund value at 31 March 2010 £ 000	Long term rate of return expected at 31 March 2009	Fund value at 31 March 2009 £ 000
Equities	7.8%	650	7.0%	397
Bonds	5.0%	65	5.4%	45
Property	5.8%	57	4.9%	30
Cash	4.8%	41	4.0%	30
Total		<u>813</u>		<u>502</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

15. PENSION SCHEME (Continued)

Net Pension Asset as at	31 March 2010 £ 000	31 March 2009 £ 000
Fair value of Employer Assets	813	502
Present value of funded liabilities	(1,219)	(583)
Net (under)/overfunding in funded plans	(406)	(81)
Present value of unfunded liabilities	(71)	(116)
Unrecognised past service cost	0	0
Net asset/(liability)	(477)	(197)
Amount in the balance sheet		
Liabilities	(477)	(197)
Assets	0	0
Net Pension (liability)/asset	(477)	(197)

Analysis of amount charged in the SOFA

Recognition in the SOFA	31 March 2010 £ 000	31 March 2010 % of pay	31 March 2009 £ 000	31 March 2009 % of pay
Current service cost	48	10.1%	58	12.4%
Interest cost	51	10.9%	43	9.1%
Expected return on employer assets	(36)	(7.7%)	(36)	(7.6%)
Past service cost/(gain)	6	1.3%	0	0.0%
Losses/(gains) on curtailment and settlements	0	0.0%	0	0.0%
Total	69	14.6%	65	13.9%
Actual return on plan assets	219		(125)	

Reconciliation of defined benefit obligation	31 March 2010 £ 000	31 March 2009 £ 000
Opening defined benefit obligation	699	590
Current service cost	48	58
Interest cost	51	43
Member contributions	29	28
Actuarial losses/(gains)	465	(7)
Past service costs/(gains)	6	0
Losses/(gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Liabilities assumed in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	(1)	(6)
Estimated benefits paid	(7)	(7)
Closed defined benefit obligation	1,290	699

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

15. PENSION SCHEME (Continued)

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2011 will be approximately £78,000.

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

	31 March 2010	31 March 2009
Equities	80%	79%
Bonds	8%	9%
Property	7%	6%
Cash	5%	6%

Reconciliation of fair value of employer assets

	31 March 2010 £ 000	31 March 2009 £ 000
Opening fair value of employer assets	502	449
Expected return on assets	36	36
Contributions by members	29	28
Contributions by the employer	70	65
Contributions in respect of unfunded benefits	1	6
Actuarial gains/(losses)	183	(69)
Assets distributed on settlements	0	0
Assets acquired in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	(1)	(6)
Estimated benefits paid	(7)	(7)
Closing fair value of employer assets	<u>813</u>	<u>502</u>

Amounts for the current and previous accounting periods

	31 March 2010 £ 000	31 March 2009 £ 000	31 March 2008 £ 000	31 March 2007 £ 000
Fair value of employer asset	813	502	449	437
Present value of defined benefit obligation	(1,290)	(699)	(590)	(474)
Surplus/(deficit)	<u>(477)</u>	<u>(197)</u>	<u>(141)</u>	<u>(37)</u>
Experience gains/(losses) on assets	183	(69)	(67)	4
Experience gains/(losses) on liabilities	72	(77)	(52)	(9)

SHETLAND ARTS DEVELOPMENT AGENCY

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YEAR ENDED 31 MARCH 2010

15. PENSION SCHEME (Continued)

Amount recognised in SOFA

	31 March 2010 £ 000	31 March 2009 £ 000	31 March 2008 £ 000	31 March 2007 £ 000
Actuarial gains/(losses)	(282)	(62)	(9)	34
Other actuarial adjustment	2	6	(95)	0
Actuarial gains/(losses) recognised	<u>(280)</u>	<u>(56)</u>	<u>(104)</u>	<u>34</u>
Cumulative actuarial gains and losses	<u>(319)</u>	<u>(37)</u>	<u>25</u>	<u>34</u>

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

16. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year. Travelling expenses claimed by Trustees totalled £1,022 for the year (2009 - £761). Trustees were paid £350 (Nil - 2009) during the year for commissioned work.

17. ANALYSIS OF EMPLOYEE COST

	31 March 2010 £	31 March 2009 £
Salaries	619,369	578,464
National insurance	40,383	36,414
Pension Costs	<u>74,413</u>	<u>64,680</u>
Total	<u>734,165</u>	<u>679,558</u>

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

Employee No	2010	2009
Full Time	15	16
Part Time	<u>37</u>	<u>39</u>
	<u>52</u>	<u>55</u>

SHETLAND ARTS DEVELOPMENT AGENCY

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18. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2009	52,757	0	135,546	188,303
Total Incoming Resources	1,159,514	452,759	3,930,179	5,542,452
Total Resources Expended	(1,066,352)	(614,856)	0	(1,681,208)
Other Recognised Gain And Losses	(252,625)	0	0	(252,625)
Transfer effect of Piano revaluation on				0
Restricted Capital Fund	(24,173)	0	24,173	0
Transfer amortisation of Restricted Capital				0
Fund	12,287		(12,287)	0
Transfer from Unrestricted Funds to cover				0
negative balance in Restricted Funds	(162,097)	162,097	0	0
Total Funds as at 31 March 2010	<u>(280,689)</u>	<u>0</u>	<u>4,077,611</u>	<u>3,796,922</u>

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March are represented by:	Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Fixed Assets	191,679	0	4,077,611	4,269,290
Current Assets	1,059,680	0	0	1,059,680
Current Liabilities	(1,055,048)	0	0	(1,055,048)
Provisions	<u>(477,000)</u>	<u>0</u>	<u>0</u>	<u>(477,000)</u>
Total Net Assets	<u>(280,689)</u>	<u>0</u>	<u>4,077,611</u>	<u>3,796,922</u>

20. COMMITMENTS UNDER OPERATING LEASES

At 31st March 2010 the charity had aggregate annual commitments under non-cancellable operating leases as set out below.

	31-Mar-10		31 March 2009	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within 1 year	0	0	0	7,300
Within 2 to 5 years	<u>37,000</u>	<u>7,300</u>	<u>37,000</u>	<u>0</u>
	<u>37,000</u>	<u>7,300</u>	<u>37,000</u>	<u>7,300</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

21. CAPITAL COMMITMENTS

Shetland Arts Development Agency is currently constructing, Mareel, a purpose-built cinema & music venue, which is due to be completed in early 2011. We are committed to spend £8,192,179 to ensure completion.

22. APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES (REVISED)

In common with many other businesses of our size and nature we use our auditors to provide book-keeping assistance, to provide assistance with the preparation of cash flow projections, to advise on VAT matters, and assist with the preparations of the financial statements.