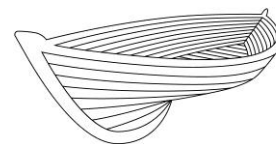


**Shetland Arts Development Agency**  
**Board of Trustees Meeting**  
**Thursday 3<sup>rd</sup> October, 6pm**  
**Venue: Bonhoga Gallery, Weisdale**



**Shetland** *arts*

**Priorities 2012 – 2015:**

- Customer experience
- Footfall
- Impact

Item	Description	Report	Item taken by	ACTION
<b>1</b>	Welcome, apologies and declaration of interest	Verbal	Chair	Note
<b>2</b>	<b>Finance and Management</b>			
2a	Management Accounts: September 2013  Cash flow position	Attached: Management Accounts September 2013  Cash flow September 2013	Head of Finance and Administration	Note
2b	Annual Accounts 2012 - 2013	Attached: Annual Accounts 2012 - 2013	Chair  A9 Accounts – Paul Heatherington	Approval
2c	Overview of Mareel performance Year 1 (Aug 2012 – Sept 2013)	Attached: Summary review against 2008 - 2013 Business Plan.  Verbal update on Café Bar Operations	Director  Head of Operations	Discussion
2d	Business Plan review, organisational change and implementation	Attached: Proposed timetable for review and implementation	Director	Approval
<b>3</b>	<b>Any Other Business as agreed by the Chair at the start of the meeting</b>		Chair	
<b>4</b>	<b>Dates of future meetings</b>			
4a	<b>Future SADA Board Meetings:</b> Thursday 14 November, 6pm	List of dates for 2013 attached: Note revision to November date.	Chair	

Shetland Arts Development Agency  
Estimated Management Accounts By Department  
For six months ended 30 September 2013

**All Departments (exc Mareel capital)**

	Actual Year-to-date £	Budget Year-to-date £	Estimated Oct-Mar 14 £	(Over)/ Underspend £	Estimated Y/E 31 Mar 14 £	Annual Budget £
<b>Income</b>						
Box Office	267,554	299,428	292,969	-31,874	560,523	575,266
Ancillary Earned Income	464,976	438,299	446,589	26,677	911,565	809,543
Other Earned Income	319	50	0	269	319	100
Business Sponsorship	2,000	500	0	1,500	2,000	1,333
Donations, Trusts, etc	2,166	1,250	500	916	2,666	2,500
Revenue Creative Scotland	106,000	106,000	106,000	0	212,000	212,000
Project Funding Creative Scotland	34,939	21,500	24,000	13,439	58,939	44,500
Local Authority Project Funding (SIC)	4,100	0	0	4,100	4,100	0
Other Public Funding	17,037	0	0	17,037	17,037	0
SCT Planned Maintenance Funding	18,539	44,884	25,002	-26,345	43,541	89,767
SCT Core Funding	348,020	348,020	348,018	0	696,038	696,038
	1,265,650	1,259,931	1,243,078	5,719	2,508,728	2,431,047
<b>Expenditure</b>						
All Staff Costs	614,244	620,269	629,269	17,411	1,243,513	1,246,029
Programme	231,336	151,870	203,153	-58,261	434,489	294,837
Marketing	11,794	20,998	9,350	35,979	21,144	41,494
Education	6,170	34,531	34,087	54,424	40,257	55,280
Project Overheads	0	0	0	2,261	0	0
Other Expenses	0	0	0	348	0	0
Marketing (Strategic costs)	4,649	5,000	2,500	2,562	7,149	10,000
General Overheads	401,727	419,925	360,369	-39,853	762,096	783,383
	1,269,921	1,252,593	1,238,728	14,870	2,508,649	2,431,023
Net Surplus/(Deficit)	-4,271	7,338	4,350	11,609	79	24

Figures Ex Mareel/WSC				
Annual Budget £	Budget Y-T-D £	Actual Y-T-D £	Estimated Y/E 31 Mar 14 £	Variance £
61,066	42,330	49,596	52,596	7,266
128,758	73,964	72,801	126,118	-1,163
100	50	235	235	185
1,333	500	2,000	2,000	1,500
2,500	1,250	2,166	2,666	916
79,931	39,966	39,966	21,648	0
4,500	1,500	34,939	38,939	33,439
0	0	4,100	4,100	4,100
0	0	17,037	17,037	17,037
89,767	44,884	18,539	43,541	-26,345
696,038	348,020	348,020	696,038	0
1,063,993	552,464	589,399	1,004,918	
661,318	327,913	321,084	632,334	-6,829
66,700	37,799	82,448	120,198	44,649
5,494	2,498	4,482	4,832	1,984
31,000	21,751	4,559	23,780	-17,192
0	0	0	0	0
0	0	0	0	0
10,000	5,000	4,054	6,554	-946
289,457	153,190	119,280	210,243	-33,910
1,063,969	548,151	535,907	997,941	
24	4,313	53,492	6,977	0

Mareel/Westside Cluster				
Annual Budget £	Budget Y-T-D £	Actual Y-T-D £	Estimated Y/E 31 Mar 14 £	Variance £
514,200	257,098	217,958	507,927	-39,140
680,785	364,335	392,175	785,447	27,840
0	0	84	84	84
0	0	0	0	0
0	0	0	0	0
132,069	66,034	66,034	190,352	0
40,000	20,000	0	20,000	-20,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
1,367,054	707,467	676,251	1,503,810	-31,216
584,711	292,356	293,160	611,179	804
228,137	114,071	148,888	314,291	34,817
36,000	18,500	7,312	16,312	-11,188
24,280	12,780	1,611	16,477	-11,169
0	0	0	0	0
0	0	0	0	0
0	0	595	595	595
493,926	266,735	282,447	551,853	15,712
1,367,054	704,442	734,014	1,510,708	
0	3,025	-57,763	-6,898	-31,216

## **Notes Estimated SADA Management accounts to 30<sup>th</sup> Sept 2013**

### **Overall summary**

At the half-year point we are estimating a deficit position for Shetland Arts as a whole of £4,270. Much of the focus on our figures for the year-to-date has revolved around the fact that a surplus exists in Charitable Trust funded areas of the organisation, while a deficit is being created in Mareel. You will see that while this is still the case, this deficit has been reduced. This is due to how we have presented our figures and hopefully shows you the importance for us of looking at the organisation as a whole.

We made a decision in our budget setting to assign an element of Creative Scotland revenue funding as well as Shetland Charitable Trust revenue funding to all areas of our operation. Creative Scotland is supportive of all aspects of what we do, but in recent years, given their investment in Mareel, have no issue with us directing their funding solely to Mareel. SCT has expressed their view that their revenue funding should not be utilised for Mareel, while accepting that this funding does support our Management and Admin function in a similar way to other organisations.

In the figures presented, we have therefore shown the effect of allocating the budgeted sum of Creative Scotland revenue funding for the Garrison, Weisdale Mill and the Admin and Management function to Mareel instead, leaving £10,824 of the total £106,000 received to date within the Arts Development budgets.

Historically, Shetland Arts Development Agency paid an office rental of £37,000 to Bolts Shetland Ltd. As a result of the transfer of all staff to Mareel, this was identified as an overall budget saving to the organisation. To recognise this impact on our budgets we have shown the transfer of £18,500 to reflect the notional rental of office space in Mareel for our Admin function.

### **Analysis of Departments**

#### **Arts Development**

There is currently a surplus of £23,603 showing in this area, this being a reflection of grant and other income received in advance of this being spent on projects undertaken by Arts Development staff.

#### **Mareel**

We are currently showing a deficit of £29,233 for all departments of Mareel.

At a 6 month review of Mareel performance against budget in April 2013 a number of areas in which budget estimates were not reflecting experience. The key areas of concern were Energy costs and Mareel Music programming. Fortunately both provide opportunity for mitigating action.

#### **Music Hall Programming**

Shetland Arts programmed Mareel with acts booked some 18 months in advance, at a time before management had the benefit of experience of the venue in operation, its impact on audience patterns of use and the potential levels of external hires/co-promotions. The contractual commitments made at an early stage (including travel and accommodation spend) reduced options for savings from cancellations.

Audience numbers into the Music Hall have been below estimated figures and costs have been higher. From May 2013 Shetland Arts has pursued a revised programming strategy increasing activity in partnership with local promoters and reducing direct programmed activity by Shetland Arts. There was also a sense that the venue may have been over programmed in light of a general increase in live ticketed events in Shetland over the past 18 months.

Over the remaining 6 months of 2013-14 there will be some additional cost in relation to artists booked before this change of strategy. While we do not anticipate making significant additional money over this period to re-coup the deficit here, we hope to cap this figure at the current level and ensure that budgets going forward breakeven.

#### Energy use estimates

The initial electricity contract which we signed ourselves up to was set at a higher rate. We were informed that at the six month mark we would be able to lower our rates by half. Our budgets were set to reflect this change taking place in June 2013, but unfortunately, it was mid-August before the change took place. This extended period at the higher rate has cost us £12,750, but going forward our cost per month has been reduced to approx £3,500 per month. The extra cost is therefore a one-off cost.

