



Shetland *arts*

Shetland Arts Development Agency  
Board of Trustees Annual General Meeting  
Thursday 29<sup>th</sup> August 2019 5:00pm  
Venue: Mareel

Item	Description	Report	Item taken by	ACTION
1	Welcome		Chair	
2	Minutes 30 August 2018		Chair	Approval
3	Annual Financial Statements	Attached	KE	Approval



Supported by



**Minute of Annual General Meeting of Shetland Arts Development Agency, Thursday 30th August 2018, held at 5.30pm at Mareel Meeting Room, Lerwick**

**Present:**

Ryan Stevenson (RSt), Chair, Shetland Arts  
 Alan Skinner (AS), Trustee, Shetland Arts  
 Louise Garriock (LG), Trustee, Shetland Arts  
 Lynne McHattie (LM) Trustee, Shetland Arts (Skype)  
 Robin Sandison (RS), Trustee, Shetland Arts  
 Olive Macleod (OM), Trustee, Shetland Arts

**In Attendance:**

Graeme Howell (GH), General Manager, Shetland Arts  
 Kerry Eunson (KE), Head of Organisational Support, Shetland Arts  
 Bryan Peterson (BP), Head of Creative Opportunities, Shetland Arts  
 Jonathan Ritch (JR), Head of Production, Shetland Arts  
 Lois Sutherland (LS), Trainee Administrator, Shetland Arts (Minute Taker)  
 Jayne Anderson (JA), A9 Partnership  
 Catherine Hughson (CH), Voluntary Action Shetland  
 Siobhan Anderson (SA), Creative Scotland  
 Sophie Whitehead

**Apologies:**

Lorraine Hall (LH)

Item	Topic	Action
1	<p><b>Welcome</b></p> <p>The Chair welcomed everyone to the Annual General Meeting.</p>	
2	<p><b>Previous Minutes</b></p> <p>Accuracy check, nothing was amended.</p> <p>OM proposed the minutes, AS seconded them.</p>	
3	<p><b>Annual Financial Statements</b></p> <p>Jane Anderson of A9 Partnership who conducted SADAs audit, presented the Annual Financial Statements to the Board.</p> <p>The operating surplus hasn't changed from what was presented in the accounts approved for the audit as there were no material errors during the audit that warranted an amendment to the accounts.</p> <p>Jayne noted that total income for the year has decreased by £65,722, and as would be expected expenditure has also decreased by £68,257.</p>	

	<p>Jayne let the board know that the pension liability has decreased this year by £435,000 so overall net movement on funds for the year is a deficit of £175,399. Even with this reduction in funds the balance sheet still remains healthy with a total funds figure at the year end of £9,415,144.</p> <p>In the auditor's report on pages 16 and 17 they confirm that in their opinion the accounts are compliant with the relevant legislation and the accounts give a true and fair view of the charities affairs as at 31 March 2018. A9 has therefore issued an unqualified report as they have found nothing during the audit that would change that opinion.</p> <p>There was a general discussion on the Financial Statements, after discussion there was nothing to add to the statements provided.</p> <p>The Board approved the Annual Financial Statements and these were signed off at the meeting.</p> <p>Rst approved and AS seconded.</p>	
	<p><b>RSt asked if the Observers had any questions since they had come along to the AGM?</b></p> <p>CH asked what SADA's current reserves position was. KE explained that the general reserve was currently in deficit. The organisation was currently trying to reverse this position and build a reserves pot to meets its reserves policy.</p> <p>AS asked who valued the liability of the pensions? KE explained that it was done by Hymans Robertson who are the actuaries for the pension scheme and are appointed by the SIC.</p> <p>RS asked if we see improvement from pensions? KE explained that the triennial valuation had just been completed and if the assumption made by the actuaries work out the contribution level should allow the deficit to be nil over a 10-15 year period.</p>	

Meeting closed at 5.36pm.

Minute approved:

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Lorraine Hall  
Chair, Shetland Arts Development Agency

**SHETLAND ARTS DEVELOPMENT  
AGENCY**

**TRUSTEES' REPORT & FINANCIAL STATEMENTS**

for the year ended

31 March 2019

# SHETLAND ARTS DEVELOPMENT AGENCY

## CHAIRPERSON'S MESSAGE

31 MARCH 2019

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As the new chair of Shetland Arts Development Agency I am pleased to report that in 2018/19 the organisation has continued to develop and grow. We have invested in our own facilities, continued to support Shetland's creative sector and invited an exciting range of performers, artists and cultural leaders to the Islands. We remain committed to ensuring that Shetland is an amazing place to live.

Over the last 12 months we have welcomed over 190,000 audience members to our events, screenings and exhibitions. We have sold over 71,000 tickets to see a film, over 12,000 tickets to see a music event and over 7,000 tickets to attend a drama performance. Our new visual art programme has taken exhibitions around Shetland as well as making use of the Old Anderson High School site and our new showcase, ShetlandMade, has provided another platform for Shetland makers to promote the quality of what is created in the isles.

We host and deliver formal education to over 50 full- and part-time students based either at Mareel or across the University of the Highlands and Islands network. Courses range from vocational pathways to degrees in filmmaking and music. The students are encouraged to take advantage of their learning environment, presenting film screenings and gigs using the facilities available in Mareel.

Arts and Wellbeing is continuing to develop as an important strand of work for the organisation and this last year has seen the launch of wellbeing writing and craft groups to run alongside the wellbeing choir that is an established part of our offer. The team has also been working to expand our arts in care offer with investment from the Robertson Trust for which we are extremely grateful.

My thanks also goes to our core funders Shetland Charitable Trust and Creative Scotland. Their continued support is key to us being able to deliver the diversity of activity and experiences that are essential to ensuring that Shetland is a great place to live. The ongoing support of other key stakeholders, Shetland Islands Council and Highlands and Islands Enterprise, is important and we are fortunate to enjoy healthy and productive relationships with both.

Our annual challenge is to balance our artistic and social ambitions with our financial limitations and I am pleased to report that for the fourth year in a row we have generated a small surplus. My thanks goes out to the staff team for the hard work and dedication that has made this possible. During 2019 both of our core funders are reviewing their funding strategies and we look forward to working with them to ensure that we can continue to develop our offer to those who live in and visit Shetland.

I would like to thank my fellow trustees for their ongoing commitment and in particular I would like to thank Lorraine Hall for her energy and enthusiasm during her time as a trustee and chair of the organisation. I wish her every success for the future. We continue to develop as a forward-thinking and resilient organisation and I am looking forward to my first full year as chair.

Ryan Stevenson  
Chair

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2019

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The Trustees are pleased to present their annual Trustees' Report together with the financial statements of the charity for the year ending 31 March 2019.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the trust deed and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014 (as amended by Update Bulletin 1 published on 2 February 2016).

### **OBJECTIVES AND ACTIVITIES**

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

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

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

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

### **Introduction**

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

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

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

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

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

2018/19 was the first year of our "3 Year Programme" as part of our agreement with Creative Scotland.

It builds on 10 years of quality arts programming providing opportunities for people of all ages to access enjoyable creative experiences as participants and as audience, across a wide range of art forms as per our Trust Deed.

#### **1. Youth Arts**

Shetland has a vibrant Youth Arts scene provided by a range of individuals and groups. We support and contribute to this provision, create and sustain engagement, and nurture creativity and talent through an annual programme of access-level cross-artform workshops, artform specific "intensives", high-quality music and drama productions and subsidised access to events and activities.

#### **2. Education and Learning**

Our Education & Learning programme is diverse and offers provision at all levels. From highly successful schools outreach work, through to our formal education programme delivered under contract and in partnership with Shetland College UHI, informal opportunities such as regular cross-artform workshops, business development, masterclasses and Creative Insight events.

#### **3. Arts & Wellbeing**

The value of arts to personal and community development is becoming increasingly recognised in Shetland. We continue to develop our Arts & Wellbeing work through the support of groups which use the arts as a vehicle to wellbeing, providing activities for individuals in care settings and providing free access to events or activities for individuals who have been referred by medical, care or support professionals.

#### **4. Development and Support**

The development and support of individuals and groups, along with the promotion of excellence and experimentation, is integral to our work. This includes the provision of funding both directly and through signposting, access to equipment and facilities, paid work placements, volunteering opportunities, commissioning productions and providing support and training to allow creatives to access new markets. We continue to provide numerous paid opportunities for freelance artists, education staff and performers.

