

SHETLAND ARTS DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2012

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 2012

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SHETLAND ARTS DEVELOPMENT AGENCY**TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS****Trustees**

James Johnston, Chair	Appointed April 2006 (re-appointed November 2011) Appointed as Chair August 2009
Danus Skene, Vice Chair	Appointed December 2010
Robina Barton	Appointed May 2008 (re-appointed November 2011)
Mark Burgess	Appointed September 2008 (re-appointed November 2011)
John Dally	Appointed December 2009
Joyce Davies	Appointed December 2009
John Goodlad	Appointed September 2008 (re-appointed November 2011)
Leslie Lowes	Appointed December 2009
Silke Reeploeg	Appointed December 2010
James Sinclair	Appointed October 2006 (re-appointed November 2011)
Irvine Tait	Appointed February 2011

Director

Gwilym Gibbons

Address

Shetland Arts Development Agency
Mareel
Lerwick
Shetland
ZE1 0WQ

Auditors

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

Bankers

Clydesdale Bank plc
Commercial Street
Lerwick
Shetland ZE1 0JJ

Solicitors

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

Founding Trust Deed

Registered BC & S on 13 January 2006

Charitable Status

Scottish Charity No. SC037082

SHETLAND ARTS DEVELOPMENT AGENCY

CHAIRMAN'S MESSAGE

YEAR ENDED 31 MARCH 2012

And so it begins. The next phase of our organisation's journey towards a more independent financial future continues with the recent handover of Mareel. Only once we have cleared the immediate costs of the capital programme can we look forward to a projected increase in our revenue income. The Board continues to work towards creating more diversity in our income streams and a more inclusive model of Social Enterprise to fund the organisation into the future.

We have, at last, managed to take possession of Mareel and we can now get on with the job of making it a success. In my last report, a year ago, we were looking forward to the imminent hand over of the building from our contractors. Since that didn't happen we have had to endure a succession of negativity in the media and no small loss in income. This has been handled well by the Board and our officials over the year, mostly by asking our detractors to wait until the project was complete and then to make their judgements. Only on one occasion were the board forced to react to an article in the local media.

Shetland deserves to have a first class cinema and music venue and the foresight of those decision-makers to allow it to happen will be applauded in time. When Shetland Islands Council asked Shetland Arts to find the additional funding and build Mareel there was a mixed reaction. The project was controversial from the beginning. As this all happened before the financial collapse of the markets it would be interesting to know the Council's decision if it were to be made now in the light of cuts and school closures. However, our organisation attracted another £6m at the time to develop the building to the standard we can now enjoy.

Despite the time spent on Mareel, the last year has seen a magnificent array of art developments and projects. Kathy Hubbard's report later in this document will give a clearer picture of the work undertaken. However, I wish to highlight a few; our work done within the Cultural Olympiad, a Hansel of Film and Ignition show that our organisation can work and perform to internationally acclaimed standards.

In the last year I attended my first Edinburgh meeting of the chairs of the arts organisations in Scotland. As I was the "new kid on the block" I asked Andrew Dixon, Chief Executive of Creative Scotland, to point me in the direction of people who chair similar organisations to our own. His reaction took me by surprise, he said, "There is no one here with an organisation similar to Shetland Arts. You are in a league of your own." He went on to explain that with our diversity of the arts that we cover and our portfolio of resources we are everything that the others here would like to aspire. Over the next two meetings since this comment was made, I have found that it is I who have been advising other chairs on governance, development and procedural matters. We are an organisation that is widely respected and admired throughout Scotland, and beyond, by the creative community. Fortunately we have many people in Shetland with a similar view to this. We also have our local detractors, but with time and education I am confident that they will diminish.

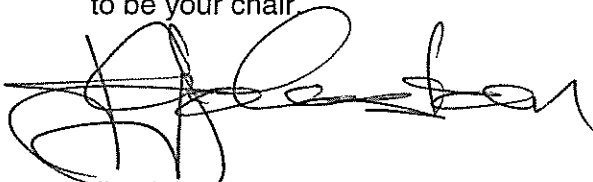
The Shetland community is already embracing Mareel. The feedback has been staggeringly positive and we have had sell out screenings and more people coming through the doors than even our most optimistic projections allowed. We always had confidence in the facility and knew that it would speak for itself when it opened. With your continued support we can sustain the building into the future and develop the arts in Shetland to the high standard that we have grown to expect.

SHETLAND ARTS DEVELOPMENT AGENCY

CHAIRMAN'S MESSAGE (continued)

YEAR ENDED 31 MARCH 2012

Finally, to our hard working directors and managers, development officers, administration and operations staff and volunteers a big thank you from me as your Chair. To our funders, particularly, Shetland Charitable Trust and Creative Scotland another heart-felt thank you for your continuing support. Also, I would like to thank our board members for their time, effort and support over the past year. Without you all we would not be the strong, dynamic organisation that we are. I am proud to be your chair.

A handwritten signature in black ink, appearing to read 'Jim Johnston', written in a cursive style.

Jim Johnston
Chair

SHETLAND ARTS DEVELOPMENT AGENCY

DIRECTOR'S STATEMENT

YEAR ENDED 31 MARCH 2012

2011/12 has once again been an extension of the long journey towards the opening of Mareel, made up of both the trials and tribulations of the construction of the venue and the preparation of our organisation to open and operate Mareel when the day comes. It has also been a year of preparation for some large scale projects. Namely Hansel of Film a UK wide Cultural Olympiad project, Ignition and a major collaboration with the National Theatre of Scotland.

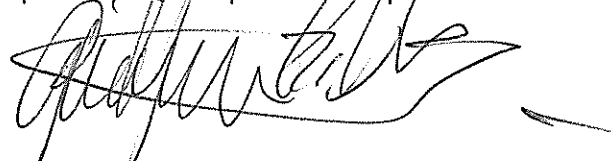
At the time of writing this statement Shetland Arts has only very recently gained temporary occupation of Mareel. Maintaining momentum and a state of readiness to open Mareel has been a great challenge for the organisation. The reputational impact of the repeated delays in the construction of Mareel has been high and created concern in out with Shetland. The Shetland Arts team have collectively and individually absorbed a significant level of criticism and some times personal insult with a professionalism that in years to come I believe will be seen as a triumph against adversity.

The end of this financial year is a milestone in a long journey of change in how Shetland Arts operates. The change and restructure of the organisation came as a response to the significant drop in core funding from Shetland Charitable Trust. Our strategy has been to seek wherever possible to diversify income streams and adopt a more social enterprise model of operation. The ultimate test will come with the opening of Mareel with no additional funding support. The foresight of the Trustees of Shetland Arts not to approve a model of operation of Mareel which relied on additional core funding is now serving us well. Although challenging, it has been much easier to respond to the current economic downturn from a position of not expecting more funding but just a reduction of current levels. For the first time in 3 years Shetland Arts has turned a small surplus in its revenue accounts. This move to a more sustainable level of operation has been painful at times. Staff, Trustees and volunteers are to be congratulated on this significant achievement at this most challenging of times.

In particular I applaud the work of the Arts Development Team who with reduced resource continued to generate a broad range of activity of a quality and originality that would be hard to surpass anywhere in the UK. This activity has often been eclipsed by the ongoing focus on Mareel and I urge readers to review the activity reported in these accounts. The scope is extraordinary and its reach extensive both across the isles and internationally.

I would like to thank our core funders Shetland Charitable Trust and Creative Scotland for their continued support through these turbulent financial times. Shetland Arts has enjoyed a constructive and close relationship with both our funders in which together we have sought to minimise the impact of spending constraints.