#### Cafe/Bar & Foyer

Cafe/Bar takings are estimated to be very close to our budgeted figure. We have not seen any real seasonal variation in our budgets over the summer, which we thought we might, but nonetheless we are managing to keep income on track, with the influencing factor being the activity going on in the building. Our costs are running higher than we would like, but we continue to strive to improve this.

Foyer takings are estimated to be approx £10,000 ahead of budget. Our budgeted margin for Foyer was identified during the Baker Tilly review of our figures as too high, so it's not surprising that cost of sales is also ahead of budget here, running at roughly 46% of turnover.

#### Film

We have recognised through activity to date, that fluctuations in Film attendance directly correlates with the Films available, rather than any seasonal trend. The film box office income is currently estimated to be £29,629 behind budget with a poorer overall film attendance particularly in September. We have also not budgeted for any change in September to recognise the fact that Screenplay would take up a week of the month. The income from Screenplay has been added to the Festivals Department (Dept 53). We are still hopeful that a few blockbusters over the remaining 6 months of the year will ensure income levels catch up here. Our programming costs are running at an average of 45%, so we would also like to see a reduction achieved here is possible as our budgets were set at 41%.

#### **Garrison Theatre**

There hasn't been a great deal of activity in the Garrison beside external hires, which to date has meant our overhead and staffing costs here have been lower than expected and a surplus of £22,774 exists. Approximate half of this saving to date relates to money as yet unspent on Planned Maintenance work.

## **Weisdale Mill**

There is a projected surplus as at 30<sup>th</sup> September for Weisdale Mill as a whole of £11,153.

The Shop is currently exceeding our sales expectations by £2,762, with cost of sales also less than budgeted. The cafe shows a surplus of £9,668 which will probably reduce slightly once all the summer staffing costs are fully added (casual staffing paid a month in arrears) but overall we're very happy with how well Bonhoga is performing operationally.

The Exhibition budget is also currently showing a surplus of £3K, which may in part be due to the receipt of £3,827 funding from SNH which has not yet been spent, however the remainder of the year is also looking good. The Cluness Sisters Exhibition opened last Friday (20<sup>th</sup> Sept) and is looking like our best selling exhibition to date, behind Dennis Coutts Sixties Exposure Exhibition. Dennis also returns this January with another show which should ensure we can exceed our income target for commission, but also increases footfall to Bonhoga, which makes for better sales, particularly in the Cafe.

## **Admin/Management**

A deficit of £31,736 is projected for our Admin/Management Departments to 30<sup>th</sup> Sept. This is after the transfer of £22,557 Creative Scotland Revenue funding to Mareel and the adjustment of £18,500 for Office space as explained above. I would also draw your attention to £3,955 of one-off spend in the Box Office (Dept 52) in respect of an upgrade to the software used. We have agreed to meet this cost, with the SIC providing a further 50% of the costs, plus the ICT support required.

## **Conclusion**

Shetland Arts has incurred a range of spend in the first 6 months of 2013-14 which forms part of our first year of operation in Mareel. We have looked to address any variations from budget at an early stage and make changes where we can. There are some one-off costs which impact on our overall budgets and our cash flow, but we are hopeful that through management action we can show a breakeven position at the year-end.



**SHETLAND ARTS DEVELOPMENT AGENCY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2013**

**Charity Number SC037082**

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

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2013**

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# SHETLAND ARTS DEVELOPMENT AGENCY

## TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS

### Trustees

James Johnston	Resigned February 2013
Danus Skene, Chair	Appointed December 2010
	Appointed as Chair February 2013
Irvine Tait, Vice Chair	Appointed February 2011
	Appointed as Vice Chair February 2013
Robina Barton	Appointed May 2008 (re-appointed November 2011)
Mark Burgess	Resigned October 2012
Steven Cheverton	Appointed December 2012
John Dally	Appointed December 2009 (re-appointed August 2013)
Joyce Davies	Resigned October 2012
Jill Franklin	Appointed December 2012
John Goodlad	Appointed September 2008 (re-appointed November 2011)
Leslie Lowes	Appointed December 2009 (re-appointed August 2013)
Michael Palmer	Appointed December 2012
Silke Reeploeg	Appointed December 2010
James Sinclair	Resigned October 2012

### Director

Gwilym Gibbons

### Address

Shetland Arts Development Agency  
Mareel  
Lerwick  
Shetland  
ZE1 0WQ

### Auditors

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

### Bankers

Clydesdale Bank plc  
Commercial Street  
Lerwick  
Shetland ZE1 0JJ

### Solicitors

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

### Founding Trust Deed

Registered BC & S on 13 January 2006

### Charitable Status

Scottish Charity No. SC037082

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **CHAIRMAN'S MESSAGE**

**YEAR ENDED 31 MARCH 2013**

The year being reported upon has been dominated at Shetland Arts by the opening of Mareel in August 2012. This has changed the nature of Shetland Arts, which was previously mostly reliant on grant income to promote cultural activity in Shetland, although already committed to the process of increasing its earned income. Total incoming resources, excluding restricted capital funds has increased by 45%, and Shetland Arts is now a social enterprise committed to reducing its dependence on revenue funding to 35% of its total income. It now has a greatly higher profile in the community, and the opportunity to do much more.

So my first and very pleasant duty as Chair is to express appreciation of the commitment and practical input of the Director, Gwilym Gibbons, and all his members of staff in managing the move into Mareel together with the massive changes entailed in the scale and focus of Shetland Arts' business. The Mareel project would not have been delivered without Gwilym's energy, vision and resourcefulness, and his leadership has been crucial to the delivery of a high quality programme in turbulent times. Workloads have greatly exceeded the call of duty in the months leading up to and following the opening of Mareel, and to an alarming extent they continue to be excessive.

That is a cue to observing that although everyone has worked through challenging change admirably, Shetland Arts has yet to traverse a process of organisational development that will allow it to settle into the efficient and sustainable management of its affairs into the future. Shetland Arts commissioned a report on the requirements for the coming years from Andrew Ormiston (of Drew Wylie), which in many ways confirmed the direction of travel to which we are already committed whilst clarifying the strategic way forward. I am delighted by the promises of practical support for the change process offered by our partner organisations in the promotion of cultural activity and creative industries in Shetland – Highlands and Islands Enterprise, Creative Scotland, Shetland Islands Council and Shetland Charitable Trust.

The financial background to our achievements to date and plans for future effectiveness is very difficult. As of the end of the period under review – and this is still true in October 2013 – Mareel is neither completed nor fully paid for. This unsatisfactory situation is rooted in significant conflict with the contractors over responsibility for delay in the construction process, and in the difficulties faced by public sector funders in meeting capital costs which have exceeded original expectations.

Meanwhile Shetland Arts, committed to sustainability on our unrestricted funds, is severely challenged by the failure to close the capital account of the Mareel project. These accounts to March 2013 report a deficit of £163,250 in our unrestricted funds. Putting aside depreciation costs which do not impact on cash flow, this loss is fully accounted for by one-off costs, almost all associated with the continuance of the capital project. We have for example been involved in maintaining the professional capital project team, securing legal advice and support in relation to the contract, paying for investigation of our affairs by partner organisations, and using unrestricted funds to buy equipment and furnishings that would enable Mareel to open. The underlying ability of Shetland Arts to pay its way is undermined by the inability to close the capital project. Net outgoing resources by Shetland Arts, however caused, cannot continue. There are severe strains on cashflow. The capital project must be closed, and Shetland Arts does not have the internal resources or earning capacity to achieve this on its own. Whether there will be a message from me reporting on a further year's activity will depend on vigorous performance by Shetland Arts and on assistance from partners with capital requirements.

## **SHETLAND ARTS DEVELOPMENT AGENCY**

### **CHAIRMAN'S MESSAGE (continued)**

#### **YEAR ENDED 31 MARCH 2013**

Meanwhile, Mareel has become an accepted part of the Shetland scene and portfolio of public resources. The phenomenal success of the cinemas at Mareel – 100,000 attendances in a year – is complemented by the success of many auditorium events. The programming of the auditorium has been innovative, but it does require attention in order to be more commercially sustainable, and that is in hand. Mareel is consolidating the support of an increasing audience and customer base.

A further impact of Mareel of which the Shetland public is perhaps insufficiently aware is educational.

In conjunction with Shetland College University of The Highland and Islands, we are providing a venue and facilities that make Shetland a significant centre of musical education. Excellence and expertise will be drawn to Shetland and retained in Shetland, benefitting the economy as well as cultural life. In this and other ways, Shetland Arts will increasingly act as a business incubator in Shetland.