#### **5. Programme, Commissioning and Curation**

We offer a varied and engaging programme of events, exhibitions, screenings and festivals across a range of artforms, including film, music, drama, literature, visual art, craft, dance and digital. We also provide spaces and support for other promoters and groups to stage their shows.

#### **6. Broadcasting, Recording and Intellectual Property**

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

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### Achievements & Performance

Priority Areas	Key Performance Indicators - Full Year 18/19			
	Concerts, Screenings and Exhibition Days	Audience Attendances	Development Sessions	Participations
1. Youth Arts	86	7,130	159	1,476
2. Education & Learning	13	402	1,504	9,313
3. Arts & Wellbeing	1	60	145	1,002
4. Development & Support	311	16,036	90	978
5. Programme, Commissioning & Curation	4,120	166,320	147	4,913
6. Broadcast, Recording & IP	-	-	177	428
Totals	4,531	189,948	2,222	18,110

### Notable variances between Target and Actual KPIs

	Target*	Actual	% Achieved
Concerts / Screenings / Exhibition Days	3,000	4,531	151
Audience Attendances	160,000	189,948	118.7
Development Sessions	1,300	2,222	170.9
Participations	9,000	18,110	201.2

\* Targets as set in 2014

The above figures do not include 'non arts' activities or online viewers of live broadcasts or SADA produced videos.

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

The trend of exceeding targets for Concerts, Screenings and Exhibition Days and the resultant Audience Attendances has continued from previous years. A significant contribution can be attributed to a new exhibition space coming into use in the upper foyer of Mareel in 15/16 and a new Curated Retail initiative beginning in 16/17.

As many of our exhibition spaces are 'ambient' and unticketed, and therefore do not directly produce attendance and engagement data, we use divisors based on the attendance at other events in the same building which do produce attendance data (i.e. dividing the number of covers at the Bonhoga Café and number of tickets sold at events in Mareel by a percentage). We use visitor research to test and adjust these divisors.

Development sessions and participations also continue to exceed targets. A large number of these KPIs are generated through strong numbers of students enrolled on the formal education programmes developed and delivered on behalf of Shetland College UHI (Vocational Pathways, NC, HNC, BA and MA levels).

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Large numbers of sessions and participations are generated by well-supported developmental events organised by venue hirers, such as the Young Fiddler of the Year, Schools Music Festival and Shetland County Drama Festival.

### Priority Area 1: Youth Arts

Highlights included:

- **Shetland Youth Theatre** had a very successful trip to Eden Court in Inverness in April for the bi-annual National Theatre Connections festival.
- Members of **Shetland Young Promoters Group** attended XpoNorth in Inverness in June.
- We held our annual **Summer Dance Intensive** for secondary age participants, with Shetland-born choreographer Kathryn Spence leading a week of workshops.
- We launched a new strand of Youth Arts Intensives with **Summer Film Intensive** led by Liz Musser.
- Our **Creativity Club** program continued with blocks of Craft with Jane Cockayne and Photography with Steven Johnson.
- Our week-long **Creativity Camp** for P5 - P7 was led by Jacqui Clark and supported by other local freelancers across various art forms. Participants learned new skills in visual art and craft, music, film, drama and dance, and created a 20-minute play performed for family and friends at the end of the week.
- September saw the culmination of a large year-long signature project for Event Scotland's Year of Young People - the **Big Takeover**. Young people worked with partners in seven venues to create an exciting festival event for young people in Shetland that delivered a programme of arts, culture and sports on a scale never before seen in Shetland.
- **Shetland Young Promoters Group** were supported to organise a variety concert in the Gulberwick Hall which included performances from SYPG members and local acts such as Scott Tomlinson, Charity Johnston, Zdenka and Lorraine and the Lerwick Musical Appreciation Society.
- John Haswell delivered a series of skills development workshops for **Shetland Youth Theatre** in preparation for their celebratory 25th Anniversary event later in the year. This is an event we're very much looking forward to!
- The Shetland Young Promoters Group celebrated the 10th anniversary of the **Battle of the Bands**. The night's entertainment featured guest slots from established local acts as well as nine acts entering the competitive element of the competition. As in previous years, the winning band was gifted a free day of recording in the Mareel Recording Studio.

### Priority Area 2: Education & Learning

Highlights included:

- The 17/18 academic year ended in quarter one with particularly high success rates with 48 students completing their **Music and Film courses** delivered in partnership with Shetland College UHI and a 97% pass rate. Numbers of students who completed their studies:
  - Skills for Work: Audio Engineering - 9
  - Skills for Work: Film - 10
  - NC Creative Industries: Music - 3
  - NC Creative Industries: Film - 5
  - HNC Music - 6
  - BA Contemporary Film Making in the Highlands and Islands - 6
  - BA Applied Music - 4
  - Music Recording and Production (Masters level module) - 5
- Students held 3 public concerts and screenings over the academic year.
- The 18/19 academic year began in September with a student role of 23 part-time **Vocational Pathway Film and Sound**; 13 full-time and 2 part-time **NC Creative Industries**; and 5 full-time **HNC Music**. In addition, 11 Shetland based students enrolled on the networked **BA Film and BA Music** courses and 4 signed up for the network delivered **MA Music in the Environment** course.
- We continued to develop new academic modules for networked **BA and MA Film and Music** courses.
- Students on the UHI Contemporary Film Making in the Highlands and Islands course took part in an intensive residential education week to complete their **Live Event Production** module. The students are all studying in Scotland but hail from countries as far afield as Germany, Poland and Argentina.

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- **Screenplay's Education Programme** had more than 1,000 participants over the festival, either travelling to Mareel or attending a screening at their school. Our partnership with Dundee's Discovery Film Festival was a success once again, as they supported us with guidance on the films to choose and provided curriculum-aligned teaching resources for workshops.
- The **Start Bonhoga Schools Education Programme** in partnership with Children & the Arts and Shetland Islands Council continued with five participating schools (Fetlar, Aith, Whalsay, Sandwick and Brae) who curated and collated an exhibition *Unexpected Sites* in the Mareel Auditorium in May.
- Pupils worked with a range of local and visiting artists (including Amanda Welch, Amy Gear, Aimee Labourne, Gordon Douglas, Sally Huband and Jono Sandilands) during both schools workshops and exhibition visits (including **Conditions at Bressay Lighthouse**, **The Travelling Gallery's Black Box**, and **Natural Selection** in the old Anderson High School).
- Author **Martin Stewart** visited Shetland to take part in a Creative Writing and Storytelling Residency in schools around Shetland run in partnership with SIC Creative Links, and with support from The Scottish Book Trust Live Literature Funding scheme.
- Pupils from the Anderson High and Sandwick Junior High Schools enjoyed three days working with technicians in the Mareel Recording Studio as part of **Schools Activities Week**.
- Our **Wordplay Education Programme** took place in November in the run up to the festival, and was supported by Scottish Book Trust's Live Literature Programme.
- We started our new **Creative Labs** programme - workshops across all art forms where the focus is on learning new skills and their practical application. Blocks of sessions included Life Drawing with Jay, Christmas Printmaking with Linda Richardson, and Writing for Performance with Grace Barnes.

### Priority Area 3: Arts & Wellbeing

Highlights included:

- We secured a significant grant from **The Robertson Trust** to grow our Arts & Wellbeing programme.
- Our popular **Wellbeing Groups** programme grew in popularity as we widened the art forms to include Wellbeing Craft with Jane Cockayne, Wellbeing Choir with Suzanne Briggs and Wellbeing Writing with Gen White.
- There have been 26 development sessions delivered by local freelance artists in Care Homes and for Care Home users across Shetland as part of the **Arts in Care** strand.
- We continued to partner with **Alzheimer Scotland** to facilitate Tak Your Makkin, our knitting group for people with Alzheimer's and their carers.
- We provided meeting rooms for the **space2face Restorative Justice** project.