Finally I would like to thank all our staff, trustees and volunteers whose unstinting energy, commitment and professionalism makes working for Shetland Arts a pleasure and privilege. I strongly believe that the level of knowledge and experience held within 'Team Shetland Arts' is very special and I am proud to be part of that team at this transformational time.



Gwilym Gibbons
Director

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

YEAR ENDED 31 MARCH 2012

The trustees present their report and financial statements for the year ended 31 March 2012.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Shetland Arts Development Agency is a Registered Scottish Charity, constituted under a trust deed.

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 retired on 31 March 2010, three retired 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.

At our Board Meeting on 10 November 2011, James Sinclair's appointment for a second term was formalised ending on October 2012. Robina Barton, Mark Burgess and John Goodlad were all re-appointed for a second term ending September 2014 and Jim Johnston was re-appointed for a second term ending March 2015. No new Trustees were appointed during the year. At the meeting on 10 November 2011 the board also voted in Danus Skene as Vice-Chairman of the Board.

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.

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 sixth year of the Agency's operation.

Shetland Arts Development Agency also receives foundation funding from Creative Scotland, dependent upon its submission to them of an annual programme of activities. This programme must meet Creative Scotland'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 2012****STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)**

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

THE AGENCY OBJECTIVES

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

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

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

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

Shetland Arts has had a full and varied year of arts development activities. The list below is indicative but not exhaustive.

Providing a varied programme of arts activities

- Hundreds of traditional dance workshops have been provided in schools all over Shetland.
- In co-operation with Shetland Jazz Club two concerts were held in May by the Nova Scotia Jazz Band, one in Bigton Hall, the other in the Town Hall, Lerwick. Also in partnership with Shetland Jazz Club, a concert was held in Islesburgh by the Tommy Smith Jazz Band. This was preceded by a workshop, also at Islesburgh.
- The Garrison has continued to offer a monthly weekend programme of family and popular films.
- The annual *Young Fiddler of the Year Competition* took place in April.
- Mull Theatre visited Shetland in May as part of The Year of Scottish Islands, with a production of *The Mysterious Death of Netta Fornario*, a murder mystery set on Mull. The company also undertook a production at the Walls Hall.
- The *Wordplay 2011 Book Festival* which took place at the beginning of September, featured a packed programme of writers, illustrators, broadcasters and comedians. Wordplay attracted some significant figures from the world of literature including the National Poet of Scotland, Liz Lochhead, poet Simon Armitage, broadcaster and writer James Naughtie, childrens authors Viv French, Ron Butlin and Maggi Gibson, Orkney book maker Carol Dunbar, Orkney writer Andrew Greig and children's illustrator Sally Kindberg. Shetland writers were also to the fore with a first novel by Christine de Luca and poets Alex Cluness and Roseanne Watt appearing as part of *These Islands We Sing*, an anthology of poems by Scottish island writers. Stand-up comedy featured for the first time with a three hander performance from Sandy Nelson, Allen Chalmers and Raymond Mearns. Television writer and presenter Jonathan Meades spoke of his documentary work on architecture and on surrealism.
- *Fiddle Frenzy*, Shetland Arts annual international fiddle school this year attracted Phil Cunningham and Aly Bain back to Shetland, and featured concerts by Fullsceilidh Spelemannslag, Brian Nicholson and Maggie Adamson, Hom Bru, the Nordic Fiddlers Bloc and Bodega. Concerts took place in Lerwick but also in Aith and Ollaberry community halls. Student numbers continued to increase with visitors from across the UK and beyond. As well as fiddle tuition, students also took part in craft workshops and piano and guitar tuition.
- World class musicians, concert pianist Mami Shikimori and violinist Masayuki Kino played a terrific programme at the Town Hall.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

- *Screenplay 2011*, the fifth annual Shetland Film Festival took place between 26th August and 4th September. In partnership with Shetland Film Club, an outreach programme delivered screenings to care homes, schools and community halls and the Shetland Museum and Archive and Hoswick Visitors Centre. At The Garrison Theatre a further twenty screenings took place, featuring films on a theme of 'transformation', children's films, animated films, and much more. One of Britain's greatest screen actors, Jim Broadbent, held Q and A sessions about three of his best works in film and television. Also visiting were No 9 Films producers Stephen Woolley and Elizabeth Karlsen, who introduced and discussed two of the films from their remarkable production house. Screenplay has always promoted emerging film makers, and this year welcomed back Edinburgh film maker Tim Barrow, currently promoting his second feature film. The festival is curated by acclaimed film critics Mark Kermode and Linda Ruth Williams.
- Support was offered to aspects of *The Tall Ships Event*, including the Opening Ceremony dress rehearsal, and devising, rehearsing and performing the Shadow Puppet Shows at Laurenson Quay and the puppet shows on Victoria Pier.
- Running from 20th August to the 25th September, to coincide with the Wordplay 2011 Book Festival was *The Illustrators*, curated by the immensely popular children's author Julia Donaldson. This was an exhibition of contemporary children's book illustrations which included original works by the illustrators. To accompany the exhibition, readings from various children's books were undertaken in the gallery by local writers and readers.
- The annual Christmas exhibition, *Cold Hands, Warm Heart*, opened on 19th November. This incorporated art and craft collections from studios based in Shetland and throughout the UK, an exciting exhibition of jewellery, ceramics, lighting, textiles and wall-based artwork. A number of early evening openings gave the public a chance to visit the gallery after work.
- The *Peerie Willie Guitar Festival* featured, amongst others, Indian Fusion group Svara Kanti, which comprised a guitar player, a tabla player, an Indian violin player and a singer. Concerts were undertaken at The Garrison and at Bigton Hall, alongside a master class at the Garrison.
- In partnership with Shetland Film Club, Shetland Arts took part in the *Discovery Children's Film Festival* early in November, screening the Chicago High School Poetry Slam documentary at the Museum and at a school screening at Brae High School. Also screened at the Museum as part of Discovery was '*Short Films for Wee Ones*'.
- Dennis Coutts, *Sixties' Exposure* proved to be one of Bonhoga's most popular exhibition ever. Dennis has been photographing Shetland's society for over sixty years and his work is a fascinating catalogue of life throughout the isles. For this exhibition work was selected from the 1960s and represented the pre-oil era.
- In partnership with Shetland Film Club, Shetland Arts promoted film screenings as part of the International Lesbian, Gay, Bi-sexual and Trans-gendered History Month at the Shetland Museum.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

- Following eighteen months of planning, the Royal Scottish National Orchestra made its triumphant visit to Shetland, where they played at venues across the islands, including a brass concert at Bigton Hall, a violin recital at Busta House, mini-monster music sessions for small children in Brae, Yell, Sandwick and Lerwick, a chamber concert at St Columba's Church and a full orchestral concert at the Clickimin Centre. In addition, they undertook a concert especially for school pupils at Clickimin, which saw the largest group of school children ever to gather in one venue for a music event.

Encouraging new work

Shetland Arts is dedicated to the encouragement of new work by professional and non-professional artists. Over the past year the following are just some examples.