But Shetland Arts is not just Mareel. The Arts Development team has continued to develop its work from previous years, as the Activities, Achievements and Performance section of the Annual Report to The Trustees (pages 8 to 16) later in this document makes clear. Events such as Wordplay, Screenplay and Fiddle Frenzy have been successfully delivered. Bonhoga Gallery has successfully provided an “out-of-town” focus. Work in promoting activity in craft, visual arts, literature, dance, music and drama has taken place throughout Shetland, often in collaboration with and support of community groups and national partners. The Finance and Administration team, Front of House and cafe/bar staff, Production teams, the Bonhoga Gallery team and the dedicated army of much-valued volunteers have all contributed to a year of astonishing achievement. I must repeat thanks to the whole Shetland Arts Team. Whenever there is a worry or a wobble, it is only necessary to cast the mind back a few months to remind oneself of what has been achieved through the hard work, enthusiasm and problem-solving abilities of all the staff. Board members are to be thanked for their patience and persistence in challenging times, supporting staff and reaching for ways forward. I am grateful for the unanimous acknowledgement by Board members of the need to continue to strive towards the changes in the structure and management of Shetland Arts that we all – both Board and staff – recognise as being necessary as we progress towards an exciting future.

Final thanks are due to our partner organisations, who I believe will help see Shetland Arts through to calmer waters, and also to the Shetland public. More and more people are using and appreciating the services and activities we provide, and are recognising that with Mareel a nationally significant centre of excellence is now firmly implanted in Shetland.

I am grateful for the opportunity of contributing as Chair of Shetland Arts to navigating the organisation through the troubled waters of completing the Mareel project, to ensuring our sustainability, and to continuing expansion and development of our contribution to Shetland community life. Shetland Arts has a bright and innovative future.

Danus Skene  
Chairman

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **DIRECTOR'S STATEMENT**

**YEAR ENDED 31 MARCH 2013**

In April 2008 Shetland Arts published its five year Business Plan hot off the back of 'A Hansel for Art: Our Plan for a Creative Future'. Five years on, 2012 to 2013 has been the year in which the vision, ambition and promise set out in Hansel for Art, alongside the practical execution of the challenging Business Plan, delivered a key milestone in the continuing journey of significant growth and change for Shetland Arts.

Shetland Arts has exceeded the challenging targets set out in our Business Plan of 2008 despite arguably the most hostile financial environment in a generation. The breadth and depth of Arts Development work as described in the Annual Report of Trustees (Pg 8-16) is a tribute to the skill, commitment and creativity of our Arts Development Team who have over the past twelve months delivered an extraordinary array of activity under the shadow of an organisation preparing for, and subsequently launching, a major new enterprise in the form of Mareel, Shetland's new music cinema and creative industries education centre. Mareel itself has delivered a highly ambitious programme in its first six months, rapidly establishing the venue as a major cultural attraction both within and outwith the isles.

Embarking on any new enterprise is risky and challenging. When the Board of Shetland Arts and its funding partners green-lit the construction of Mareel and approved Shetland Arts' 2008 – 2013 Business Plan we projected that Shetland Arts would not break even until year 4 of Mareel's opening. This much-reviewed and commented-on Business Plan included revenue funding from Shetland Charitable Trust at levels some £120,761 higher than current levels due to the reductions required to protect the long term investments of the Trust in the face of fallout from the global financial crisis. Mareel's prolonged construction has also had a significant impact on the level of financial success of Shetland Arts over the past year. However, despite the challenges we have faced we are pleased to report that discounting accounting adjustments (as noted in the Financial Review section of the Annual Report to Trustees (page 19) and taking one-off costs mainly related to the delays in construction and the opening of Mareel into account, Shetland Arts has an underlying small surplus of £17,434 in 2012–2013. This positive underlying revenue position demonstrates a strong sustainable foundation for the future of Shetland Arts and the activity we deliver.

Shetland Arts has grown into a highly innovative social enterprise having over the past 12 months moved from a 61% dependence on revenue funding to just 39%. Our total incoming resources, excluding restricted capital funds has grown by 45% over the past twelve months. We are now proud to employ 51 Full Time Equivalent employees which exceeds the employment creation targets we set for our funders in 2008 and we are now generating direct new economic activity of over £1m into the Shetland economy.

The success of the past year's trading does not, however, draw focus away from our determination to continue on our journey of change and improvement. Although we have exceeded the expectations of our Business Plan we know we can do better. Our priorities, to improve and maintain Footfall, Customer Service and Impact, continue to be the guiding focus of adaptation and change. We know in particular that our customer service in the Mareel Café Bar has not met at times the high expectations that Shetland Arts and our customers seek. We also know from our first six months of live music programming in Mareel that there is room to fine-tune activity in order to increase revenue income and reduce costs. In short we believe that the very positive outcome of the first year of Mareel's operation is one which signifies a capacity for improvement beyond all expectations, further reducing our dependence on grant funding and public funding, whilst meeting our core objective of increasing access to the arts.

**SHETLAND ARTS DEVELOPMENT AGENCY****DIRECTOR'S STATEMENT (continued)****YEAR ENDED 31 MARCH 2013**

At the heart of how we move forward is the bedding-in of a new type of organisation: an organisation in which commercial activity sits hand in hand with our subsidised activity. Shetland Arts trading activity is directly related to our charitable purpose and this mission-centric, social enterprise approach presents a real challenge to how we think and act. We believe that the two mind-sets are by no means mutually exclusive; rather, they inform highly creative tensions which focus and improve activity on either side to the greater benefit of our community. We also know that we need to maximise income from commercial activity and use surpluses generated (coupled with grant funding) to support the arts in social care and wellbeing, and the creative economy activity that is so important to the quality of life of those that live, work and study in our islands.

On a personal note the journey that has led Shetland Art to the point of opening Mareel in August 2012 has been an extremely difficult one. The delays with the capital project and associated rising costs, the hostile political environment and the wider economic climate have all taken their toll. As the leader of Shetland Arts I have necessarily been preoccupied with seeing through the capital project at the expense of the wider support of Shetland Arts activity. Regrettably the closing off of the capital project is far from over and the costs associated in completing the construction of Mareel still present a real threat to the organisation as noted in these accounts. I believe that had we not repeatedly examined our plans, prepared, adapted and wholeheartedly implemented what we all believed possible against the odds, ironically at times stimulated by the active efforts of some to discredit us, the strength of results of 2012-2013 would have presented a very different picture today. I am deeply proud of the Shetland Arts team (staff and volunteers) who without exception have gone far beyond what should be expected to see us through this unprecedented period of change and growth.

Finally, I would like to thank the members of the Board of Shetland Arts who have provided solid and considered guidance through stormy waters. The period has seen the Board have to take some of the most difficult decisions that any Board might be required to make. In particular I would like to thank our two Chairs during this period, the outgoing Chair, James Johnston, who has sailed off to warmer waters and the incoming and current Chair, Danus Skene, for taking up the reins and providing strong leadership and support for myself and the staff at such a challenging time. I am extremely proud of what we have achieved and look forward to consolidating our success in the coming year.

Gwilym Gibbons FRSA  
Director – Shetland Arts Development Agency

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **ANNUAL REPORT OF THE TRUSTEES**

**YEAR ENDED 31 MARCH 2013**

The trustees present their report and financial statements for the year ended 31 March 2013.

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

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

The Trustees meet six-weekly to administer the activities of the Agency. The Board comprises a minimum of ten trustees, and a maximum of thirteen. Each trustee shall hold office for a period of three years with power to be re-appointed for a further period of three years. Trustees will retire on the third anniversary of their appointment. In the event of appointment for that further period, such trustees will not be eligible for appointment for a period of three years thereafter. The appointment of new trustees will be the job of a Nominations Committee constituted by three of the serving trustees.

Trustees are normally recruited following public advertisement. The positions of Chair and Vice Chair are voted on by the existing Trustees, and these office holders serve in accordance with the Agency's Standing Orders.

In October 2012, Mark Burgess, Joyce Davies and James Sinclair all resigned from the Board, this led to the appointment of three new trustees, being, Steven Cheverton, Jill Franklin and Michael Palmer in December 2012. February 2013 saw the resignation of our Chairman, James Johnston from the Board. The board voted that Danus Skene should become the new Chairman, and as this left his post of Vice Chairman vacant, they also voted that Irvine Tait take on this role. Les Lowes and John Dally reached the end of their three year term on the board, but were retrospectively re-appointed to the Board in August 2013 by the Board.

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

New Trustees receive individual induction from the Director on appointment, and are encouraged to undertake training as appropriate to their role.