### Priority Area 4: Development & Support

Highlights included:

- This year saw significant changes to the programme of activity at **Bonhoga Gallery**. The contemporary visual art exhibition programme moved off-site and is being delivered from a diverse range of spaces around Shetland, enabling Bonhoga to celebrate applied art and craft and its role in Shetland's culture and economy.
- Our **ShetlandMade** programme continued - a unique opportunity for Shetland designer and makers to sell their work within an exhibition context allowing a deeper level of engagement from the visitor. They included Bill Brown, Julie Williamson, Helen Robertson, Morwenna Garrick and Margaret Hamilton.
- From September to early November, the Upper Gallery at Bonhoga was home to **Northbound/Nordgående**, a touring exhibition of contemporary ceramics, drawing and performance with a focus on process and place, featuring the work of a group of six artists from Scotland and Norway.
- The upper Gallery hosted a show of prints by members of **Islesburgh Photographic Club**.
- Quarter three saw the return of Bonhoga's popular Christmas selling exhibition, aptly titled, **All I want for Christmas...**
- In the Lower Gallery, an **Art to Go** print wall was established to exhibit and sell a large range of print and photography from established and emerging artists from Shetland and UK with all work available at point of sale.

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- In Bonhoga's Lower Gallery, we exhibited the work of Julie Wilmore, Avril Thomson, Shetland College BA Contemporary Textiles students, Steve Birrell, and Art to Go featuring established and emerging artists from Shetland and UK.
- The **Visual Arts and Craft Makers Award**, a joint project between Shetland Arts, Creative Scotland and Shetland Islands Council, this year provided local practitioners a total of £12,601 between seven practitioners across two funding tranches.
- The **Community Film Project** concluded with a screening for the community groups and their supporters. Each representative of the groups spoke about the filming process, what they had learned, and what they were going to do next.
- We facilitated the Shetland contribution to the **Processions** project, created by 14-18 Now and administered by Artichoke, which invited women (including anyone identifying as a woman) to work together to create an artwork in commemoration of the 100 year anniversary of women receiving the vote. We engaged Christina Inkster to facilitate workshops to produce a banner which was then taken to a march in Edinburgh, while simultaneous marches occurred in London, Cardiff and Belfast.
- Shetland Arts worked with Diane Legget and Francesca Leyland to facilitate a series of **Musical Theatre Masterclasses** for all ages in the Mareel Auditorium.
- We continued to work with the **Friends of the Garrison** group and provided volunteer training to several members.

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

Highlights included:

#### Film

- The ever-popular **cinema programme** continued to cater for a wide range of contemporary, populist and specialist tastes.
- Helping to fulfil our remit to show a wide range of film, our **Screen Horizons** strand features arthouse and foreign language titles alongside low-budget independents and documentaries. Our selection was particularly diverse this year, showcasing films from Australia, Egypt, Austria, Sweden, Japan, France, Indonesia and Canada, as well as the UK and USA.
- We introduced a new strand into the programme in early September - **Teenage Flicks**. These are films specially chosen to appeal to teenagers and young adults.
- We marked 100 years since the end of the First World War with a free screening of **In the Still of the Night Have We Wept**, the film of the Shetland Youth Theatre production from 2017.
- We marked World AIDS Day on 1st December with **120 Beats Per Minute**, a drama about a group of activists in Paris in the early 1990s.
- We screened documentary **Nae Pasaran**, directed by Felipe Bustos Sierra, followed by a Q&A with the director.
- We marked Holocaust Memorial Day in January with Hungarian drama **1945**.
- We marked International Women's Day in March with **9 to 5**, the 1980 comedy starring Jane Fonda, Dolly Parton and Lily Tomlin.
- We supported the Shetland Film Club to deliver film screenings in Unst and Bressay of the documentary **The Work They Say Is Mine** and a selection of films from Screenplay Post Script.

#### Music

- In April Mareel welcomed back popular Swedish folk trio **Vasen**, who performed to a very appreciative Friday night audience.
- Irish "folk miscreants" **Lankum** made their debut visit to the isles with a Mareel concert in May.
- Also in April, the ever-popular charity fundraiser **Shetland's Got Talent** returned to Mareel, featuring performances from many talented locals.
- **Young Fiddler of the Year** was well attended with two days of classes and the winner's Gala Concert on the final Saturday night.
- May saw the return of the **Shetland Folk Festival** to Mareel with a variety of events including a performance for nursery children, a family concert, three evening performances and the massive Foy concert, featuring all of the visiting artists.
- Local promoters Ragged Wood presented US based Americana group **Birds of Chicago**.
- In June we rounded off the 2017/18 Classical Season with a performance and workshops from **The Wallace Collection**, an international brass quintet.

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- **Trio HLK**, Scotland's leading young jazz trio, hosted a Creative Insight and concert in June.
- Ragged Wood promoted a concert by **Gretchen Peters & Kim Richey**.
- Mareel once again hosted the annual **BBC Ten Pieces** youth classical music project.
- **First Foot Soldiers** performed a sell-out midsummer gig.
- In Quarter 1 there were variety fund-raisers for local groups **Shetland Forwards**, **Shetland Aid Trust** and the **Thomas Fraser Festival**, all hosted in the Garrison Theatre.
- Our popular **Open Mic** sessions continued in Mareel's Café Bar.
- We held our **Folk Weekender** mini-festival in July celebrating folk and traditional music, featuring Kevin Henderson, Kris Drever and Laura-Beth Salter. With Café Bar sessions, sell-out workshops from each musician, plus additional classes with Margaret Robertson and Tim Matthew, as well as a musical lecture by Maurice Henderson and a Big Gig with the three main curators, the weekend was a resounding success.
- Ragged Wood were busy in quarter two and presented an exclusive double-billing of **Drever**, **McCusker**, **Woomble** and **Laura Cortese**, and two well-attended performances from **The Lone Bellow** and **I'm With Her**.
- Atlantic Edge promoted a concert by **Iris Dement**.
- At the Garrison, the **Shetland Fiddle & Accordion Club** held their annual fundraising concert.
- In September **Aly Bain & Phil Cunningham** made a return to Shetland with a three-date mini-tour, performing in Mareel, Brae Hall and Fair Isle to appreciative audiences.
- **Scottish Opera** returned with *Bambino*, a five-star (The Observer, The Herald) Opera for 6-18 month old babies.
- Shetland Wool Week offered the opportunity to present **Sound of Shetland**, our new 45-minute show with Margaret Robertson, exploring the journey of Shetland traditional fiddle music.
- Pianist **Neil Georgeson** returned in November to play with fellow Shetland Classical musician, harpist **Sophie Rocks**.
- We celebrated the success of the *Mamma Mia* film and enduring popularity of ABBA with an **ABBA Party Night**, hosted by one of Europe's best tribute acts.
- Local Americana band **Kansa** launched their album *The Rowan Tree*, which was recorded in Mareel, with a concert supported by **The Wishart Family**.
- In December we hosted **Make More Noise**, a cabaret night featuring Burlesque dancer Missy Malone, drag queen bingo from Timberlina, local comedy from The Imposters and Marjolein Robertson and music by local band Kant and Bristol-based DJ Some Chick Called Bob.
- The year closed with **Hogmanay** with the Peatbog Faeries. The variety concert this year featured performances from hosts the Peatbog Faeries as well as Da Loose Ends, Herkja, Arthur Nicholson & Kris Drever and Haltadans, followed by a Mixology DJ set in the Cafe Bar and a traditional dance with the Alan Nicolson Dance Band in the Auditorium.
- **Shetland Accordion and Fiddle Club** held a well-attended concert in the Garrison Theatre.
- In the Mareel Auditorium, Ragged Wood presented the lauded young Americana singer **Courtney Marie Barnett** on the last date of her successful UK tour.
- Millgaet Media promoted a return to Shetland by the tribute act **Queen II** in Mareel.
- January saw a performance from the extremely popular Jazz group **Rose Room** in Mareel.
- We also hosted events around Up Helly Aa with the **Fiery Sessions** variety event in the Garrison plus Mareel's use as an Up Helly Aa hall.
- In March the **Schools Music Festival** filled Mareel with great attendances and performances being streamed online.
- The **Scottish Ensemble with Keyvan Chemirani** did an outstanding performance of an inventive performance of Eastern, Western and improvised music in Mareel.
- **Chris Stout and Catriona Mackay** returned to Mareel to perform material from their album *Bare Knuckle*.

### Comedy

- **Fred MacAulay** visited Mareel on his *30 Years On* tour.
- **Mark Ritchie** performed his Edinburgh Fringe show *God Only Knows* show in the Garrison Theatre.