- *Open Winners – Progressions* was an exhibition of work by the five winners of the 2010 Shetland Open Portrait Awards: John Carolan, Mandy Tait, Amy Irvine, Jayne Kelly and Claire Laurenson. All five had been awarded financial support to develop their work and prepare for this exhibition.
- *Shetlandmade*, the selected selling exhibition of new Shetland craft product by 12 local makers, was shown in Bonhoga Gallery Café Cabinet.
- A series of development meetings took place with the National Theatre of Scotland (NTS) for the proposed *Ignition* project (formerly known as 'Slow for Stuart'). Funding has been obtained for this from the NTS, from Creative Scotland and from the Calouste Gulbenkian Foundation.
- Local film maker Dave Hammond premiered his new documentary, '*Submarine Man*', at the Screenplay Film festival.
- Shetland Arts call for submissions of locally made short films for inclusion in Screenplay 2011 resulted in ten short films and four artists' moving image films. These were screened at The Garrison and at the Shetland Museum and Archive during the festival. Curators Mark Kermode and Linda Ruth Williams held a feedback session for some of the young film makers, and comments were received from visiting producers Stephen Woolley, Elizabeth Karlsen and film maker Tim Barrow.
- Administrative and other support was offered to Lise Sinclair in the development of her new CD, *A Time to Keep*, based on the work of George Mackay Brown, and with her subsequent tour of this work.
- The Bonhoga Gallery hosted *Blow-Up*, an interactive installation that used performers, or the audience itself, to bring it alive. The real-time video projection manipulated movement and redistributed it on a large screen, distorting the size of body parts in accordance with how fast they were moving. It provided an engaging and amusing way to interact with contemporary art. The exhibition incorporated a performance and workshops with local dance artists.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Promoting access and participation

- The Bonhoga Gallery Touring Programme took work by local artists to venues around Shetland.
- The Bonhoga Gallery Education Programme provided workshops with artists plus visits to the Gallery for pupils.
- Writers' groups were supported in Lerwick and on the West Side of Shetland.
- Support was offered to the organisers of Splinters in order that a full programme of children and young people's drama activities could be offered in Delting and Northmavine.
- In partnership with Shetland Film Club, there were screenings of archive film in Montfield Hospital and at various care homes.
- Creative writing groups were undertaken with clients of the Independent Living Project and Community Mental Health Team.
- Support was provided to the Shetland Community Orchestra with fund raising and other activities.
- A call for short films for Shetland Arts London 2012 project, *A Hansel of Film – Shetland to Southampton and Back*, resulted in over 340 films being submitted to the website.
- The annual Up Helly Aa music and comedy sessions, *Fiery Sessions* and *Stand-Up Helly Aa*, were held at the end of January.
- Traditional dance sessions were undertaken at Fernlea Wishart Anderson Care Centre in Whalsay.

Supporting and promoting personal development

- Shetland Youth Theatre took part in the National Theatre of Scotland's *5 Minute Theatre* project in April. This was a national initiative which involved a streaming of five minute theatre performances (making up a full 24 hour period) from groups across Scotland. Shetland Youth Theatre devised, rehearsed, filmed and edited their piece, which examined the everyday realities of life for young people in Shetland.
- Support was offered to the Shetland Young Promoters Group, in part preparing them for their various appearances at The Tall Ships Event in July, but also as an exercise in increasing confidence and developing skills.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

- Shetland Arts was part of the team delivering the arts and restorative justice project, Space2face. This is a partnership between the Community Mediation Team, the Shetland Islands Council Criminal Justice Social Work Department, Shetland Arts and the Children's Reporter. The project used arts approaches to facilitate the Restorative Justice process and where appropriate, create gifts of artwork for those harmed. It is unique in Scotland.
- Our work with Shetland Youth Theatre not only encourages excellence in practice, but increased confidence and awareness in the young people involved.

Supporting professional artists

- Individual artists benefited directly from the Visual Artist Award Scheme, a grant aid scheme administered by SADA with funding from Creative Scotland and the Shetland Islands Council Economic Development Unit.
- In Partnership with the Swan Trust and Taigh Chearsabhagh, North Uist, artist Imi Maufe was selected from 50 applicants from mainland UK, Northern Ireland, Norway and USA for the LK243 Under Sail residency. This was made possible through the funding awarded by the Scotland's Islands fund, part of a year long celebration of Scotland's Islands and their culture, and Creative Scotland with Calouste Gulbenkian Foundation, as part of the national Calouste Gulbenkian Scottish Islands' Project. The intention of the latter funding is that it enables the development of ambitious new work of national and international significance involving the arts centres at six outlying Scottish islands, or island groups. The residency ran in conjunction with The Tall Ships Races 2011.
- Mentoring took place with craftmakers, designers, visual and applied artists, drama practitioners, writers and musicians throughout the year.
- Full-time and part-time craft makers in Shetland benefited directly from the 'Working Up4 Craft Maker Awards', a grant award scheme devolved from Creative Scotland and undertaken by Shetland Arts in partnership with the Shetland Islands Council.
- An ambitious programme of Readers Residencies in libraries across Scotland was organised and administered by Shetland Arts as a strategic commission from Creative Scotland.
- Renowned Shetland artist Gail Harvey exhibited an enchanting selection of her small paintings at Bonhoga Gallery.
- Children's writer Ron Butlin undertook a micro-residency in Shetland schools, and was well received by pupils and teachers alike.
- Craigiebuckler String Ensemble, featuring Shetland postgraduate cello student Abigail Hayward, played an excellent programme at St Columba's Kirk.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Promoting excellence in artistic quality

- Bonhoga Gallery exhibited *Urban Baskets: Tradition Recycled* by Lois Walpole. Lois is an internationally renowned basket maker living between France and Shetland. The exhibition showcased more than thirty pieces spanning a 28 year career that demonstrates the range of skills and the variety of materials employed, making Lois' work unique.
- Also exhibited was *Extreme Wave Theory* by artist Janette Kerr. Kerr is a painter of British landscapes and seascapes, a 'foul-weather' painter who enjoys being out in, and working from, the landscape when it is wet, dark and moody. *Extreme Wave Theory* was a development project concerning the interface between art and science that relates to sea surrounding Shetland following several visits over the past two years. Her large scale drawings and canvases are a direct response to the environment and the traditions inherent within it. The exhibition was planned to coincide with The Tall Ships Race.
- Shetland Arts redesigned the Shetland Islands Council/Shetland Arts Crafts Quality Assessment criteria and assessment categories, created assessment documents, and invited applications with examples. A Quality Assessment of work by 29 craftmakers was undertaken over three days, commissioned by SIC for Shetland Arts & Crafts Association full membership.
- Shetland Youth Theatre's summer production was Oscar Wilde's *Salomé* which took place at The Garrison Theatre during three nights at the end of August, with rehearsals taking place throughout the whole month. This was a very challenging piece for the young cast, and it was exceptionally well received by the theatre audiences.
- The visit of the Royal Scottish National Orchestra in February provided opportunities for local musicians, especially the young, to play alongside them in workshops and in performances.
- *Fiddle Frenzy*, Shetland Arts annual international fiddle school was preceded by the *Harris Playfair Big Band project* which brought young people together not only from across Shetland but from Orkney as well, to create a new sound from traditional instrumental playing, using techniques from big band jazz playing. The concert was a tremendous success and the young people learned and developed significantly during the project, in terms of playing and performance skills, and willingness to collaborate with others.