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

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

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

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

**SHETLAND ARTS DEVELOPMENT AGENCY**  
**ANNUAL REPORT OF THE TRUSTEES (continued)**  
**YEAR ENDED 31 MARCH 2013**

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

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

**THE AGENCY OBJECTIVES**

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

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

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

# **SHETLAND ARTS DEVELOPMENT AGENCY**

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

**YEAR ENDED 31 MARCH 2013**

### **ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE**

#### **Introduction**

1. 2012–13 was a tremendously busy year for Shetland Arts. As well as all our usual core activity, we also undertook a number of large scale special projects, sometimes in partnership with national agencies and organisations. All of this took place in the lead-up to the opening of Mareel, our new cinema, music and education venue.
2. Our core activities involve the promotion of the arts Shetland-wide, encouraging participation and increasing access, promoting and supporting new work, encouraging personal skills and community development via the arts. Whilst much of this activity was carried out across Shetland, the opening of Mareel has enhanced our capacity to support artists, provide education and community developmental activities and provide development and entertainment opportunities for audiences.
3. Core activities this year have included (this is not an exhaustive list):
  - Hundreds of Shetland Traditional Dance workshops have been provided to primary schools and other groups and organisations all over Shetland by our Traditional Dance Artist. Dancing is at the heart of many Shetland communities and Maria Leask's activities ensure that the tradition is kept alive by teaching children from nursery age upwards.
  - As part of the London 2012 Festival we undertook a project called Dance Bus. We commissioned choreographer John Morris to devise and rehearse a group of dancers of all ages, who took a bus tour around Shetland on one Saturday in July, performing the dance routine in Yell, Brae, Aith, Sandwick and outside the Shetland Museum, encouraging community participation in each venue.
  - Dance was also an important element of the *Ignition* Project (see partnership projects below) with Parkour classes offered to schools and to the public, contemporary dance sessions taking place in Mareel, and a choreography residency in Wastview Care Centre.
  - Local partnerships included supporting Splinters Youth Theatre in Delting by the provision of regular workshops/rehearsals with our Drama Development Officer. We also worked in partnership with Shetland Amenity Trust's *THING* project, providing production and direction for *Aert-Fast*, a community drama production held in the open air at Tingwall.
  - The Craft Development Officer completed the 2012 Working Up devolved grant scheme, awarding a total of £11,411 to thirteen individual craft makers. This scheme, comprising funding from Creative Scotland, the Shetland Islands Council's Economic Development Department and Shetland Arts is aimed at supporting existing craft practitioners to develop their creative and professional practise.
  - At the Swap Box Textiles exhibition at Bonhoga, workshops for children were delivered by four artists in the cafe, plus a gallery talk.
  - Workshops were held at Bonhoga with Sally Kindberg on cartoon correspondence.
  - Shetland Arts supported the monthly meetings of the Lerwick Writers' Group and the West Side Writers' Group.

# **SHETLAND ARTS DEVELOPMENT AGENCY**

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

**YEAR ENDED 31 MARCH 2013**

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

- Monthly film weekends continued at The Garrison up to the middle of June. These were supplemented by a regular Film Wednesday programme screening classic, documentary and world cinema.
- The Visual Artist Awards (devolved funding) Panel met and awarded four bursaries (a total of £5,000) to local visual artists.
- Shetland Arts was commissioned by the SIC Economic Development Unit to carry out the Quality Assessment of the work by applicants for full membership of the Shetland Arts and Craft Association. Testing is also required for renewal of full membership quality status after three years. Collections of work by ten craft artists were assessed, working alongside an external assessor, and nine were successful. Ongoing support has been offered to all applicants should they so desire it.
- Mentoring and advice was provided to various visual artists, craft makers and organisations, to individual writers, film makers, theatre practitioners and musicians.
- A series of Poetry Immersion Workshops by Jen Hadfield were held at Mareel, the Library and in schools.
- Outreach concerts were held at Bigton Hall (Aziz), Busta House (Oksana Mavrodii), Muckle Roe and Cullivoe (Shetland Meets Appalachia) and Mid Yell (Dean Owens).
- Ongoing support was also given to Shetland Young Promoters' Group (including their Battle of the Bands at Scalloway in March), and to local musicians and music promoters.
- Shetland Arts supported and hosted Ann Cleeves in the launch of her new book in January at Mareel.
- Mareel opened towards the end of August, immediately hosting two concerts by the Scottish Youth Jazz Orchestra and a classical piano recital by Shetland's Neil Georgeson. Music at Mareel in this, the official opening quarter, included events promoted by Shetland Arts or by local promoters, including the SLAM DJs, Cerys Matthews, Himmerland, Matthew Herbert's 'One Pig', Oksana Mavrodii, Shetland Meets Appalachia, Dougie Maclean, Aberfeldy, Abba Magic and the guitar festival; and events promoted by local community organisations such as the Community Orchestra, Shetland Choral, Shetland Young Promoters ('Rocktober') and Shetland Jazz Club (Tommy Smith's Karma).
- From January to March the music programme included the ever popular Fiery Sessions, Tam Coyle DJ (Up Helly Aa hop), the Kris Drever Trio, Tim Garland (as part of the Shetland Jazz Festival), Dean Owens, Donnie Munro and the Bon Accord Silver Band.
- The Shetland Young Musician of the Year event took place at Mareel for the first time this year.
- Informal events in the Cafe Bar proved very popular indeed with Traditional Sessions, Jazz in the Afternoon and monthly local DJ 'Mixology' events taking place there, as well as monthly Singer Songwriter evenings.

#### **4. Arts, Health and Well-being**

Shetland Arts has continued to develop arts activities in this area. These have included:

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

- a) A Shetland Arts/Alzheimer Scotland collaboration was formed, as part of a national initiative to improve the lives of people suffering from dementia through involvement in arts and creativity. Regular knitting sessions were initiated in Mareel for dementia sufferers, their carers and anyone else interested. Monthly meetings for family carers have since drawn on other art forms.
- b) The Visual Arts Development Officer continued her efforts to find follow-on funding for the Arts and Restorative Justice Project, *Space2Face*. She was successful in gaining a Creative Scotland grant to fund her attendance at the Institute of Restorative Practices 15<sup>th</sup> Annual World Conference in Pennsylvania where she delivered a workshop on the Shetland project along with a member of the Community Mediation Team. The project, a partnership between Shetland Arts, Shetland Community Mediation Team, the Reporter to the Children's Panel and the SIC Criminal Justice Social Work Department, works with young offenders to help them produce art works for those affected by their actions. *Space2face* has been running since 2009, and the additional funding was being sought so that artists could be employed to deliver the activities. In the meantime, the Visual Arts Development Officer delivered the sessions herself, working with young people who had been brought to the attention of the Children's Panel and the criminal justice system. This project remains unique in Scotland.
- c) Planning continued for an extension of the existing 'Arts in Care Homes' project, training care staff to undertake arts activities with residents.
- d) The Literature Development Officer undertook weekly sessions with the 'Just Writing' Group, with clients of the Community Mental Health Team.
- e) Working with our partner, Shetland Film Club, a special screening was provided at The Museum as part of Alzheimer's Awareness Week, and a screening of archive films was undertaken at Montfield Support Services Unit.

### 5. Education

Shetland Arts has been delivering music education to secondary school pupils and Further Education students prior to this year, but the opening of Mareel has meant that we could transfer the further education students to a learning environment based in a working, professional venue. As far as we are aware, this is unique in the UK. The NC and new HNC courses delivered by Shetland Arts as part of a Service Level Agreement with Shetland College/UHI saw 30 students signing up for three courses. We also actively supported the first two local students on their new BA Applied Music Course, delivered online across the UHI network.

On the 18th of December Mareel's main auditorium hosted a performance of original creative work inspired by the natural phenomenon which gave Shetland's new arts venue its name. "Mareel" is a Shetland word for bioluminescence – light emitted by chemical reactions in tiny organisms. This elusive light effect has been observed by fisherman and a fortunate few others over the years. Shetland College's art and music departments worked together to explore the theme of 'mareel' in some exciting and innovative ways. 10 HNC Music students prepared a

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

diverse set of original compositions using a range of instruments in different combinations. Electric guitar, fiddle, piano, cello, saxophone, and trumpet all featured alongside more experimental sounds. The audience also heard audio samples of interviews from people who had seen mareel first hand. These new music pieces were accompanied by video and photo projections of work by 8 third year BA Contemporary Textiles students. Photographs from sketchbooks and abstract compositions were interwoven with images of plankton, underwater photography (courtesy of former diver, Kenny Gifford) and video footage of the students themselves. Following on from the performance of the compositions there was an interactive art workshop using digital media with live music. Students, staff and the public were invited to participate in an exciting experiment which involved using an iPad as a way of conducting the musicians through live picture scores.

Evening class courses were also provided in live sound recording.

Edinburgh-based Shetland writer Christine de Luca was commissioned to undertake a month-long writer's residency for primary schools throughout September.

Hundreds of traditional dance workshops were provided to schools across Shetland.