### Drama

- In May we welcomed two productions for younger audiences to Mareel. Imagine, Scotland's Theatre Festival for Young People, along with **Windmill Theatre Company**, visited with a new version of the Russian folktale, *Baba Yaga*.

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- Later in the same week, audiences were delighted by the National Theatre of Scotland's co-production with **Catherine Wheels Theatre Company**, *Eddie & The Slumber Sisters*.
- **National Theatre of Scotland** utilised Mareel's Auditorium for the Futureproof programme of works with young people with a unique interactive performance entitled *The World is a Wedding: a Presentation of Unst in Everyday Life*, which was also performed in Unst.
- In November, the Garrison was busy with a production of *Fiddler on the Roof* by **Open Door Drama**.
- Mareel hosted **Follow the Vikings**, a roadshow celebrating the influence of Vikings across several nations organised by Shetland Amenity Trust. This was a large-scale production with community involvement in the performance.
- The Garrison Theatre hosted the 2018 panto *Puss In Boots* by **Islesburgh Drama Group**, with a well-attended run of ten performances.
- In February/March the **Shetland County Drama Festival** took place in the Garrison Theatre.

### Dance

- In July we celebrated dance with **Just Dance** a performance from professional dancers Kathryn Spence, Gordon Raeburn and local groups The Shetland Community School of Ballet and Inferno.
- **Shetland Community School of Ballet** held a showcase performance in The Garrison Theatre

### Literature

- Wildlife cameraman and author **Doug Allen** shared tales of his adventures with an enthusiastic audience at Mareel.
- **Wordplay**, our literature festival of words and ideas curated by Karen Cunningham was held in November. Guests included Lynne Rickards, Claire McFall, Roseanne Watt, Peter Ratter, Robert Alan Jamieson, Jo Swinson, Professor A.C. Grayling, Ann Marie Anderson, Malachy Tallack, James and Tom Morton, Patrick Barkham and Sally Huband.

### Visual Art

- The off-site exhibition programme included:
  - Conditions by **Amanda Welch** at Bressay Lighthouse.
  - School pupils' **Unexpected Sites** in the Mareel auditorium.
  - **FLOW**, a solo show by sculptor John Cumming (in collaboration with cabinetmaker Cecil Tait and poet James Mainland) at The Booth in Scalloway.
  - Bairns Open **Blooming Youth** installation at the Flower Park & Tennis Court in Lerwick, as part of the Year of Young People Big Takeover weekend.
  - Andy Holden & Peter Holden's exhibition **Natural Selection** at the old Anderson High School, a collaboration with international commissioning body Artangel with local support from SOTEAG (Shetland Oil Terminal Environmental Advisory Group) and Lerwick Community Council.
- Mareel exhibitions included
  - Jeremy Sutton Hibbert's **Klondykers** on the Long Wall.
  - **Liam Henderson's Portraits** in the Feature Space.
  - **Blooming Youth** in the Feature Space.
  - Fraser Taylor's **Shadowed Valley** in the Upper Cafe Bar.

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

Highlights included:

- **Isaac Webb and the Zets** recorded a mini-LP of their own material in a single day.
- There was some voiceover work for a French TV company, in Shetland for a week in June to make a nature documentary.
- Full production of a soundtrack for a web advert in conjunction with local film-maker **Keiba Clubb**.
- We hosted **Speak Unique**, an Edinburgh-based group working on an innovative project developing speech simulation software to help patients who lose the ability to speak and need to communicate through a device.
- There were clients looking to edit and assemble interview material for radio broadcast, along with further requests for CD duplication and archiving of material from reel-to-reel.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2019

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- Work continued on the transfer of audio reels from the archive of Shetland filmmaker **Jenny Gilbertson** on behalf of Shetland Museum and Archives.
- **Kansa** tracked an album in the Carnegie Hall in Sandwick and brought it to Mareel to be mixed and mastered.
- **Claire White & Robbie Leask**, recorded, mixed and mastered an album in Mareel.
- There was further work on recording projects by **Freda Leask**, **Gemma Anderson** and **Carol Jamieson**, as well as soundtrack and voiceover work for Keiba Clubb and Promote Shetland and Leslie Watt.
- Local songwriter **Andy Kinnear** began a recording project in September
- **Big Time Quell** brought new material to the studio to be mixed for future release.
- **Shetland Young Fiddler** of the Year George Spence recorded a newly commissioned tune written by his father, prolific Unst composer Steven Spence.
- Yell-based singer **Andy Ross** recorded a South African lullaby which was distributed to friends and colleagues in the form of a digital Christmas card.
- In late November we hosted a unique recording session featuring a 40-strong choir in the Mareel Auditorium. Under the guidance of Dr Veronica McBurnie, three songs were rehearsed, performed and recorded in an afternoon to be released as a Christmas single in aid of the **Shetland MRI Appeal**.
- Mareel Recording Studio hosted its first **Open Day**, with Studio Technician Tim Matthew welcoming local musicians to discuss potential recording projects, along with members of the public who were simply curious to see the inner workings of a commercial recording studio.
- **Radio adverts** were recorded for Irvine Interiors and Shetland Fudge Company, as well as our own weekly cinema updates for SIBC.
- The soundtrack for a seasonal LHD promotional video was recorded in conjunction with local filmmaker **Keiba Clubb**.
- Several concerts in Mareel's Auditorium were recorded and filmed, including Kansa's album launch in December and our own Hogmanay extravaganza. In both cases, the audio received a professional mix in post-production, which was re-synced with the video content and distributed online.
- **Lau** brought live audio from their UK tour to the studio for mixing.
- **Andrea Fox** resumed work on audio tracks begun with her band in Australia ten years ago.
- Belfast folk outfit **TOPOS** sent tracks recorded in Northern Ireland to be mixed at Mareel, once again proving that our remote location is no barrier to ongoing collaboration with artists in the UK and beyond.
- Local trad supergroup **Haltadans** began sessions for their next album, borne out of discussions at the successful Recording Studio Open Day in November 2018.
- Further tracking took place on an ongoing project featuring **Freda Leask & Kris Drever**.
- There was some newly recorded material from Shetland singer-songwriter **Marie Williamson**.
- March saw the multitrack recording of the **Student Showcase** concert at Mareel, an event which coincided with the BA Film Residency, and was filmed by students.

### Volunteers

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

### Change Management

The period 18/19 has been focussed on continuing to embed and review the changes undertaken during the previous year. The process of consult, reflect, change, review has been adhered to and led to some further minor structural tweaks, although the priority has been to maintain stability after a period of significant change.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2019

### FINANCIAL REVIEW

The 2019 financial year has been challenging for the organisation, however we have been able to continue generating an operating surplus for the fourth consecutive year. The improved budget monitoring put in place in 2016/17 continues to allow the organisation to react to issues identified much more effectively.

The above helped the turnaround for the year which gives a surplus on the Unrestricted Funds of £43,323 (2018 - £1,505) for the year. This surplus of £43,323 in Unrestricted Funds comes after the deduction of depreciation in the year of £637,418. This depreciation is partly offset by a transfer made from the Restricted Capital Fund to Unrestricted Funds of £611,844. This transfer is done to recognise the fact that capital grants received in this year and during earlier financial periods should be amortised over the same useful lifetime as the assets to which they relate.

The Total Incoming Resources for the year were £2,426,224 (2018- £2,446,359) made up as follows:

	2019 £	2019 %	2018 £	2018 %
Revenue grants received	940,757	38.8%	973,758	39.8%
Self-generated income	1,472,921	60.7%	1,468,412	60.1%
Donations and sponsorship	12,546	0.5%	4,189	0.1%
TOTAL	2,426,224	100%	2,446,359	100%

We received annual revenue funding of £633,974 from Shetland Charitable Trust (SCT) and £250,000 from Creative Scotland (CS) during the year.

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

Total Resources Expended was £2,994,745 (2018 - £3,056,698) made up as follows:

	2019 £	2019 %	2018 £	2018 %
Stock and goods purchases	316,277	10.6%	310,001	10.1%
Charitable activities	2,678,468	89.4%	2,746,697	89.9%
TOTAL	2,994,745	100%	3,056,698	100%

Grants were given out by Shetland Arts in the year of £12,601 (2018 - £12,333). These are contained in the Charitable Activities line above and further details of the grant scheme are contained in note 7b.

All staff costs are included in charitable activities above and have decreased slightly from £1,194,048 in 2018 to £1,190,697 in 2019.