Developing skills for artists

- Shetland Arts has utilised all opportunities to use visiting artists to provide skills development but has also encouraged local artists to undertake developmental projects in Shetland for the benefit of others. Local fiddle tutors, for example, have been provided with opportunities to develop their tutoring skills at events like Fiddle Frenzy, and local tutors have been employed as part of the new NC Music Course.
- Continuing Professional Development sessions for artists and teachers have been provided through the year.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

- Workshops have been offered in all the art forms during the past year, many involving practitioners at the highest level.
- Events such as Screenplay not only encourage local artists (in this case film makers) to develop their skills, but provide feedback from industry professionals.
- Artists and arts professionals have been employed to undertake work on behalf of Shetland Arts throughout the year, sometimes as workshops leaders (e.g. Fiddle Frenzy, Space2Face, Bonhoga Education programme), and in other contexts also. Commissions such as those undertaken for *Mirrie Lace* have also provided significant developmental opportunities for makers.
- Mentoring has been provided in all art forms during the past year.

Providing facilities/resources in support of the arts

- Shetland Arts has been assisting Splinters as part of a two year development agreement, and because of a shortfall in capacity expressed by the group's organisers.
- We have developed NC and HNC courses in Music as part of a contract with the Shetland College/University of the Highlands and Islands. The NC course started in autumn this year.
- Shetland Arts camera equipment has been available for use and hire throughout the year.
- We have continued to extensively plan for Mareel, which will provide a significant resource to the arts and cultural sector in Shetland when it opens.
- Shetland Arts staff continued to work with the film and television industry, e.g. with B4 Films in their aspirations to make a full length feature film on Fetlar, including helping with the casting sessions as detailed earlier.
- Partnership working has increased our capacity to provide arts activities. For example, our outreach agreement with Shetland Film Club has meant that activities can take place in more of the rural areas of Shetland and also with niche or special interest audiences.
- Shetland Arts stepped in to assist Aith Junior High School drama group in rehearsing and producing their contribution to the Shetland County Drama Festival, due to long term sickness of their teacher.

VOLUNTEERS

Shetland Arts has been fortunate in working with over 30 volunteers throughout the year, as part of our volunteering strategy. Volunteers have provided regular assistance with administration, research, cinema projection, festival curation, event management, marketing and other roles and functions.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

PLANS FOR THE FUTURE

Apart from working towards the opening of Mareel, which is a massive undertaking for SADA, we also have plans to undertake large arts events in the coming year including a UK wide Cultural Olympiad Project (Hansel of Film), a large scale open-air summer project in partnership with UZ Arts involving moving metal sculpture and music, and a huge project about our relationship with the combustion engine, undertaken in partnership with the National Theatre of Scotland.

We have prepared new three year art development plans in all the art forms.

Mareel will provide a year-round programme of cinema and music events, and the Bonhoga Gallery will continue to provide exhibitions and related events that feature artists and makers of local, national and international significance.

FINANCIAL REVIEW

Total Incoming Resources for the year were £4,604,572. This includes capital funding received of £3,012,736 for the Mareel Capital Project and Website Development. The remainder of Incoming Resources for this year, £1,591,836 (2011 - £1,446,577) is made up as follows;

Revenue funding	£973,529	61.1%
Planned maintenance funding	£26,433	1.7%
Project funding	£225,319	14.2%
Income generated from activities	£361,141	22.7%
Donations and sponsorship	£4,068	0.2%
Investment Income	£1,346	0.1%

Our annual revenue funding from Shetland Charitable Trust (SCT) received was £696,038, a stand still on the previous year's funding. Bearing in mind that in the previous year our budget had been reduced by £77,000 and going forward we found ourselves in a position of further stand still revenue funding, a significant piece of work on budget revision had commenced during 2010/11. Part of this revision involved staff restructuring, which was assisted by a one-off grant of £36,180 from SCT, also received in the year. We were also provided with planned maintenance funding of £26,433 by the SCT towards the upkeep of Weisdale Mill, the Garrison Theatre and the Toll Clock Office.

Shetland Arts began construction of a purpose built Cinema & Music Venue, named Mareel, in June 2009. The capital project has been subject to significant delays and at the year-end the building was still not complete. Operationally, working towards an ever changing opening date has been very difficult for us.

There was a need to employ additional staffing and incur other revenue expenditure in advance of the Opening. These costs began being incurred in 2010/11 when we reported £37,470 of Mareel revenue expenditure. We are indebted to SCT therefore for providing a further £100,000 funding to assist with one-off start up costs.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

FINANCIAL REVIEW (continued)

The remainder of our revenue funding is provided by Creative Scotland (£156,803). This was also a stand still on the previous year's funding. Creative Scotland also provided us with the majority of the project funding we have received during the year (£151,200).

Shetland Arts strategy has been to diversify our income streams wherever possible and work to generate income from activities where possible to reduce our reliance on grant funding. In this financial year we have generated income from our activities of £361,141 which represents 22.7% of our overall income (excluding capital funding), compared to £282,448 (19.5%) in the previous year.

Garrison Film Screenings have seen increased box office income in this financial year of £30,000. We agreed to purchase the projection equipment for the Garrison from Filmobile in the previous year, and this has allowed us more flexibility with regard to when we show our films, and also meant we could increase the number of film showings in the year. Clearly this is a very positive sign as we move towards the opening of Mareel.

We have also seen increased income of £23,426 for Weisdale Mill this year through both shop and café sales. This is the result of a change in purchasing strategic for the shop and also the introduction of a reduced winter menu for the café combined with a review of Café pricing.

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

	<u>Funding received</u> 2011/12 £	<u>Total Mareel</u> <u>Project Funding</u> £
Shetland Islands Council	£1,295,341	£5,190,000
Shetland Development Trust	£300,731	£965,000
Scottish Arts Council Capital Lottery Fund	£144,021	£2,120,000
Highland and Islands Enterprise	£261,996	£965,000
European Regional Development Fund	£969,703	£2,822,203
Gannochy Trust	NIL	£50,000
Shetland College	£25,000	£25,000
Total	£2,996,792	£12,137,203

Total Resources Expended was £1,587,696 (2011 - £1,512,039). £866,293 was spent on direct service provision, made up of;

Arts development costs (including staffing)	£574,705
Operational costs of programming, marketing and staffing our events/venues	£261,753
Contribution to cost of Shetland Box Office	£13,675
Strategic Marketing	£16,160

Overheads for the organisation during the year amounted to £216,410 (2011 - £205,231) and include depreciation on fixed assets.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

FINANCIAL REVIEW (continued)

The cost of generating funds represents the cost of stock purchased for catering, mainly at Bonhoga and the Garrison, and the cost of shop and gallery purchases. This shows an increase of £15,180 on the previous year, but this is set against an increase in Bar & catering income of £3,981, and increases in Bonhoga Shop and Café income of £10,595 and £12,831, respectively.

Our overall staffing costs have risen from £793,562 in 2011 to £856,954 this financial year. During the year one of our longest serving members for staff was granted early retirement and some staff restructuring took place. We have also made a number of appointments of new staff in the run up to Mareel.

Net Incoming Resources before other recognised gains and losses for the year were £3,016,896. This is made up of a surplus of £6,328 in Unrestricted Funds and a surplus of £3,010,568 in the Restricted Capital Fund.

Given the challenges we have faced during this financial year, and having found ourselves in a deficit situation in previous years, the small surplus in Unrestricted Funds is a result of a great deal of time spent looking at our budgets and trying to find way to increase income/reduce costs wherever possible to ensure that we can navigate our way through the coming years.

Shetland Arts are an approved member of the Shetland Islands Council Pension scheme. Unfortunately, the valuation of the pension scheme at the year-end shows a reduction of the Pension Fund's value and this has been reflected in Other Recognised Gains and Losses. The valuation of Shetland Arts Pension liability is £471,000. The value of our own unrestricted reserves, excluding this liability stands at £149,464.