#### 6. Exhibitions

The Bonhoga Gallery had a busy exhibition programme, with artists of local, national and international significance. These included:

- a) *Portage – Anchor Points* by Jayne Wallace, a digital artist with a background in contemporary jewellery, considered how jewellery can play a role in what we each consider meaningful and how the expression of this can be enriched by digital technologies. The exhibition stemmed from work done with two Shetland fishing families in 2010.
- b) *Those who left – those who stayed behind* was by Susan Leask, whose father was one of six children born in the first decade of the 20<sup>th</sup> century in Shetland; three left and three stayed. Now living in Liverpool, Susan undertook a residency at The Booth in Scalloway wherein she spoke to Shetlanders about why they had left, why they had returned, and why they had stayed, and this exhibition was a direct response to her findings.
- c) *Particle (II)* was the work of Ann Bevan, and was an installation of sculpture, print and video exploring the microscopic world of our shores and oceans from the North Atlantic to The Sea of Japan.
- d) *Text-Isles: Swap Box* ran from late September to early November. Text-Isles is a collective of contemporary Shetland textile designers who collaborate to promote their own work. For this exhibition each designer-maker received a 'starter box' containing basic materials such as cotton, fleece or wool to which they added items representing their own interpretation of an aspect of Shetland culture, and some of their making processes or design inspirations. The box was then swapped with that of another designer-maker and used as the inspiration for a new body of work for exhibition. There was also a print exhibition in the Lower Gallery and an exhibition of textile jewellery from around the UK in the craft cabinet.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

- e) *Christmas at Bonhoga* incorporated art and craft collections from studios and designers based in Shetland and throughout the UK. Meanwhile, in the Lower Gallery, there was an exhibition by local artist Stephen Gordon and illustrator Sally Kindberg called *Smirk to Sally Kindberg*.
- f) *The Shetland Open* exhibition took 'landscape' as its theme, and welcomed entries from amateur, professional and student artists and craft makers who were linked to Shetland by birth, education or residency. The Lower Gallery featured work by local photographer Tim Large, and by Shetland children in the *Shetland Open for Bairns* exhibition during this period.
- g) Our first 'Renegade Week' – a pop-up exhibition for one week only was *The Art of Ping Pong* by Jono Sandilands. This featured a specially adapted ping pong table which recorded where the ball made contact during a game, and printed this in colour to paper, allowing the players to interact with it, creating original pieces of artwork in the process.
- h) *Numbers*, was a showcase for the Veer North local artists' group. An exhibition of watercolours by artist Linda Newington was in the Lower Gallery during the same period, whilst the craft cabinets displayed work by craft makers from across the UK.
- i) Local craft maker Helen Robertson's work was featured in The Stairwell.
- j) There were works exhibited by the Shetland Arts and Crafts Association, drawings and paintings by Laura Drever (*Bosquoy*) and work in progress from the *Farlin* poetry and craft project (see Partnership Projects).

In addition to the exhibitions at Bonhoga, we were able to utilise the space in the Upper Cafe Bar at Mareel to exhibit giant canvases by Callum Moncrieff, as well as an exhibition by local photographer Calum Toogood in the downstairs Cafe Bar.

An additional 'time capsule' event, *A Hansel for Mareel* took place in Mareel to mark the installation of time capsules within the structure of the building during the construction period. Shetland Arts had invited the public to record their feelings towards the building, either positive or negative, in a 3 inch screw-top jar. A total of 62 small jars containing art work, the great majority of them by local people, were hidden in the walls and fabric of the building where they will remain forever.

### 7. Festivals

Shetland Arts undertook a number of large scale festivals itself and hosted festivals by other groups. Shetland Arts' own festivals included:

#### a) Fiddle Frenzy

Our 9th annual Fiddle Festival, Fiddle Frenzy, took place in August at The Garrison Theatre, Burravoe Hall and Walls Hall. It included performances by the Harris Playfair Big Band, The Jenna Reid Band, Ross Couper and Tom Oakes, Blazing Fiddles, Bryan Gear and Violet

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Tulloch, Corran Raa and Maggie Adamson and Brian Nicholson. There were 77 students from the UK, Australia, the USA and Scandinavia. There were a total of 95 workshops over the seven day event (including the preceding workshops with Harris Playfair), 7 concerts and a lecture, with attendance of 1,259 at the concerts. Fiddle Frenzy, whilst attracting international participation, remains an intrinsically developmental event for Shetland Arts, using local tutors and bands, and developing the skills of young tutors.

#### b) Wordplay

Our 11<sup>th</sup> annual book festival featured writers and poets of national and international repute. Curated by the Literature Development Officer and a group of volunteer Shetland curators, this year's festival featured crime novelist Val McDermid, journalist and author Sally Magnusson (along with her illustrator husband, Norman Stone), Scottish poets John Burnside and Robin Robertson, novelists Rodge Glass and Neil Butler and Swedish author Karin Altenberg. Shetland author and poet Christine de Luca was also there, and we were proud to launch a new novel by Shetland writer Marsali Taylor. Scottish Opera also visited Wordplay with their musical story for 4 – 8 year olds, *A Little Bit of Northern Light*. The Shetland Young Writer Awards were presented at the festival. All in all there were 16 events with 563 in attendance.

#### c) Screenplay

Fronted by film critic Mark Kermode and film historian Professor Linda Ruth Williams, our 6<sup>th</sup> annual film festival ran from 31<sup>st</sup> August to 9<sup>th</sup> September, with 74 screenings and over 4,200 in attendance. This year's theme was 'It's Dark Up North', celebrating Scandinavian 'noir' film. In addition, there were special appearances from actress Miranda Richardson and director Bill Forsyth who spoke about their careers and their work. We also hosted director Alexandre Philippe from Colorado USA, who spoke to screenings of his documentary work, and director Anthony Baxter, who made 'You've Been Trumped' about the battle between Donald Trump and the locals over his plans to build a golf course on the Aberdeen dunes. The festival also featured marathon screenings from our Cultural Olympiad project, Hansel of Film, and some of the film makers, runners and venue operators from across the UK attended. Thanks to the technology available in Mareel, Mark Kermode was able to broadcast his and Simon Mayo's weekly BBC Radio 5 programme live from the festival. Outreach screenings took place at the museum and at Skerries School and Brae School.

d) **The Shetland Guitar Festival** took place in Mareel in late October, with two concerts and associated workshops from guitarists of international calibre.

e) Mareel also hosted the **Shetland Blues Festival** within weeks of opening.

#### f) Up Helly Aa

The Fiery Sessions, Stand-Up Helly Aa and Tam Coyle DJ event all took place at Mareel, as did one of the Hop events. SADA worked with Promote Shetland to ensure that Up Helly Aa itself could be live-streamed.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

#### 8. The Garrison Theatre

The Garrison Theatre hosted a number of shows over the past year, including *The Young Fiddler of the Year*, *Shetland Forwards Variety Concert*, and *Shetland's Got Talent*. One of the Shetland Jazz Festival concerts also took place there, as did the launch of the Hansel of Film Project and monthly screenings of popular films. Six Fiddle frenzy concerts took place there, as well as A Shetland Showcase, a Traditional Variety concert and another inspired by the Shetland Bus. The Shetland Country Music Club held a number of concerts there during the year and there were concerts by the Kirkwall City Pipe Band, and by children from the local Singing Saturday group (A Song and Dance for Christmas).

The Garrison was the venue for Islesburgh Drama Group's biannual pantomime, *Sinbad the Sailor*. The Garrison also hosted Scottish Opera's touring version of *La Traviata* in October, and the annual County Drama Festival in March.

#### 9. Cinema at Mareel

The cinemas have proved to be a massive hit with the public, with attendances well exceeding the business plan forecast.

Working alongside our programmers, City Screen Virtual Ltd, screenings were programmed to appeal to as wide an audience as possible, as well as to niche and special interest audiences, with mainstream, blockbuster, independent, world cinema, documentaries and classic films all included. Special events included screenings for LGBT History Month, World Holocaust Day, International Women's Day and Year of the Faith.

The programme includes regular screenings for those with autism and additional support needs, soft-sub-titling for the hard of hearing, parent and baby screenings and screenings at times that appeal to senior citizens.

#### 10. Partnership and One-Off Projects

2012–13 turned out to be a year of significant partnership projects, including:

##### a) Roofless – UZ Arts and Buzzbeak

Shetland Arts partnered UZ Arts in a national project for the Year of Creative Scotland, *Roofless*. This was a series of five large-scale open air events taking place across Scotland, and the Shetland one was aimed at the country shows. Artist Sumit Sarkar designed a giant, kinetic metal condor – Buzzbeak – that was made from a Land Rover, and which delighted and intrigued people of all ages and interests who attended the agricultural shows at Voe, Cunningsburgh and Walls. It was accompanied by a moveable recording studio where people were invited in to record their responses, musical or spoken, to the giant bird. The idea behind 'Roofless' was to take the arts to places where they could most easily be accessed by the public, and the three main Agricultural Shows are some of the most popular and well-attended events in Shetland, and are totally grounded in the community making them the perfect venues for the giant bird.

**SHETLAND ARTS DEVELOPMENT AGENCY****ANNUAL REPORT OF THE TRUSTEES (continued)****YEAR ENDED 31 MARCH 2013****ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)**

Buzzbeak has since gone on display at four other Scottish venues, and will also tour Europe.

**b) Ignition**

Ignition, a large-scale multi-media, site-specific production based on our relationship with the car, was undertaken with the National Theatre of Scotland (NTS), based on a proposal from Shetland Arts. The project was directed by Wils Wilson, with Shetland Arts' drama development officer John Haswell as Associate Director. An extended period of schools workshops and other activities started in October 2012 across the whole of Shetland, leading up to the final performances at the end of March 2013 at sites in Brae, Levenwick, Bigton, Cullivoe, Gutcher and Sullom during the last week of March. Community engagement included workshops in singing, sound recording and engineering, dance, Parkour (free running) and knitting, as well as an extensive rehearsal schedule with a cast taken in its entirety from the community. A book relating tales of Shetlanders' relationships with and attitudes to their cars was produced by local writer Jacqui Clark, and the music for the project was composed jointly by Hugh Nankivell from the NTS and JJ Jamieson at Shetland Arts (this was later nominated for an award by the Scottish Theatre Critics Association). A wide range of individuals and community groups were involved, and there was a choreographer in residence working with the frail elderly at Wastview Care Centre. The final performances attracted reviewers from national newspapers and the BBC, and it was well-received by all.