Shetland Arts is an approved member of the Shetland Islands Council Pension Scheme. The updated actuarial valuation of the pension scheme as at 31 March 2019 resulted in an increase of £352,000 in the Shetland Arts pension scheme liability, which is shown in the Statement of Financial Activities, increasing the pension scheme liability in the Shetland Arts balance sheet to a total of £1,580,000.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2019

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

### RESERVES POLICY

In April 2016 the Trustees approved a new reserves policy. SADA is working towards securing adequate reserves to meet current and potential future needs. The organisation aims to have unrestricted reserves of at least £200,000. This will allow the organisation to meet any unexpected expenditure that may arise.

Within this reserve, funds will be designated to an Asset Replacement and Repair Reserve. In any year the organisation makes a surplus, 50% of this surplus will be designated into this fund. The fund will be used for the replacement and repair of the assets of the organisation.

Total funds as at 31 March 2019 are £8,494,623 (2018 - £9,415,144). This is split between Restricted Funds of £10,257,350 (2018 - £10,869,194) and Unrestricted Funds in a deficit position of £1,762,727 (2018 – deficit of £1,454,050). The funds in a deficit position are discussed in the financial review on page 11.

The Trustees acknowledge the current position is challenging and they expect it to be a medium- to long-term objective to reach the position stated in the reserves policy. The staff team has been charged to increase surplus from income for us to achieve this position within the next 7 years.

### PLANS FOR THE FUTURE

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

- Review our IT infrastructure to ensure we are fit for purpose and future-proofed.
- Continue to develop Weisdale Mill as a leading craft centre in Scotland.
- Focus on developing successful partnerships across Scotland and the Northern Arc.
- Continue to develop new ways of engaging with visiting artists, performers and creatives.

### REFERENCE AND ADMINISTRATIVE DETAILS

<b>Trustees</b>	Louise Garriock	<i>Resigned 22 August 2019</i>
	Lorraine Hall	<i>Resigned 16 May 2019</i>
	Olive MacLeod	
	Lynn-Sayers McHattie	
	David Ramsay	<i>Resigned 25 June 2018</i>
	Robin Sandison	
	Alan Skinner	<i>Resigned 4 September 2018</i>
	Ryan Stevenson	
	Sophie Whitehead	<i>Appointed 30 October 2018</i>
	Chris Gadsby	<i>Appointed 23 August 2019</i>
Susan Mail	<i>Appointed 23 August 2019</i>	

**Chief Executive** Graeme Howell

**Address** Shetland Arts Development Agency  
Mareel  
Lerwick  
Shetland ZE1 0WQ

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

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**Bankers** Clydesdale Bank plc  
Commercial Street  
Lerwick  
Shetland ZE1 0JJ

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

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

**Charitable Status** Scottish Charity No. SC037082

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

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

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

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

The Trustees meet bi-monthly to administer the activities of the Agency. At the start of the year the Trust Deed required the board to be comprised of a minimum of ten Trustees, and a maximum of thirteen. At the board meeting on 27 April 2017, on the recommendation of external experts, the Trustees approved an amendment to the Trust Deed which reduced the minimum number of Trustees to seven. Each Trustee shall hold office for a period of three years with power to be re-appointed for a further period of three years. Trustees will retire on the third anniversary of their appointment. In the event of appointment for that further period, such Trustees will not be eligible for appointment for a period of three years thereafter. The appointment of new Trustees will be the job of a Nominations Committee constituted by three of the serving Trustees. Trustees are normally recruited following public advertisement. The positions of Chair and Vice Chair are voted on by the existing Trustees, and these office holders serve in accordance with the Agency's Standing Orders.

The Trustees make decisions by majority vote at their meetings. The board holds meetings every two months with a more detailed information session on specific topics of interest in the months between.

Trustee recruitment took place during the year, which resulted in Sophie Whitehead being appointed in October 2018. New Trustees receive an individual induction from the General Manager on appointment and are encouraged to undertake training as appropriate to their role.

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

The Trustees consider that the charity's Trustees and Senior Management Team comprise the key management personnel of the charity in charge of direction and controlling, running and operating the charity on a day-to-day basis. The Senior Management Team comprises the General Manager, Head of Creative Opportunities, Head of Production and the Head of Operational Support. All Trustees give their time freely and no trustee received remuneration in the year. Details of Trustee's expenses are disclosed in note 19 of the accounts.

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

#### **Related parties**

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2019

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

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

### Risk Management

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

Risk Title	Risk Detail	Mitigation
Funding	Our grant from Shetland Charitable Trust is agreed until 2020 and decreases by 5% a year from 2016 - 2020.	Ensure the organisation maintains good relationships with funders through open high-level communication, including chair-to-chair discussions. Consistent review of KPIs against targets to ensure delivery in line with expectations by Senior Management Team and Board. Early warning of any pertinent issues by General Manager to Trustees.
Commercial Income	Commercial income is always volatile and the changing nature of the economic situation in Shetland is cause for concern. SADA reliance on successful cinema, food and beverage takings is particularly vulnerable to any downturn to consumer spending.	Establishment of a Commercial Team meeting to ensure all opportunities are fully exploited. Greater devolution of budgets to responsible managers to ensure better cost control. Phased planned expenditure that can be re-budgeted should commercial income fail to perform.
Cost of staff and Recruitment	The changing economic profile of Shetland and minimum income standards are creating challenges around the cost and recruitment of skilled and entry-level staff.	Work closely with SIC Economic Development, HIE and other agencies on supporting development priorities to secure Shetland a prosperous future. Continue to advocate for the importance of culture and creativity as part of Shetland Work, Live, Invest, Study strategy.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2019

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### STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP 2015 (FRS 102);
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution.

They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Approved by the Trustees on 29 August 2019 and signed on its behalf by:

Chairperson

# SHETLAND ARTS DEVELOPMENT AGENCY

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2019

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### Opinion

We have audited the financial statements of Shetland Arts Development Agency (the 'charity') for the year ended 31 March 2019 which comprise Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2019, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report of the trustees', other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# SHETLAND ARTS DEVELOPMENT AGENCY

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2019

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

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

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

### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 15, the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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

.....  
The A9 Partnership Limited  
Statutory Auditor

47 Commercial Road  
Lerwick  
Shetland  
ZE1 0NJ

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## STATEMENT OF FINANCIAL ACTIVITIES (Incorporating Income and Expenditure Account)

for the year to 31 MARCH 2019

	Note	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2018 £
INCOME from:						
Donations	3	1,147	-	-	1,147	1,639
Charitable activities	4	250,000	690,757	-	940,757	973,758
Other trading activities	5	1,339,923	144,397	-	1,484,320	1,470,962
		<u>1,591,070</u>	<u>835,154</u>	<u>-</u>	<u>2,426,224</u>	<u>2,446,359</u>
EXPENDITURE on:						
Raising funds	6	316,277	-	-	316,277	310,001
Charitable activities	7	1,843,314	835,154	-	2,678,468	2,746,697
		<u>2,159,591</u>	<u>835,154</u>	<u>-</u>	<u>2,994,745</u>	<u>3,056,698</u>
NET INCOME/(EXPENDITURE)		(568,521)	-	-	(568,521)	(601,339)
Transfers between funds		611,844	-	(611,844)	-	-
		<u>43,323</u>	<u>-</u>	<u>(611,844)</u>	<u>(568,521)</u>	<u>(610,339)</u>
NET INCOME/(EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES						
OTHER RECOGNISED GAINS AND LOSSES:						
Actuarial (losses)/gains on defined benefit pension schemes	17	(352,000)	-	-	(352,000)	435,000
		<u>(308,677)</u>	<u>-</u>	<u>(611,844)</u>	<u>(920,521)</u>	<u>(175,339)</u>
Net Movement in Funds						
Reconciliation of funds:						
Total funds brought forward		(1,454,050)	-	10,869,194	9,415,144	9,590,483
		<u>(1,762,727)</u>	<u>-</u>	<u>10,257,350</u>	<u>8,494,623</u>	<u>9,415,144</u>
Total funds carried forward		=====	=====	=====	=====	=====

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

All income and expenditure derive from continuing activities.