Fixed Asset additions in the year totalled, £3,251,830. This was made up as follows;

Construction cost of Mareel	£3,001,957
Equipment for Mareel	£234,381
Website development costs	£15,492
Total	£3,251,830

Fixed Asset additions are dealt with in the balance sheet, but respective capital funding is shown as incoming resources in the year it is received in the Statement of Financial Activities. Where a fixed asset has specifically been funded in the year by a capital grant, this grant is shown under the Restricted Capital Fund. A transfer is then made to recognise the release of this income over the estimated working lifetime of the fixed asset to which the funding applies. In this year a transfer of £2,168 was made. As Mareel (including equipment) is not yet in use, no depreciation has been charged on it nor capital grant released during the year in respect of the funding for the Cinema & Music Venue.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

FINANCIAL REVIEW (continued)

The unrestricted fund is in deficit. As explained above this fund is affected by the adjustment for our Pension Liability. Unfortunately, given the global financial climate over recent years, the value of this fund has dropped increasing our Pension deficit. Besides this adjustment we have found ourselves in a deficit position over the past few years. Through a process of budgetary revision we now feel we are moving into the coming years with balanced budgets.

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.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

The trustees are responsible for keeping 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.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

AUDITORS

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

Approved by the Trustees on 10 September 2012 and signed on its behalf by:



Chairman

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

YEAR ENDED 31 MARCH 2012

We have audited the financial statements of Shetland Arts Development Agency for the year ended 31 March 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditors

As explained more fully in the Trustee's Responsibilities Statement set out on page 17, the trustees are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's Message, the Director's Statement and the Annual Report of the Trustees to identify material inconsistencies with the audited financial statements. 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 2012, and its incoming resources and application of resources, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2012

Opinion on financial statements (continued)

- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 1 and 23 to the financial statements concerning Shetland Arts Development Agency's ability to continue as a going concern. The Agency is involved in negotiations with the building contractor to reach agreement on final costs of completion of construction of Mareel, following project delays, and with funders in order to finance the completion of the project. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Agency's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Shetland Arts Development Agency was unable to continue as a going concern.

Matters on which we are required to report by exception

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

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



THE A9 PARTNERSHIP LIMITED

Chartered Accountants & Statutory Auditors

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

10 September 2012

SHETLAND ARTS DEVELOPMENT AGENCY

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 MARCH 2012

	Notes	2012			Total Funds £	2011 Total Funds £
		Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £		
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income	2	768	3,300	0	4,068	29,141
Activities for generating funds	3	272,202	88,939	0	361,141	282,448
Investment income	4	1,346	0	0	1,346	3,679
Incoming resources from charitable activities	5	<u>973,529</u>	<u>251,752</u>	<u>3,012,736</u>	<u>4,238,017</u>	<u>6,351,505</u>
TOTAL INCOMING RESOURCES		<u>1,247,845</u>	<u>343,991</u>	<u>3,012,736</u>	<u>4,604,572</u>	<u>6,666,773</u>
RESOURCES EXPENDED						
Costs of generating funds						
-Fundraising trading: cost of goods sold and other costs	6	59,336	0	0	59,336	44,156
Charitable activities	7	1,154,746	365,972	0	1,520,718	1,458,318
Governance costs	8	<u>7,622</u>	<u>0</u>	<u>0</u>	<u>7,622</u>	<u>9,565</u>
TOTAL RESOURCES EXPENDED		<u>1,221,704</u>	<u>365,972</u>	<u>0</u>	<u>1,587,676</u>	<u>1,512,039</u>
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS						
Gross transfers between funds	20	(19,813)	21,981	(2,168)	0	0
NET INCOMING/(OUTGOING) RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES		6,328	0	3,010,568	3,016,896	5,154,734
OTHER RECOGNISED GAINS AND LOSSES						
Actuarial gains/(losses) on defined benefit pension scheme	17	(148,000)	0	0	(148,000)	154,000
NET MOVEMENT IN FUNDS		(141,672)	0	3,010,568	2,868,896	5,308,734
RECONCILIATION OF FUNDS						
TOTAL FUNDS BROUGHT FORWARD AT 1 APRIL 2011		(179,864)	0	9,285,520	9,105,656	3,796,922
TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2012		<u>(321,536)</u>	<u>0</u>	<u>12,296,088</u>	<u>11,974,552</u>	<u>9,105,656</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 24 to 40 form an integral part of these financial statements.

SHETLAND ARTS DEVELOPMENT AGENCY

BALANCE SHEET

YEAR ENDED 31 MARCH 2012

	Notes	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	10		12,577,750		9,347,231
Heritage assets	11		269,450		269,450
Investments	12		<u>1</u>		<u>0</u>
Total Fixed Assets			<u>12,847,201</u>		<u>9,616,681</u>
CURRENT ASSETS					
Stock	13	22,018		18,621	
Debtors	14	390,328		248,991	
Cash at bank and in hand		<u>67,661</u>		<u>1,566,641</u>	
Total current assets		<u>480,007</u>		<u>1,834,253</u>	
CURRENT LIABILITIES					
Creditors: Amounts falling due within one year	15	<u>768,882</u>		<u>1,902,979</u>	
NET CURRENT (LIABILITIES) OR ASSETS			<u>(288,875)</u>		<u>(68,726)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			12,558,326		9,547,955
Creditors: Amounts falling due after one year	16		<u>(112,774)</u>		<u>(119,299)</u>
NET ASSETS EXCLUDING PENSION LIABILITY			<u>12,445,552</u>		<u>9,428,656</u>
Defined benefit pension scheme liability	17		<u>(471,000)</u>		<u>(323,000)</u>
NET ASSETS INCLUDING PENSION LIABILITY			<u><u>11,974,552</u></u>		<u><u>9,105,656</u></u>
THE FUNDS OF THE CHARITY					
RESTRICTED FUNDS			12,296,088		9,285,520
UNRESTRICTED FUNDS					
Unrestricted income funds excluding pension liability		149,464		143,136	
Pension reserve		<u>(471,000)</u>		<u>(323,000)</u>	
Total unrestricted funds			<u>(321,536)</u>		<u>(179,864)</u>
TOTAL CHARITY FUNDS	21		<u><u>11,974,552</u></u>		<u><u>9,105,656</u></u>

These accounts were approved by the Trustees on 10th September 2012



Trustee

Trustee



The notes on pages 24 to 40 form an integral part of these financial statements.

SHETLAND ARTS DEVELOPMENT AGENCY

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2012

NET CASH FLOW	Notes	2012 £	2011 £
Net cash inflow from operating activities	24	1,802,999	5,906,853
Returns on investments and servicing of finance			
Interest paid		(5,545)	(2,052)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,251,830)	(5,369,151)
Investment in subsidiary company		(1)	0
Financing			
Secured loan for Kergord Hatchery		0	125,000
Capital element of loan repayments in year		(5,698)	0
		(1,460,075)	660,650
(Decrease)/increase in cash		(1,460,075)	660,650

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

(Decrease)/Increase in cash in the year		(1,460,075)	660,650
Net cash at 1 April 2011		1,527,736	867,086
Net cash at 31 March 2012	25	67,661	1,527,736

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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) and applicable accounting standards and are in accordance with the Charities Accounts (Scotland) Regulations 2006 (as amended).

Consolidation

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

Going concern

The trustees have prepared a business plan and cash flow forecast for the period to 31 March 2015. The forecast is based upon assumptions about the level of future income and expenditure, and also about the need for additional resources to fund capital commitments with regard to completion of Mareel.