**c) Hansel of Film – Shetland to Southampton and Back**

This was Shetland Arts' London 2012 festival project, 100% funded by the Olympic Lottery Fund and Creative Scotland, and building on the success of the 'home made' screenings at Shetland's annual film festival, Screenplay. We commissioned a website inviting film makers of all ages and walks of life to submit their films of no more than five minutes in length; 280 films were submitted from 176 film makers across the UK. From these, programmes of short films were screened at 23 venues around the UK, from Shetland to Southampton and back, including Wales and Northern Ireland. A programme of Shetland short films was also screened at each venue, and proved very popular with audiences. The films were carried between the participating venues by 'relay runners', i.e., enthusiastic individuals who would find creative ways of getting from one venue to the next. Over 100 volunteers took part in the project, and it was featured on the BBC's Culture Show. The finale was held at Mareel during the Screenplay Festival, when all the featured films were shown in marathon screenings during the ten day period. The project saw us working with agencies, groups and individuals across the UK and Northern Ireland, including Creative England, Northern Ireland Screen, Yorkshire Film, Arts Council of Wales, Regional Screen Scotland, and many, many others.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

#### d) Farlin

This was a poetry and craft project undertaken in collaboration with Fife Contemporary Arts and Craft and with Stanza, Scotland's poetry festival. Shetland poets and craft makers were partnered with poets and makers from Fife to create an exhibition which was shown at Wordplay, Shetland's annual book festival, and is to be shown at Stanza in March 2013. The poets and makers worked in pairs, inspiring each other to create individual works of art.

### 11. Conclusion

Despite the massive challenge of working towards the opening of Mareel, Shetland Arts still managed to deliver a very full programme of arts development, education and entertainment activities during 2012-13. Although the construction challenges often seemed to dominate the agenda, and funding for the arts was extremely hard to find, the organisation remained true to its overarching purpose of developing the arts for all in Shetland.

### VOLUNTEERS

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

### PLANS FOR THE FUTURE

The biggest single challenge that confronts Shetland Arts is the need to improve its entrepreneurial / commercial performance to offset potential future reductions of grant aid. SADA cannot predict how much or how fast the reductions will be, but it is almost certain to happen and therefore this must be the focus of the charity over the current planning horizon. It is a simple fact that if the company does not increase earned income, the business plan will not be delivered and a vicious cycle of cuts may follow resulting in an ever more desperate and self-defeating attempt to balance the books. Shetland Arts' income targets are heavily reliant on **footfall** and as such the need to maintain and attract **customers** is key to our sustainability. Our future plans are all focused to deliver on three priority areas:

**Customer experience:** We will strive to reach the highest level of customer care, artist care and artistic experience. We recognise that the repeat visit and/or peer recommendation is vital to the future of Shetland Arts' sustainability.

**Footfall:** We will focus on increasing visits, attendances to our venues and participation in our activities. Maximising secondary sell within venues, between venues and through online content exploitation.

**Impact:** We will seek to generate trading income from visitors, audiences and customers with a strong focus on meeting 'spend per head' targets. To aid customer experience and footfall we will raise awareness of the wider positive economic and social impact of Shetland Arts activity through a proactive communication strategy. We recognise the need to improve the standing, knowledge and understanding of Shetland Arts activity within the Shetland community.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### FINANCIAL REVIEW

Total Incoming Resources for the year were £2,773,987 (see page 24). This includes Capital funding received of £459,000 (2012 - £3,012,736) for the Mareel Capital Project. The remainder of Incoming Resources for the year, £2,314,987 (2012 - £1,591,836) is made up as follows;

	2013		2012	
Revenue funding	£908,038	39.2%	£973,529	61.1%
Planned maintenance funding	£24,337	1.1%	£26,433	1.7%
Project funding	£482,130	20.8%	£225,319	14.2%
Income generated from activities	£895,275	38.7%	£361,141	22.7%
Donations and sponsorship	£5,180	0.2%	£4,068	0.2%
Investment income	£27	0.0%	£1,346	0.1%

We received annual revenue funding of £696,038 from Shetland Charitable Trust (SCT) and £212,000 from Creative Scotland. Both funding bodies have agreed a three year, stand still funding package which covers the period from 1 April 2012 to 31 March 2015, by annual agreement. We were also provided with £24,337 planned maintenance funding by SCT towards the upkeep of Weisdale Mill, the Garrison Theatre and the Toll Clock Office.

Project funding in the year came from various sources, including the London Organising Committee of Olympic and Paralympic Games, Creative Scotland, Shetland Islands Council, Highlands and Islands Enterprise and Leader. This funding facilitated a range projects as described above.

Shetland Arts strategy has been to diversify our income streams wherever possible and work to generate income from activities where possible to reduce our reliance on grant funding. We were aware that a major part of this shift would take place once our Music and Cinema Venue, Mareel was opened. The venue opened in late August 2012 and the effect can be seen in the figures above, with 38.7% of our overall income now being generated compared to 22.7% in the previous year. This is projected to rise to 57% in 2013/14.

Income has been generated through Mareel via Box Office sales for both events in the Music Hall and Film Screening in our cinemas, though café/bar and foyer sales and also through rental of the spaces within the building.

As a result of the delay in the completion of Mareel, the cost of the capital project rose and a significant amount of time during the year has been devoted to finding way to address this funding gap. A further £562,415 funding was received/receivable in the year from, Creative Scotland (£175,000), HIE (£110,719) and ERDF (£276,696).

Total Resources Expended was £2,581,399 (2012 - £1,587,676). This cost is broken down on the Statement of Financial Activities (page 24) under three main headings;

The Cost Of Generating Funds, as per note 6 of the Financial Statements, represents the cost of stock purchased for re-sale in our venues, Bonhoga, Garrison Theatre and Mareel. The figures have increased by £122,827 from the previous year, due to the addition of Mareel to our operations and cost of goods sold for the café/bar and Mareel foyer being included.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### FINANCIAL REVIEW (continued)

Charitable Activities Expenditure in the year was £2,387,342 (2012 - £1,520,718), as described in Note 7 (page 32) of the Financial Statements.

£1,376,723 was spent on direct service provision, made up of;

	2013 £	2012 £
Arts Development Costs (including staffing)	£662,717	£574,705
Operational Expenditure (including staffing)	£678,325	£261,753
Shetland Box Office Costs	£17,431	£13,675
Strategic Marketing	£18,250	£16,160

The rise in Arts Development cost, correlates with the increase in project funding above, while the increase of £416,572 in Operational Expenditure is due to having 7 months of operational activity in Mareel during this year.

Grants were given out by Shetland Arts in the year of £17,911 (2012 - £12,573). Further details of the grant scheme are contained in note 7b (page 32).

Support costs are detailed in note 7c (page 32) and are made up of staffing and general overhead costs for the organisation. Overheads for the organisation during the year amounted to £661,279 (2012 - £216,410) and include depreciation of fixed assets. Again, the reason for a steep rise in these figures are the additional costs incurred in Mareel and a number of one-off costs associated with the first period of operation of the building and capital project delays. Now that the building is operational we have also commenced depreciation of Mareel assets.

All Staff costs are explained in note 7d (page 33) and increase in 2013 to £1,167,159 (2012 - £856,954). There was a need to recruit a range of staffing for Mareel. Some of these employees are salaried staff on full or part-time contracts, whilst we also employ a bank of staff on zero-hours casual workers agreements to ensure we can staff all our venues adequately during our opening hours. This arrangement allows flexibility for Shetland Arts, and also the workers involved.

Additional technical staffing was required in the run up to opening the building in order to ensure our plant and equipment was installed, with café/bar and front of house staffing being brought in early enough to allow for some training prior to opening. Since opening the staffing levels have been adjusted as necessary to run Mareel effectively.

It should be noted that a couple of significant one-off costs are also included within All Staff Costs this year. These amounted to £42,830 and include the granting of flexible retirement to one of our senior members of staff and also the cost of recruitment and relocation for a senior post. The flexible retirement has allowed us to make budget savings going forward.

Net incoming resources before other recognised gains and losses for the year were £192,588 (per Statement of Financial Activities on page 24). This is made up of a surplus of £355,838 in the Restricted Capital Fund and a deficit of £163,250 in Unrestricted Funds.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2013

### FINANCIAL REVIEW (continued)

The deficit of £163,250 in Unrestricted Funds comes after the deduction of depreciation in the year of £135,828. This depreciation is partly off-set by a transfer made from the Restricted Capital Fund to Unrestricted Funds of £103,162. 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 remainder of the deficit after taking this adjustment for depreciation and grant amortisation out of the equation is £130,584. This can be explained due to the impact the opening of Mareel has had on the organisation, the difficulties presented by the delays in handover of the building, combined with the one-off staffing costs explained above.