# SHETLAND ARTS DEVELOPMENT AGENCY

Charity Registration No. SC037082

## BALANCE SHEET

31 March 2019

	<i>Note</i>	2019 £	2019 £	2018 £	2018 £
<b>FIXED ASSETS</b>					
Tangible assets	11		10,307,093		10,934,966
Investments	12		1		1
			<u>                    </u>		<u>                    </u>
<b>TOTAL FIXED ASSETS</b>			<b>10,307,094</b>		<b>10,934,967</b>
<b>CURRENT ASSETS</b>					
Stock	13	34,228		36,087	
Debtors	14	72,783		59,344	
Cash at bank and in hand		77,455		138,820	
		<u>                    </u>		<u>                    </u>	
<b>TOTAL CURRENT ASSETS</b>		<b>184,466</b>		<b>234,251</b>	
<b>LIABILITIES</b>					
Creditors: Amounts falling due within one year	15	(338,565)		(427,130)	
		<u>                    </u>		<u>                    </u>	
<b>NET CURRENT LIABILITIES</b>			<b>(154,099)</b>		<b>(192,879)</b>
			<u>                    </u>		<u>                    </u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>10,152,995</b>		<b>10,742,088</b>
Creditors: Amounts falling due after more than one year	16		(78,372)		(98,944)
			<u>                    </u>		<u>                    </u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<b>10,074,623</b>		<b>10,643,144</b>
Defined benefit pension scheme liability	17		(1,580,000)		(1,228,000)
			<u>                    </u>		<u>                    </u>
<b>TOTAL NET ASSETS</b>			<b>8,494,623</b>		<b>9,415,144</b>
			<u>                    </u>		<u>                    </u>
<b>THE FUNDS OF THE CHARITY:</b>					
Capital restricted fund	20		10,257,350		10,869,194
Unrestricted funds:					
Unrestricted income funds excluding pension liability		(182,727)		(226,050)	
Pension reserve		(1,580,000)		(1,228,000)	
		<u>                    </u>		<u>                    </u>	
<b>Total unrestricted funds</b>			<b>(1,762,727)</b>		<b>(1,454,050)</b>
			<u>                    </u>		<u>                    </u>
<b>TOTAL CHARITY FUNDS</b>			<b>8,494,623</b>		<b>9,415,144</b>
			<u>                    </u>		<u>                    </u>

These financial statements were approved by the board of Trustees and authorised for issue on 29 August 2019 and are signed on their behalf by:

Trustee

Trustee

# SHETLAND ARTS DEVELOPMENT AGENCY

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	<i>Note</i>	2019 £	2018 £
<b>Cash flows used in operating activities:</b>	24	<b>(17,851)</b>	140,207
Net cash provided by/ (used in) operating activities		(17,851)	140,207
<b>Cash flow from investing activities:</b>			
Proceeds from the sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(18,665)	(12,642)
Net cash provided (used in) investing activities		(18,665)	(12,642)
<b>Cash flows from financing activities:</b>			
New borrowing		-	-
Repayments of borrowing		(19,872)	(15,614)
Interest paid		(4,977)	(5,413)
Net cash provided by (used in) financing activities		(24,849)	(21,027)
<b>Change in cash and cash equivalents in the reporting period</b>		<b>(61,365)</b>	<b>106,538</b>
Cash and cash equivalents at the beginning of the reporting period		138,820	32,282
Cash and cash equivalents at the end of the reporting period		77,455	138,820
<b>Analysis of cash and cash equivalents</b>		2019 £	2018 £
Cash in hand		7,900	7,900
Cash at bank including overdrafts		69,555	130,920
Total cash and cash equivalents		77,455	138,820

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

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### 1. PRINCIPAL ACCOUNTING POLICIES

#### **Basis of Accounting**

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

In preparing the financial statements the charity follows best practice as laid down in the Accounting and Reporting by Charities: Statement of Recommended Practice, applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued on 16 July 2014 (as updated through Update Bulletin 1 published on 2 February 2016) (the SORP), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended) except as noted below.

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

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

#### **Consolidation**

The financial statements have been prepared for Shetland Arts Development Agency as an entity and in accordance with the SORP module 24, group accounts have not been prepared on the basis that there is no statutory requirement to prepare group accounts as the results of the subsidiary undertaking is not material to the group.

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

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

#### **Going Concern**

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

#### **Income**

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

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

#### **Capital Grants**

Capital grants are taken into account when they become receivable.

#### **Revenue Grants**

Revenue grants are taken into account when they become receivable.

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Expenditure

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

#### Support Costs

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

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

#### Termination Benefits

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

#### Operating Lease Agreements

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

#### Tangible Fixed Assets

No single equipment purchase with a cost below £500 is to be capitalised. Any item of equipment costing more than £500 is initially stated at cost.

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

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

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life. The estimated useful lifetime of assets was calculated as;

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

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

#### Investments

Investments in subsidiary undertakings are initially capitalised at cost.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Stocks

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

#### Debtors

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

#### Cash at bank and in hand

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

#### Liabilities

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

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

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

#### Value Added Tax

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

#### Retirement Benefits

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

#### Funds

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

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

#### Financial Instruments

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 2. LEGAL STATUS OF THE CHARITY

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

### 3. DONATIONS

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2018 £
Donations	1,147	-	-	1,147	1,639
	<u>1,147</u>	<u>-</u>	<u>-</u>	<u>1,147</u>	<u>1,639</u>
	=====	=====	=====	=====	=====

Donations of £1,639 were included in unrestricted funds in 2018.

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

### 4. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2018 £
Shetland Charitable Trust	-	633,974	-	633,974	664,426
Creative Scotland revenue funding	250,000	-	-	250,000	250,000
Creative Scotland project funding	-	7,160	-	7,160	5,055
Local Authority – project funding	-	3,466	-	3,466	3,872
Other public funds	-	46,157	-	46,157	50,405
	<u>250,000</u>	<u>690,757</u>	<u>-</u>	<u>940,757</u>	<u>973,758</u>
	=====	=====	=====	=====	=====

Creative Scotland funding of £250,000 was unrestricted in 2018. All other charitable activities income in 2018 was restricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 5. OTHER TRADING ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2018 £
Business sponsorships	-	11,399	-	11,399	2,550
Box office/programme	556,685	-	-	556,685	591,155
Ancillary earned income	758,066	-	-	758,066	763,574
Other income	25,172	132,998	-	158,170	113,683
	<u>1,339,923</u>	<u>144,397</u>	<u>-</u>	<u>1,484,320</u>	<u>1,470,962</u>
	=====	=====	=====	=====	=====

£103,928 of other income was restricted in 2018. Business sponsorships of £2,550 was included in restricted funds in 2018. All other trading activities income in 2018 was unrestricted.

### 6. RAISING FUNDS

Catering stock purchases	257,265	-	-	257,265	258,410
Shop and gallery stock purchases	59,012	-	-	59,012	51,591
	<u>316,277</u>	<u>-</u>	<u>-</u>	<u>316,277</u>	<u>310,001</u>
	=====	=====	=====	=====	=====

All Raising Funds expenditure in 2018 was unrestricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 7. CHARITABLE ACTIVITIES

	Notes	Unrestricted Funds £	Restricted Funds £	Capital Funds £	Total Funds £	2018 £
Direct service provision	7a	954,539	369,224	-	1,323,763	1,407,431
Grant funding	7b	-	12,601	-	12,601	12,333
Support costs	7c	888,775	453,329	-	1,342,104	1,326,933
		<u>1,843,314</u>	<u>835,154</u>	<u>-</u>	<u>2,678,468</u>	<u>2,746,697</u>
		=====	=====	=====	=====	=====
<b>a. Direct Service Provision</b>						
Development expenditure		237,399	92,232	-	329,631	367,606
Operations expenditure		708,600	276,992	-	985,592	1,028,954
Strategic marketing		8,540	-	-	8,540	10,871
		<u>954,539</u>	<u>369,224</u>	<u>-</u>	<u>1,323,763</u>	<u>1,407,431</u>
		=====	=====	=====	=====	=====
<b>b. Grant Funding</b>						
Grants paid to individuals		-	12,601	-	12,601	12,333
		=====	=====	=====	=====	=====
<b>c. Support Costs</b>						
Support staff salaries and other staffing costs		-	270,690	-	270,690	265,177
Overheads		888,775	172,733	-	1,061,508	1,053,071
Governance costs		-	9,906	-	9,906	8,685
		<u>888,775</u>	<u>453,329</u>	<u>-</u>	<u>1,342,104</u>	<u>1,326,933</u>
		=====	=====	=====	=====	=====

The grants made during the year relate to the Visual Arts and Craft Award Scheme. This scheme is made possible through funding from Creative Scotland and Shetland Islands Council.