The trustees are satisfied that the projections going forward indicate that for the "normal activities" of Shetland Arts Development Agency, in the current financial climate of funding cuts, there are no significant issues with regard to funding these "normal activities".

At the date of signing these accounts, 10 September 2012, a full funding/finance package to meet expenditure remaining to be incurred in respect of completing the construction of, and the full equipping of, Mareel was not yet in place, although negotiations were progressing. There remains a risk that the required full level of funding/finance will not be obtained in the necessary timescale, or at all. However, the trustees are of the opinion that a funding/finance package will shortly be in place and, on this basis, consider that it is appropriate for the financial statements of Shetland Arts Development Agency to be prepared on a going concern basis.

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..

No depreciation has been charged on Heritable Property as this represents the cost of our purpose built cinema and music venue, Mareel, which was still under construction at 31 March 2012.

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.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

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

Heritage Assets

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.

Investments

Investments in subsidiary undertakings are initially capitalised at cost.

Capital Grants

Capital grants are taken into account when they become receivable.

Revenue Grants

Revenue grants are taken into account when they become receivable.

Creditors

Funds are included in creditors when authorised and committed.

Stocks

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

Pensions

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

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

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 2012

	2012			Total Funds £	2011 Total Funds £
	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £		
2. VOLUNTARY INCOME					
Business sponsorships	0	3,300	0	3,300	6,147
Donations	768	0	0	768	22,994
	<u>768</u>	<u>3,300</u>	<u>0</u>	<u>4,068</u>	<u>29,141</u>
3. ACTIVITIES FOR GENERATING INCOME					
Box office	101,111	50,486	0	151,597	107,600
Box office fee income	3,672	0	0	3,672	2,034
Ancillary earned income					
Contract income	5,400	33,536	0	38,936	14,300
Management fees	20,228	0	0	20,228	1,000
Garrison Theatre hire income	4,795	0	0	4,795	6,362
Rental income	2,530	0	0	2,530	1,279
Bar & catering income	17,938	0	0	17,938	13,957
Merchandise sales	867	2,195	0	3,062	2,128
Weisdale Mill shop	37,837	0	0	37,837	27,242
Exhibition sales commission	10,504	0	0	10,504	12,069
Weisdale Mill café	66,872	0	0	66,872	54,041
Development course income	0	(190)	0	(190)	29,704
Recharges income	0	2,912	0	2,912	7,404
Miscellaneous income	217	0	0	217	808
Other earned income	231	0	0	231	2,520
	<u>272,202</u>	<u>88,939</u>	<u>0</u>	<u>361,141</u>	<u>282,448</u>
4. INVESTMENT INCOME					
Bank interest received	1,346	0	0	1,346	3,679
5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES					
Shetland Charitable Trust	816,726	26,433	15,492	858,651	748,038
Creative Scotland revenue funding	156,803	0	0	156,803	156,803
Creative Scotland Project funding	0	151,200	144,472	295,672	1,381,790
Local Authority - Project funding	0	4,652	1,596,072	1,600,724	1,936,562
Other public funds	0	69,467	1,256,700	1,326,167	2,128,312
	<u>973,529</u>	<u>251,752</u>	<u>3,012,736</u>	<u>4,238,017</u>	<u>6,351,505</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

	Notes	2012			2011	
		Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	Total Funds £
6. COSTS OF GENERATING FUNDS						
Fundraising trading costs						
Catering stock purchases		34,202	0	0	34,202	27,718
Shop and gallery stock purchases		<u>25,134</u>	<u>0</u>	<u>0</u>	<u>25,134</u>	<u>16,438</u>
		<u>59,336</u>	<u>0</u>	<u>0</u>	<u>59,336</u>	<u>44,156</u>
7. CHARITABLE ACTIVITIES EXPENDITURE						
Direct service provision	7a	512,894	353,399	0	866,293	914,004
Grant funding	7b	0	12,573	0	12,573	8,290
Support costs	7c	<u>641,852</u>	<u>0</u>	<u>0</u>	<u>641,852</u>	<u>536,024</u>
		<u>1,154,746</u>	<u>365,972</u>	<u>0</u>	<u>1,520,718</u>	<u>1,458,318</u>
7a. Direct service provision						
Development Expenditure		221,306	353,399	0	574,705	582,921
Operations Expenditure		261,753	0	0	261,753	277,462
Shetland Box Office		13,675	0	0	13,675	13,431
Strategic Marketing		<u>16,160</u>	<u>0</u>	<u>0</u>	<u>16,160</u>	<u>40,190</u>
		<u>512,894</u>	<u>353,399</u>	<u>0</u>	<u>866,293</u>	<u>914,004</u>
7b. Grant funding						
Grants paid to individuals		<u>0</u>	<u>12,573</u>	<u>0</u>	<u>12,573</u>	<u>8,290</u>
<p>The grants made during the year relate to a craft initiative, Working Up 5 (£11,948) and bursaries of £625 paid out through the Visual Arts Award Scheme. Both schemes are made possible through funding from Creative Scotland and Shetland Islands Council. Support costs associated with these schemes amounted to £500 and £Nil, respectively.</p>						
7c. Support costs						
Support staff salaries and other staffing costs		425,442	0	0	425,442	330,793
Overheads	7e	<u>216,410</u>	<u>0</u>	<u>0</u>	<u>216,410</u>	<u>205,231</u>
		<u>641,852</u>	<u>0</u>	<u>0</u>	<u>641,852</u>	<u>536,024</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

	Notes	2012			2011	
		Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	
7d. All staff costs						
Development salaries		209,714	0	0	209,714	287,191
Operational salaries and wages		197,156	0	0	197,156	175,578
Support salaries and wages		408,422	0	0	408,422	279,020
	19	815,292	0	0	815,292	741,789
Staff training		4,634	0	0	4,634	8,958
Recruitment and relocation		6,693	0	0	6,693	461
Mileage and car allowance		15,163	0	0	15,163	16,412
Professional fees		182	0	0	182	212
Travel and subsistence		14,340	0	0	14,340	25,637
Volunteer expenses		192	0	0	192	93
Staff discount		458	0	0	458	0
		<u>856,954</u>	<u>0</u>	<u>0</u>	<u>856,954</u>	<u>793,562</u>
7e. Overheads						
Stationery		1,928	0	0	1,928	2,850
Equipment		2,303	0	0	2,303	2,453
ICT		12,964	0	0	12,964	13,142
Photocopier lease		15,748	0	0	15,748	14,960
Electricity		24,107	0	0	24,107	13,923
Telephone and fax		4,118	0	0	4,118	4,517
Cleaning		3,145	0	0	3,145	2,893
Postage		2,372	0	0	2,372	3,101
Trustee expenses		2,724	0	0	2,724	1,335
Hospitality		309	0	0	309	272
Legal and professional fees		10,274	0	0	10,274	5,248
Bank charges		1,555	0	0	1,555	1,452
Publications and subscriptions		3,174	0	0	3,174	2,880
Licences		6,064	0	0	6,064	3,669
Rates		5,166	0	0	5,166	2,776
Office lease		37,000	0	0	37,000	37,000
Storage facilities		8,671	0	0	8,671	8,080
Repairs and maintenance		2,674	0	0	2,674	466
Planned Maintenance		26,433	0	0	26,433	43,122
General overheads		174	0	0	174	0
Insurance		15,304	0	0	15,304	13,688
Depreciation		21,311	0	0	21,311	21,760
Payroll processing		3,347	0	0	3,347	3,592
Bank interest		0	0	0	0	5
Loan interest		5,545	0	0	5,545	2,047
Loss on disposal of fixed assets		0	0	0	0	0
		<u>216,410</u>	<u>0</u>	<u>0</u>	<u>216,410</u>	<u>205,231</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