One-off costs include;

One-off staffing costs (explained above)	£42,830
Extended rental of Toll Clock Office	£18,162
Legal and professional advice required	£15,580
Marketing/web development costs	£19,133
Electricity connection and initial higher rates of electricity paid for Mareel	£14,800
Cost of staff employed early due to delayed opening	£5,892
Cost of technical staff engaged in set-up of Mareel equipment and the on-going snagging of Mareel	£13,104
Cost of moving from Toll Clock Centre to Mareel	£2,569
Hire of other venues and equipment	£2,473
Cost of Mareel opening and funders wall signage	£2,677
Initial high cost of film transport	£4,200
Other one-off set-up costs (including initial stock of uniforms)	£5,491
Trustee expenses related to Mareel Capital delay and funding shortfall	£1,107
<b>TOTAL</b>	<b>£148,018</b>

This list is not exhaustive and it is worth noting, that while the total delay in the Mareel Capital project was 18 months, a number of revised completion dates were given during this time, meaning that Shetland Arts has had to work towards a range of projected opening dates. A number of key full-time staff members were recruited for Mareel in the year-ended 31 March 2012 with expectation of earlier opening. Thankfully we were able to draw on additional one-off funding from Shetland Charitable Trust of £100,000 in that year to help cover that cost, but had the project been completed on time, this funding should have been available to help with the above one-off costs.

The net effect of removing the accounting adjustments and one-off costs described from the deficit of £163,250, is an underlying small surplus of £17,434.

Shetland Arts is an approved member of the Shetland Council Pension Scheme. The updated actuarial valuation of the pension scheme as at 31 March 2013 resulted in an increase of £198,000 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 £669,000.

# **SHETLAND ARTS DEVELOPMENT AGENCY**

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

**YEAR ENDED 31 MARCH 2013**

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

Fixed Asset Additions in the year totalled, £1,113,796. This is made up as follows;

Construction cost of Mareel	£384,209
Equipment for Mareel	£729,587

Fixed Asset additions are dealt with in the balance sheet, but respective capital funding is shown as incoming resources in the year it is received in the Statement of Financial Activities. Where a fixed asset has specifically been funded in the year by a capital grant, this grant is shown under the Restricted Capital Fund. A transfer is then made to recognise the release of this income over the estimated working lifetime of the fixed asset to which the funding applies. In this year a transfer of £103,162 was made.

The unrestricted fund is in deficit. As explained above this fund is affected by the adjustment for our Pension Liability. Although the fair value of the pension scheme asset actually increased by £370,000 this was off-set by an increase of £568,000 in the present value of the scheme liabilities.

Shetland Arts Development Agency has over recent years, reviewed its budgets in detail, following cuts to revenue funding, and the need to adapt for the change which the opening of Mareel would bring. The delay in the completion of Mareel has taken its toll on the organisation's finances and cash flow, but with the building now open and generating income we will continue to adapt and develop our operations and strive to be less reliant on revenue funding.

The Board has approved a 3 year balanced budget, but recognise that there is a need to generate additional income to bolster reserves. A sub-group of the Board has been created to look strategically at how this might be achieved and the Board has identified a number of areas within our existing budgets where savings and/or increased income generation will be targeted.

### **RESERVES POLICY**

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

# **SHETLAND ARTS DEVELOPMENT AGENCY**

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

**YEAR ENDED 31 MARCH 2013**

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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

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

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

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

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

### **AUDITORS**

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

Approved by the Trustees on      October 2013 and signed on its behalf by:

Chairman

**SHETLAND ARTS DEVELOPMENT AGENCY****INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES****YEAR ENDED 31 MARCH 2013**

We have audited the financial statements of Shetland Arts Development Agency for the year ended 31 March 2013 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of trustees and auditors**

As explained more fully in the Trustee's Responsibilities Statement set out on page 21, the trustees are responsible for the preparation of financial statements which give a true and fair view.

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

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

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

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2013, and of its incoming resources and application of resources, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

## SHETLAND ARTS DEVELOPMENT AGENCY

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

YEAR ENDED 31 MARCH 2013

**Opinion on financial statements (continued)**

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

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 1, 23 and 24 to the financial statements concerning Shetland Arts Development Agency's ability to continue as a going concern. The Agency is involved in negotiations with the building contractor to reach agreement on final costs of completion of construction of Mareel, following project delays, and with funders in order to finance the completion of the project. The ultimate outcome of these negotiations cannot presently be determined and the effect on the financial statements of the resolution of the uncertainty cannot be quantified. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Agency's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Shetland Arts Development Agency was unable to continue as a going concern.

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

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

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

.....  
THE A9 PARTNERSHIP LIMITED  
Chartered Accountants & Statutory Auditors

3 October 2013

47 Commercial Road  
Lerwick  
Shetland  
ZE1 0NJ

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

## SHETLAND ARTS DEVELOPMENT AGENCY

## STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED 31 MARCH 2013

		2013			2012
		Unrestricted	Restricted	Restricted	Total
	Notes	Funds	Funds	Capital	Funds
		£	£	Fund	£
				£	£
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	1,230	3,950	0	5,180
Activities for generating funds	3	773,018	122,257	0	895,275
Investment income	4	27	0	0	27
<b>Incoming resources from charitable activities</b>	5	<b>908,038</b>	<b>506,467</b>	<b>459,000</b>	<b>1,873,505</b>
<b>TOTAL INCOMING RESOURCES</b>		<b>1,682,313</b>	<b>632,674</b>	<b>459,000</b>	<b>2,773,987</b>
<b>RESOURCES EXPENDED</b>					
Costs of generating funds					
-Fundraising trading: cost of goods sold and other costs	6	182,163	0	0	182,163
Charitable activities	7	1,751,522	635,820	0	2,387,342
Governance costs	8	11,894	0	0	11,894
<b>TOTAL RESOURCES EXPENDED</b>		<b>1,945,579</b>	<b>635,820</b>	<b>0</b>	<b>2,581,399</b>
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS</b>					
Gross transfers between funds	20	(263,266)	(3,146)	459,000	192,588
		100,016	3,146	(103,162)	0
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>		<b>(163,250)</b>	<b>0</b>	<b>355,838</b>	<b>192,588</b>
<b>OTHER RECOGNISED GAINS AND LOSSES</b>					
Actuarial gains/(losses) on defined benefit pension scheme	17	(198,000)	0	0	(198,000)
<b>NET MOVEMENT IN FUNDS</b>		<b>(361,250)</b>	<b>0</b>	<b>355,838</b>	<b>(5,412)</b>
<b>RECONCILIATION OF FUNDS</b>					
<b>TOTAL FUNDS BROUGHT FORWARD AT 1 APRIL 2012</b>					
		(321,536)	0	12,296,088	11,974,552
<b>TOTAL FUNDS CARRIED FORWARD AT 31 MARCH 2013</b>		<b>(682,786)</b>	<b>0</b>	<b>12,651,926</b>	<b>11,969,140</b>
					<b>11,974,552</b>

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

The notes on pages 26 to 44 form an integral part of these financial statements.

## SHETLAND ARTS DEVELOPMENT AGENCY

## BALANCE SHEET

YEAR ENDED 31 MARCH 2013

	Notes	£	2013 £	£	2012 £
<b>FIXED ASSETS</b>					
Tangible assets	10		13,555,718		12,577,750
Heritage assets	11		269,450		269,450
Investments	12		1		1
<b>Total Fixed Assets</b>			<u>13,825,169</u>		<u>12,847,201</u>
<b>CURRENT ASSETS</b>					
Stock	13	50,789		22,018	
Debtors	14	210,258		390,328	
Cash at bank and in hand		9,093		67,661	
<b>Total current assets</b>		<u>270,140</u>		<u>480,007</u>	
<b>CURRENT LIABILITIES</b>					
Creditors: Amounts falling due within one year	15	1,351,200		768,882	
<b>NET CURRENT (LIABILITIES) OR ASSETS</b>			<u>(1,081,060)</u>		<u>(288,875)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			12,744,109		12,558,326
Creditors: Amounts falling due after one year	16		(105,969)		(112,774)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			<u>12,638,140</u>		<u>12,445,552</u>
Defined benefit pension scheme liability	17		(669,000)		(471,000)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>			<u>11,969,140</u>		<u>11,974,552</u>
<b>THE FUNDS OF THE CHARITY</b>					
RESTRICTED FUNDS			12,651,926		12,296,088
UNRESTRICTED FUNDS					
Unrestricted income funds excluding pension liability		(13,786)		149,464	
Pension reserve		(669,000)		(471,000)	
Total unrestricted funds			<u>(682,786)</u>		<u>(321,536)</u>
<b>TOTAL CHARITY FUNDS</b>	21		<u>11,969,140</u>		<u>11,974,552</u>

These accounts were approved by the Trustees on 3rd October 2013

Trustee

Trustee

The notes on pages 26 to 44 form an integral part of these financial statements.