Of the total Charitable Activities expenditure of £2,746,697 in 2018, £830,236 was restricted and £1,916,461 was unrestricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 8. ANALYSIS OF GOVERNANCE COSTS

	2019 £	2018 £
<i>Auditor remuneration:</i>		
Audit	8,500	8,500
Accounting services	-	185
<i>Non auditor fee:</i>		
Accounting services	1,406	-
	-----	-----
	9,906	8,685
	=====	=====

### 9. ANALYSIS OF STAFF COSTS

	2019 £	2018 £
Salaries and wages	994,755	998,018
Social security costs	58,665	62,121
Pension costs	137,277	133,909
	-----	-----
Total	1,190,697	1,194,048
	=====	=====

No employees received emoluments of over £60,000 during the year (2018: none)

#### The average number of staff was:

2019	2018
82	84
===	===

The charity operated a defined contribution pension scheme during the year as well as the defined benefit pension scheme referenced in note 17. Total amounts of £514 were recognised in the Statement of Financial Activities in the year. The expense and liability is allocated in line with the activities of those staff members contributions relate to.

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

	Opening Balance £	Deferred in Year £	Released in Year £	Closing Balance £
Advance sales	8,807	21,087	(8,807)	21,087
Creative Scotland	-	1,840	-	1,840
Screenplay and Wordplay	2,000	2,000	(2,000)	2,000
Robertson Trust	-	8,361	-	8,361
Shetland Islands Council	-	1,534	-	1,534
Children and the Arts	-	1,470	-	1,470
University of the Highlands and Islands	-	7,500	-	7,500
Processions project	1,250	-	(1,250)	-
	-----	-----	-----	-----
	12,057	43,792	(12,057)	43,792
	=====	=====	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 11. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
Cost/valuation					
As at 1 April 2018	13,191,816	1,263,982	42,800	2,862	14,501,460
Additions	-	18,665	-	-	18,665
Disposals	-	(22,800)	-	-	(22,800)
As at 31 March 2019	13,191,816	1,259,847	42,800	2,862	14,497,325
Depreciation					
As at 1 April 2018	2,668,477	898,017	-	-	3,566,494
Charge for year	543,746	93,672	-	-	637,418
Disposals	-	(13,680)	-	-	(13,680)
As at 31 March 2019	3,212,223	978,009	-	-	4,190,232
Net book amount					
31 March 2019	9,979,593	281,838	42,800	2,862	10,307,093
31 March 2018	10,523,339	365,965	42,800	2,862	10,934,966

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

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

Included within the net book value of Heritable Property of £9,979,593 are assets with restricted title or pledged as security for liabilities. The Mareel building, with a net book value of £9,735,283 (2018 – £10,273,640) has been granted as security over a 99 year grant, the conditions of which are discussed further in note 22. The Weisdale Mill building, with a net book value of £242,505 (2018 - £247,894) has been granted as security over the bank loan included in Creditors. The Booth building, with a net book value of £1,805 (2018 - £1,805) has been granted as security over the bank loan included in Creditors. See notes 15 and 16.

### 12. INVESTMENTS

	Investment in Subsidiary £
COST	
As at 1 April 2018 and 31 March 2019	1
	==

On 25 July 2011, Shetland Arts Development Agency purchased 1 ordinary share of £1 in Shetland Arts IP C.I.C (company number: SC404044), representing a 100% interest. Shetland Arts IP C.I.C. is a community interest company which was set up as a means of securing intellectual property rights over films, books, music, etc. pertaining to Shetland in order to ensure that any profits generated therefrom can be retained for the good of Shetland.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 12. INVESTMENTS (Continued)

As at 31 March 2019, Shetland Arts IP C.I.C. had not yet commenced its activities. At 31 March 2019 the aggregate reserves of Shetland Arts IP C.I.C. amounted to a net deficit of £2,407 (2018 – net deficit of £1,976) and the loss for the year to that date was £431 (2018 – loss of £403).

### 13. STOCK

	2019 £	2018 £
Goods for resale	34,228 =====	36,087 =====

### 14. DEBTORS

	2019 £	2018 £
Trade debtors	21,088	19,034
Amount due by subsidiary undertaking	1,980	1,411
Other debtors	4,300	4,250
Prepayments and accrued income	45,415	34,649
	-----	-----
	72,783 =====	59,344 =====

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

	2019 £	2018 £
Trade creditors	135,469	255,152
VAT	10,868	13,896
Other creditors	59,749	44,797
Accruals	53,886	66,138
Deferred income	43,792	12,057
Secured bank loan	18,660	17,960
PAYE & NIC	16,141	17,130
	-----	-----
	338,565 =====	427,130 =====

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

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

	2019 £	2018 £
Secured bank loan (falling due in less than 5 years)	59,773	69,164
Secured bank loan (falling due after 5 years)	18,599	29,780
	-----	-----
	78,372 =====	98,944 =====

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 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 2017 and this is updated on a triennial basis. A summary of the membership data used and the benefits valued at the latest formal valuation are set out in the formal valuation report. Hymans Robertson has reviewed the most recent full actuarial valuation at 31st March 2017 and has updated it annually at the charity's balance sheet date to reflect current conditions.

<b>Assumptions as at</b>	2019	2018
Inflation/pension increase rate	2.4%	2.3%
Salary increases	3.0%	2.9%
Discount rate	2.5%	2.7%

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

<b>Mortality assumptions</b>	2019 Years	2018 Years
Longevity at age 65 for current pensioners		
Men	22.1	22.1
Women	24.0	24.0
Longevity at age 65 for future pensioners		
Men	23.9	23.9
Women	26.1	26.1

#### **Assets (Employer Share)**

	Percentage 2019	Fund value at 2019 £ 000	Percentage 2018	Fund value at 2018 £ 000
Equities	79%	2,550	79%	2,282
Bonds	8%	258	9%	260
Property	12%	387	12%	347
Cash	1%	32	0%	-
	-----	-----	-----	-----
Total	100%	3,227	100%	2,889
	=====	=====	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 17. PENSION SCHEME (Continued)

<b>Net Pension Liability as at</b>	2019 £ 000	2018 £ 000
Fair value of Employer Assets	3,227	2,889
Present value of funded liabilities	(4,551)	(3,874)
	-----	-----
Net under funding in funded plans	(1,324)	(985)
Present value of unfunded liabilities	(256)	(243)
Unrecognised past service cost	-	-
	-----	-----
Net liability	(1,580)	(1,228)
	=====	=====
Amount in the balance sheet		
Liabilities	(1,580)	(1,228)
Assets	-	-
	-----	-----
Net Pension liability	(1,580)	(1,228)
	=====	=====
<b>Amounts recognised in the SOFA</b>	2019 £ 000	2018 £ 000
Current service cost	(260)	(253)
Net interest cost	(35)	(45)
Plan introductions, changes, curtailments and settlements	137	132
Remeasurements:		
Changes in demographic assumptions	-	23
Changes in financial assumptions	(345)	372
Other experience	(7)	518
Return on assets excluding amounts included in net interest	158	(312)
	-----	-----
	(352)	435
	=====	=====
<b>Actual return on plan assets</b>	2019 £ 000	2018 £ 000
Return on assets excluding amounts included in net interest	158	(312)
Interest income on plan assets included in net interest	79	80
	-----	-----
Return on plan assets	237	(232)
	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 17. PENSION SCHEME (Continued)

	2019 £ 000	2018 £000
<b>Reconciliation of defined benefit obligation</b>		
<b>Opening defined benefit obligation</b>	4,117	4,696
Current service cost	260	253
Past service cost (including curtailments)	-	-
Interest cost	114	125
Member contributions	43	43
Actuarial losses/(gains)	352	(913)
Unfunded benefits paid	(9)	(9)
Benefits paid	(70)	(78)
	-----	-----
Closing defined benefit obligation	4,807	4,117
	=====	=====
<b>Reconciliation of fair value of employer assets</b>		
<b>Opening fair value of employer assets</b>	2,889	3,033
Interest income	79	80
Contributions by members	43	43
Contributions by the employer	128	123
Contributions in respect of unfunded benefits	9	9
Return on assets excluding amounts included in net interest	158	(312)
Unfunded benefits paid	(9)	(9)
Benefits paid	(70)	(78)
	-----	-----
Closing fair value of employer assets	3,227	2,889
	=====	=====

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2020 will be approximately £128,000.