8. GOVERNANCE COSTS

Auditors remuneration:

Audit	6,000	0	0	6,000	7,250
Accountancy services	0	0	0	0	750
Actuary fee	<u>1,622</u>	<u>0</u>	<u>0</u>	<u>1,622</u>	<u>1,565</u>
	<u>7,622</u>	<u>0</u>	<u>0</u>	<u>7,622</u>	<u>9,565</u>

9. ANALYSIS OF MOVEMENT IN DEFERRED INCOMING RESOURCES

	Opening Balance £	Deferred In Year £	Released in Year £	Closing Balance £
-Fiddle Frenzy subscriptions prepaid	581	1,062	(581)	1,062
-Insurance monies for Kergord Hatchery Roof	0	11,850	0	11,850
Awards For all				
-Created Space	3,394	0	0	3,394
Children In Need				
-Space2Face (under 18 years)	4,814	2,800	(4,814)	2,800
Community Mediation Group				
-Space2Face (over 18 years)	2,815	0	0	2,815
Highland & Islands Enterprise				
-Feasibility Study Creative Finance Project	854	0	(854)	0
Robertson Trust				
-Power Of Place	1,091	0	0	1,091
Creative Scotland Grants				
-Mirrie Dancers	4,950	0	(4,950)	0
-Creative Futures Project - Writers In Residence	10,000	0	(10,000)	0
-Creative Finance Project	510	0	(510)	0
-Undersails LK243	0	1,073	0	1,073
-Visual Arts Awards Scheme 2012	0	2,250	0	2,250
-Working Up 5 Craft Scheme	0	5,250	0	5,250
-Hansel Of Film	0	25,500	0	25,500
Shetland Islands Council				
-Mareel Construction	1,243,706	0	(1,243,706)	0
-Bonhoga Gallery Education Programme	569	0	(569)	0
-Working Up 4 Craftmakers Award Scheme	3,700	0	(3,700)	0
-Visual Arts Awards Scheme 2012	0	2,000	0	2,000
London Organising Committee of the Olympic and Paralympic Games				
-Hansel Of Film	0	18,120	0	18,120
	<u>1,276,984</u>	<u>69,905</u>	<u>(1,269,684)</u>	<u>77,205</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

10. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
COST/VALUATION					
As at 1 April 2011	9,225,053	320,886	42,800	2,862	9,591,601
Additions during period	<u>3,001,957</u>	<u>249,873</u>	<u>0</u>	<u>0</u>	<u>3,251,830</u>
As at 31 March 2012	<u><u>12,227,010</u></u>	<u><u>570,759</u></u>	<u><u>42,800</u></u>	<u><u>2,862</u></u>	<u><u>12,843,431</u></u>
DEPRECIATION					
As at 1 April 2011	0	244,370	0	0	244,370
Charge for period	<u>0</u>	<u>21,311</u>	<u>0</u>	<u>0</u>	<u>21,311</u>
As at 31 March 2012	<u><u>0</u></u>	<u><u>265,681</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>265,681</u></u>
NET BOOK VALUE					
As at 31 March 2012	<u><u>12,227,010</u></u>	<u><u>305,078</u></u>	<u><u>42,800</u></u>	<u><u>2,862</u></u>	<u><u>12,577,750</u></u>
As at 1 April 2011	<u><u>9,225,053</u></u>	<u><u>76,516</u></u>	<u><u>42,800</u></u>	<u><u>2,862</u></u>	<u><u>9,347,231</u></u>

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

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

11. HERITAGE ASSETS

	Heritage Property £
COST/VALUATION	
As at 1 April 2011 and 31 March 2012	<u><u>269,450</u></u>
NET BOOK VALUE	
As at 31 March 2012	<u><u>269,450</u></u>
As at 1 April 2011	<u><u>269,450</u></u>

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

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

12. INVESTMENTS

	Investment in Subsidiary £
COST	
Additions during the period	1
As at 31 March 2012	1

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

As at 31 March 2012, Shetland Arts IP C.I.C. had not yet commenced its activities.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

	2012	2011
	£	£
13. STOCK		
General stock	2	2
Weisdale Mill sales area stock	15,799	13,368
Weisdale Mill café stock	895	626
Dialect Programme book stock	3,425	3,425
Garrison Theatre stock	1,897	1,200
	<u>22,018</u>	<u>18,621</u>
14. DEBTORS	£	£
Trade debtors	1,625	5,235
Amount due by subsidiary undertaking	100	0
Other debtors	48,883	156,151
Prepayments and accrued income	339,720	87,605
	<u>390,328</u>	<u>248,991</u>
15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	£	£
Trade creditors	155,260	500,920
Accruals	529,726	294,736
Deferred income	77,368	1,062,717
Bank overdraft	0	38,905
Secured bank loan	6,528	5,701
	<u>768,882</u>	<u>1,902,979</u>
16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR		
Secured bank loan (falling due in less than 5 years)	29,202	27,923
Secured bank loan (falling due after 5 years)	83,572	91,376
	<u>112,774</u>	<u>119,299</u>

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

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

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 2011 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-Mar-12 % per annum	31-Mar-11 % per annum
Inflation/pension increase rate	2.5%	2.8%
Salary increases	4.8%	5.1%
Expected return on assets	5.8%	7.0%
Discount rate	4.8%	5.5%
Proportion of employees opting for early retirement	0.0%	0.0%

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

Mortality assumptions	31-Mar-12 Years	31-Mar-11 Years
Longevity at age 65 for current pensioners		
Men	23.0	21.5
Women	25.8	24.9
Longevity at age 65 for future pensioners		
Men	24.9	23.5
Women	27.7	27.0

Assets (Employer Share)

	Long term rate of return expected at 31-Mar-12	Fund value at 31-Mar-12 £ 000	Long term rate of return expected at 31-Mar-11	Fund value at 31-Mar-11 £ 000
Equities	6.2%	1146	7.5%	778
Bonds	4.0%	113	4.9%	87
Property	4.4%	99	5.5%	68
Cash	3.5%	<u>57</u>	4.6%	<u>39</u>
Total		<u>1415</u>		<u>972</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

17. PENSION SCHEME (Continued)

Net Pension Asset as at	31-Mar-12 £ 000	31-Mar-11 £ 000
Fair value of Employer Assets	1,415	972
Present value of funded liabilities	(1,689)	(1,140)
Net (under)/overfunding in funded plans	<u>(274)</u>	<u>(168)</u>
Present value of unfunded liabilities	(197)	(155)
Unrecognised past service cost	0	0
Net asset/(liability)	<u>(471)</u>	<u>(323)</u>
Amount in the balance sheet		
Liabilities	(471)	(323)
Assets	<u>0</u>	<u>0</u>
Net Pension (liability)/asset	<u>(471)</u>	<u>(323)</u>

Analysis of amount charged in the SOFA

Recognition in the SOFA	31-Mar-12 £ 000	31-Mar-12 % of pay	31-Mar-11 £ 000	31-Mar-11 % of pay
Current service cost	87	18.4%	105	21.3%
Interest cost	75	15.8%	69	14.0%
Expected return on employer assets	(72)	(15.2%)	(63)	(12.8%)
Past service cost/(gain)			(138)	(28.0%)
Losses/(gains) on curtailment and settlements	<u>57</u>	<u>12.0%</u>	<u>0</u>	<u>0.0%</u>
Total	<u>147</u>	<u>31.0%</u>	<u>(27)</u>	<u>(5.5%)</u>
Actual return on plan assets	<u>10</u>		<u>55</u>	

Reconciliation of defined benefit obligation	31-Mar-112 £ 000	31-Mar-11 £ 000
Opening defined benefit obligation	1,295	1,290
Current service cost	87	105
Interest cost	75	69
Member contributions	32	31
Actuarial losses/(gains)	370	(47)
Past service costs/(gains)	0	(138)
Losses/(gains) on curtailments	57	0
Liabilities extinguished on settlements	0	0
Liabilities assumed in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	(8)	(7)
Estimated benefits paid	<u>(22)</u>	<u>(8)</u>
Closing defined benefit obligation	<u>1,886</u>	<u>1,295</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

17. PENSION SCHEME (Continued)

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2013 will be approximately £90,000.