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

### 18. CONTINGENT LIABILITIES

There is a potential contingent liability for the organisation arising from the McCloud ruling on a pension fund. It is not currently possible to quantify this liability and it is dependent on the ruling being applied to Local Government Pension Schemes such as the Shetland Islands Council LGPS which Shetland Arts Development Agency is a member of.

### 19. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year (2018 - £nil). No travelling expenses were claimed by Trustees in the year (2018 - £nil). Trustees were paid £nil (2018 - £nil) during the year for commissioned work. As at 31 March 2019, a balance of £nil (2018 - £nil) was owed to Trustees.

During the year, Shetland Arts Development Agency paid expenses of £431 (2018 - £403) on behalf of its subsidiary, Shetland Arts IP C.I.C. As at 31 March 2019 a balance of £1,980 (2018 - £1,411) was owed to Shetland Arts Development Agency. No interest is being accrued on this loan. It will be repaid when income is generated in the Community Interest Company.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 19. RELATED PARTY TRANSACTIONS (Continued)

The Trustees consider that the charity's Trustees and Senior Management Team comprise the key management personnel of the charity in charge of direction and controlling, running and operating the charity on a day-to-day basis. The Senior Management Team comprises the Chief Executive, Head of Creative Opportunities, Head of Production and the Head of Organisational Support. The total employee benefits of the key management personnel were £211,489 (2018 - £207,838).

### 20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Reserve £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2018	(226,050)	(1,228,000)	-	10,869,194	9,415,144
Total Incoming Resources	1,591,070	-	835,154	-	2,426,224
Total Resources Expended	(2,159,591)	-	(835,154)	-	(2,994,745)
Other Recognised Gains And Losses	-	(352,000)	-	-	(352,000)
Transfer amortisation of Restricted Capital fund	566,011	-	-	(566,011)	-
Transfer amortisation of lease premium	45,833	-	-	(45,833)	-
Total Funds as at 31 March 2019	(182,727)	(1,580,000)	-	10,257,350	8,494,623

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

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £
<u>2019</u>					
Fixed Assets	49,744	-	-	10,257,350	10,307,094
Current Assets	184,466	-	-	-	184,466
Current Liabilities	(338,565)	-	-	-	(338,565)
Long-Term Liabilities	(78,372)	-	-	-	(78,372)
Provisions	-	(1,580,000)	-	-	(1,580,000)
	_____	_____	_____	_____	_____
Total Net Assets	(181,727)	(1,580,000)	-	10,257,350	8,494,623
	=====	=====	===	=====	=====
<u>2018</u>					
Fixed Assets	65,773	-	-	10,869,194	10,934,967
Current Assets	234,251	-	-	-	234,251
Current Liabilities	(427,130)	-	-	-	(427,130)
Long-Term Liabilities	(98,944)	-	-	-	(98,944)
Provisions	-	(1,228,000)	-	-	(1,228,000)
	_____	_____	_____	_____	_____
Total Net Assets	(226,050)	(1,228,000)	-	10,869,194	9,415,144
	=====	=====	===	=====	=====

Included within restricted capital funds are amounts of £828,819 (2018 - £874,653) relating to the lease premium received from the Shetland Islands Council during the year ended 31 March 2014.

### 22. OPERATING LEASES

At 31st March 2019 the charity had total future commitments under non-cancellable operating leases as set out below:

	2019 Land & Buildings £	Other items £	2018 Land & Buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	6,331	-	6,331
Within 2 to 5 years	-	4,749	-	11,081
	_____	_____	_____	_____
	-	11,080	-	17,412
	=====	=====	=====	=====

	2019 Plant & Machinery	Other items	2018 Plant & Machinery	Other items
Operating lease payment made in the year	6,331	-	6,331	-
	_____	_____	_____	_____
	6,331	-	6,331	-
	=====	=====	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

### 22. OPERATING LEASES (Continued)

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

### 23. FINANCIAL INSTRUMENTS

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

	2019 £	2018 £
<b>Financial liabilities</b>		
Loan payable falling due within 1 year	18,660	17,960
Loan payable falling due between 2 – 5 years	59,773	69,165
Loan payable falling due after 5 years	18,599	29,779
	<hr/>	<hr/>
	97,032	116,904
	=====	=====

The loan financing is in the form of two secured loans. The first has a fixed interest rate (being 4% per annum over the Bank's base rate) and is due to finish in November 2025. The second has a variable interest rate (being 4% per annum over the Bank's base rate) and is due to finish in February 2022. The total interest paid during the year was £4,977 (2018 - £5,413).

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

	2019 £	2018 £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(568,521)	(610,339)
Adjustments for:		
Interest paid	4,977	5,413
Depreciation charges	637,418	640,843
Loss on sale of fixed assets	9,120	951
(Increase)/decrease in stocks	1,859	(614)
(Increase)/decrease in debtors	(13,439)	446
Increase/(decrease) in creditors	(89,265)	103,507
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	(17,851)	140,207
	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

	£	2019 £	£	2018 £
<b>INCOME</b>				
Donations and business sponsorships		12,546		4,189
Revenue grants received		940,757		973,758
<b>Box office/programme</b>				
Box office income	458,390		505,193	
Hire of rooms	86,104		72,820	
Membership sales	12,191		13,142	
Total	_____	556,685	_____	591,155
<b>Ancillary Earned income</b>				
Food and beverage	521,111		541,131	
Foyer	113,911		107,188	
Retail	94,367		82,418	
Box Office commission	8,164		8,169	
Exhibition sales commission	5,045		5,675	
Screen advertising	15,468		18,993	
Total	_____	758,066	_____	763,574
<b>Other Earned income</b>				
Education and training income	132,998		103,928	
Miscellaneous	25,172		9,755	
Total	_____	158,170	_____	113,683
<b>TOTAL INCOME FOR YEAR</b>		<b>2,426,224</b>	<b>2,446,359</b>	
<b>LESS:</b>				
Catering purchases	257,265		258,410	
Shop and gallery purchases	59,012		51,591	
	_____	316,277	_____	310,001
<b>Development expenditure:</b>				
Programme	128,681		175,596	
Travel and subsistence	52,563		44,260	
Marketing	-		10	
Salaries and NIC	147,567		147,358	
Other staff related costs	820		382	
	_____	329,631	_____	367,606
<b>Surplus carried forward to next page</b>		<b>1,780,316</b>	<b>1,768,752</b>	

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

<b>Surplus brought forward from previous page</b>	<b>1,780,316</b>	<b>1,768,752</b>
<b>Operations expenditure:</b>		
Programme	177,705	193,896
Travel and subsistence	5,654	7,637
Marketing	22,056	24,149
Salaries and NIC	779,342	800,198
Other staff related costs	835	3,074
	985,592	1,028,954
Strategic marketing	8,540	10,871
Grants paid to individuals	12,601	12,333
Support staff salaries	263,787	247,476
Other staffing costs	6,903	17,701
	270,690	265,177
<b>Overheads</b>		
Print, postage and stationery	3,882	5,236
Small equipment purchases and hire	18,813	8,215
ICT	22,323	29,394
Operating lease - equipment	14,305	15,146
Electricity	87,326	94,367
Telephone and fax	8,915	9,274
Cleaning	65,693	64,120
Hospitality	85	35
Legal and professional fees	12,302	16,460
Bank charges	18,610	14,922
Publications and subscriptions	1,565	2,777
Licences	36,540	37,881
Rates	17,224	16,678
Rent	460	706
Repairs and maintenance	63,863	53,245
General overheads	(374)	54
Insurance	33,438	31,927
Website costs	3,522	5,413
Depreciation	637,418	640,843
Bank interest	1	15
Loan interest	4,977	5,413
Bad Debts written off	1,500	-
Loss on disposal of fixed assets	9,120	950
	1,061,508	1,053,071
Amortisation	(611,844)	(611,844)
Governance costs	9,906	8,685
	<b>43,323</b>	<b>1,505</b>
<b>SURPLUS FOR THE YEAR</b>	<b>=====</b>	<b>=====</b>