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

	31-Mar-12	31-Mar-11
Equities	81%	80%
Bonds	8%	9%
Property	7%	7%
Cash	4%	4%

Reconciliation of fair value of employer assets

	31-Mar-12 £ 000	31-Mar-11 £ 000
Opening fair value of employer assets	972	813
Expected return on assets	72	63
Contributions by members	32	31
Contributions by the employer	113	81
Contributions in respect of unfunded benefits	8	7
Actuarial gains/(losses)	248	(8)
Assets distributed on settlements	0	0
Assets acquired in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	(8)	(7)
Estimated benefits paid	(22)	(8)
Closing fair value of employer assets	<u>1,415</u>	<u>972</u>

Amounts for the current and previous accounting periods

	31-Mar-12 £ 000	31-Mar-11 £ 000	31-Mar-10 £ 000	31-Mar-09 £ 000	31-Mar-08 £ 000
Fair value of employer asset	1,415	972	813	502	449
Present value of defined benefit obligat	(1,886)	(1,295)	(1,290)	(699)	(590)
Surplus/(deficit)	<u>(471)</u>	<u>(323)</u>	<u>(477)</u>	<u>(197)</u>	<u>(141)</u>
Experience gains/(losses) on assets	248	(8)	183	(69)	(67)
Experience gains/(losses) on liabilities	(247)	(112)	72	(77)	(52)

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

17. PENSION SCHEME (Continued)

Amount recognised in SOFA

	31-Mar-12 £ 000	31-Mar-11 £ 000	31-Mar-10 £ 000	31-Mar-09 £ 000	31-Mar-08 £ 000
Actuarial gains/(losses)	(122)	39	(282)	(62)	(9)
Other actuarial adjustment	<u>(26)</u>	<u>115</u>	<u>2</u>	<u>6</u>	<u>(95)</u>
Actuarial gains/(losses) recognised	<u><u>(148)</u></u>	<u><u>154</u></u>	<u><u>(280)</u></u>	<u><u>(56)</u></u>	<u><u>(104)</u></u>
Cumulative actuarial gains and losses	<u><u>(402)</u></u>	<u><u>(280)</u></u>	<u><u>(319)</u></u>	<u><u>(37)</u></u>	<u><u>25</u></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 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. Travelling expenses claimed by Trustees totalled £1,933 for the year (2011 - £953). Trustees were paid £Nil (2011 - Nil) during the year for commissioned work.

Shetland Arts Development Agency loaned £100 to Shetland Arts IP C.I.C. during the year. No interest is being accrued on this loan. It will be repaid when income is generated in the Community Interest Company.

19. ANALYSIS OF EMPLOYEE COST

	31-Mar-12 £	31-Mar-11 £
Salaries	673,345	615,623
National insurance	42,650	41,723
Pension Costs	<u>99,297</u>	<u>84,443</u>
Total	<u><u>815,292</u></u>	<u><u>741,789</u></u>

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

Employee No	2012	2011
Full Time	17	17
Part Time	<u>36</u>	<u>37</u>
	<u><u>53</u></u>	<u><u>54</u></u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2011	(179,864)	0	9,285,520	9,105,656
Total Incoming Resources	1,247,845	343,991	3,012,736	4,604,572
Total Resources Expended	(1,221,704)	(365,972)	0	(1,587,676)
Other Recognised Gains And Losses	(148,000)	0	0	(148,000)
Transfer amortisation of Restricted Capital Fund	2,168	0	(2,168)	0
Transfer from Unrestricted Funds to cover negative balance in Restricted Funds	(21,981)	21,981	0	0
Total Funds as at 31 March 2012	<u>(321,536)</u>	<u>0</u>	<u>12,296,088</u>	<u>11,974,552</u>

21. 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	551,113	0	12,296,088	12,847,201
Current Assets	480,007	0	0	480,007
Current Liabilities	(768,882)	0	0	(768,882)
Long-Term Liabilities	(112,774)	0	0	(112,774)
Provisions	(471,000)	0	0	(471,000)
Total Net Assets	<u>(321,536)</u>	<u>0</u>	<u>12,296,088</u>	<u>11,974,552</u>

22. OPERATING LEASES

At 31st March 2011 the charity had aggregate annual commitments under non-cancellable operating leases as set out below

	31-Mar-12		31-Mar-11	
	Land & Buildings £	Other items £	Land & Buildings £	Other items £
Operating leases which expire:				
Within 1 year	12,333	0	18,500	0
Within 2 to 5 years	0	10,680	0	10,680
	<u>12,333</u>	<u>10,680</u>	<u>18,500</u>	<u>10,680</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2012

22. OPERATING LEASES (continued)

	31-Mar-12		31-Mar-11	
	Plant & Machinery	Other items	Plant & Machinery	Other items
	£	£	£	£
Operating lease payment made in the year	10,680	37,000	10,680	37,000
	<u>10,680</u>	<u>37,000</u>	<u>10,680</u>	<u>37,000</u>

23. CAPITAL COMMITMENTS

Shetland Arts Development Agency is nearing completion of the construction of, Mareel a purpose-built cinema & music venue. This large scale capital project has been highly challenging, with construction delays resulting in a completion date being projected some eighteen months later than originally planned. These delays have, inevitably, resulted in additional construction costs and professional fees being incurred. Shetland Arts Development Agency, together with its advisors, is assessing the final outcome of the construction phase and the budget overspend. Negotiations are ongoing to finalise construction costs with the building contractor and to secure additional funding and finance to complete the project.

The trustees do not consider it appropriate to disclose in these financial statements an estimate of the amount of the capital commitment required to complete the project, as to do so would prejudice the outcome of these ongoing negotiations.

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

	2012 £	2011 £
Net incoming/(outgoing) resources before transfers	3,016,896	5,154,734
Depreciation	21,311	21,760
Interest payable	5,545	2,052
(Increase)/decrease in stocks	(3,397)	(3,807)
(Increase) in debtors	(141,337)	(71,211)
(Decrease)/increase in creditors	<u>(1,096,019)</u>	<u>803,325</u>
Net cash inflow from operating activities	<u><u>1,802,999</u></u>	<u><u>5,906,853</u></u>

SHETLAND ARTS DEVELOPMENT AGENCY**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2012****25. ANALYSIS OF CHANGES IN CASH AND BANK BALANCES**

	31-Mar-11	Cashflow	31-Mar-12
	£	£	£
Cash in hand and bank	1,566,641	(1,498,980)	67,661
Bank overdraft	<u>(38,905)</u>	<u>38,905</u>	<u>0</u>
	<u>1,527,736</u>	<u>(1,460,075)</u>	<u>67,661</u>