# SHETLAND ARTS DEVELOPMENT AGENCY

## CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
<b>NET CASH FLOW</b>			
Net cash inflow from operating activities	25	669,694	1,802,999
<b>Returns on investments and servicing of finance</b>			
Interest paid		(5,329)	(5,545)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,113,796)	(3,251,830)
Investment in subsidiary company			(1)
<b>Financing</b>			
Secured loan for Kergord Hatchery		382,869	0
Capital element of loan repayments in year		(6,517)	(5,698)
		<hr/>	<hr/>
<b>(Decrease)/increase in cash</b>		<u>(73,079)</u>	<u>(1,460,075)</u>
 <b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH AND BANK BALANCES</b>			
(Decrease)/Increase in cash in the year		(73,079)	(1,460,075)
Net cash at 1 April 2012		67,661	1,527,736
Net cash at 31 March 2013	26	<u>(5,418)</u>	<u>67,661</u>

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2013**

### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

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

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

#### **Consolidation**

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

#### **Going concern**

As a result of delays in the construction of Mareel, significant additional construction costs and professional fees were incurred, and as at 31 March 2013 negotiations with the building contractor were still ongoing to finalise construction costs. Consequently, there was a significant shortfall between the amount of grant funding put in place to finance the construction of Mareel and the expected final total cost of construction. The charity was able to continue its operations with the support of Shetland Islands Council in the form of bridging finance and deferral of payment of amounts due to the Council included in trade creditors. Subsequent to 31 March 2013, formal agreements were put in place for Mareel to be leased to Shetland Islands Council for a period of 99 years and sublet back to Shetland Arts Development Agency for a period of 24 years. The headlease agreement provided for a lease premium of £1,100,000 to be immediately payable by Shetland Islands Council to Shetland Arts Development Agency and for Shetland Islands Council to have an option to buy Mareel in 2037 for £1. The trustees consider that receipt of the lease premium will enable Shetland Arts Development Agency to repay Shetland Islands Council the amount of bridging finance utilised, together with amounts due included in trade creditors, and that it is appropriate for the financial statements of Shetland Arts Development to be prepared on a going concern basis. However, as the ultimate outcome of negotiations with the building contractor on finalisation of Mareel construction costs cannot presently be determined and the effect on the financial statements of the resolution of the uncertainty cannot be quantified, there remains a risk that additional funding resources may be required.

#### **Fixed Assets**

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

**SHETLAND ARTS DEVELOPMENT AGENCY****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2013****1. ACCOUNTING POLICIES (continued)****Fixed Assets (continued)**

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

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

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

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

Plant and Equipment – 5 to 10 years

Computer – 3 years

**Heritage Assets**

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

**Investments**

Investments in subsidiary undertakings are initially capitalised at cost.

**Capital Grants**

Capital grants are taken into account when they become receivable.

**Revenue Grants**

Revenue grants are taken into account when they become receivable.

**Creditors**

Funds are included in creditors when authorised and committed.

**SHETLAND ARTS DEVELOPMENT AGENCY****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2013****1. ACCOUNTING POLICIES (continued)****Stocks**

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

**Pensions**

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

**Incoming Resources**

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

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

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

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

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

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

**Resources Expended**

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

**SHETLAND ARTS DEVELOPMENT AGENCY****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 MARCH 2013****1. ACCOUNTING POLICIES (continued)****Funds**

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

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

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are accounted for in the Statement of Financial Activities within resources expended on a straight line basis over the period of the lease.

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

	2013			2012
	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £
<b>2. VOLUNTARY INCOME</b>				
Business sponsorships	-	3,950	-	3,950
Donations	1,230	-	-	1,230
	<u>1,230</u>	<u>3,950</u>	<u>0</u>	<u>5,180</u>
				<u>4,068</u>
<b>3. ACTIVITIES FOR GENERATING INCOME</b>				
Box office	291,410	35,871	-	327,281
Box office fee income	2,938	-	-	2,938
Ancillary earned income				
Contract income	2,000	51,283		53,283
Management fees	14,021			14,021
Garrison Theatre hire income	5,296			5,296
Rental income	35,359			35,359
Bar & catering income	209,382			209,382
Foyer sales	89,377			89,377
Merchandise sales	5,631			5,631
Weisdale Mill shop	39,906			39,906
Exhibition sales commission	3,251			3,251
Weisdale Mill café	58,823			58,823
Development course income	0	98		98
Recharges income	0	23,155		23,155
Screen advertising	7,360			7,360
Miscellaneous income	8,128			8,128
Insurance claim	0	11,850		11,850
Other earned income	136			136
	<u>773,018</u>	<u>122,257</u>	<u>0</u>	<u>895,275</u>
				<u>361,141</u>
<b>4. INVESTMENT INCOME</b>				
Bank interest received	<u>27</u>	<u>0</u>	<u>0</u>	<u>27</u>
				<u>1,346</u>
<b>5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES</b>				
Shetland Charitable Trust	696,038	24,337		720,375
Creative Scotland revenue funding	212,000			212,000
Creative Scotland Project funding		203,321	249,549	452,870
Local Authority - Project funding		8,578		8,578
Other public funds		270,231	209,451	479,682
	<u>908,038</u>	<u>506,467</u>	<u>459,000</u>	<u>1,873,505</u>
				<u>4,238,017</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

		2013			2012
		Unrestricted	Restricted	Restricted	Total
	Notes	Funds	Funds	Capital	Funds
		£	£	Funds	£
				£	£
<b>6. COSTS OF GENERATING FUNDS</b>					
<b>Fundraising trading costs</b>					
Catering stock purchases		159,446	0	0	159,446
Shop and gallery stock purchases		22,717	0	0	22,717
		<u>182,163</u>	<u>0</u>	<u>0</u>	<u>182,163</u>
					<u>59,336</u>
<b>7. CHARITABLE ACTIVITIES EXPENDITURE</b>					
Direct service provision	<b>7a</b>	989,649	387,074	0	1,376,723
Grant funding	<b>7b</b>	0	17,911	0	17,911
Support costs	<b>7c</b>	761,873	230,835	0	992,708
		<u>1,751,522</u>	<u>635,820</u>	<u>0</u>	<u>2,387,342</u>
					<u>1,520,718</u>
<b>7a. Direct service provision</b>					
Development Expenditure		275,857	386,860		662,717
Operations Expenditure		678,325			678,325
Shetland Box Office		17,431			17,431
Strategic Marketing		18,036	214		18,250
		<u>989,649</u>	<u>387,074</u>	<u>0</u>	<u>1,376,723</u>
					<u>866,293</u>
<b>7b. Grant funding</b>					
Grants paid to individuals		0	17,911	0	17,911
		<u>0</u>	<u>17,911</u>	<u>0</u>	<u>12,573</u>
The grants made during the year relate to a craft initiative, Working Up 5 were £11,948 and bursaries of £625 paid out through the Visual Arts Award Scheme. oth schemes are made possible through funding from Creative Scotland and Shetland Islands Council. Support costs associated with these schemes amounted to £500 and £Nil, respectively.					
<b>7c. Support costs</b>					
Support staff salaries and other staffing costs		331,429			331,429
Overheads	<b>7e</b>	430,444	230,835	0	661,279
		<u>761,873</u>	<u>230,835</u>	<u>0</u>	<u>992,708</u>
					<u>641,852</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

		2013			2012
		Unrestricted	Restricted	Restricted	Total
		Funds	Funds	Capital	Funds
		£	£	Funds	£
	Notes				
<b>7d. All staff costs</b>					
Development salaries		194,431	67,788		262,219
Operational salaries and wages		547,109			547,109
Support salaries and wages		313,671			313,671
	<b>19</b>	<b>1,055,211</b>	<b>67,788</b>	<b>0</b>	<b>1,122,999</b>
Staff training		4,090	2,507		6,597
Recruitment and relocation		14,046			14,046
Mileage and car allowance		14,586			14,586
Professional fees		533			533
Travel and subsistence		7,848			7,848
Volunteer expenses		26			26
Miscellaneous		524			524
Staff discount		0			0
		<u>1,096,864</u>	<u>70,295</u>	<u>0</u>	<u>1,167,159</u>
					<u>856,496</u>
<b>7e. Overheads</b>					
Stationery		5,050			5,050
Equipment		2,364			2,364
ICT		22,983	8,768		31,751
Photocopier lease		21,053			21,053
Electricity		74,119			74,119
Telephone and fax		5,583			5,583
Cleaning		33,135			33,135
Postage		3,085			3,085
Trustee expenses		2,897			2,897
Hospitality		176			176
Legal and professional fees		23,800			23,800
Bank charges		3,682			3,682
Publications and subscriptions		1,679			1,679
Licences		12,579			12,579
Rates		3,649			3,649
Office lease		15,417			15,417
Storage facilities		9,068			9,068
Repairs and maintenance		7,862	16,383		24,245
Planned Maintenance		0	27,720		27,720
General overheads		291			291
Insurance		30,243			30,243
Depreciation		135,828			135,828
Payroll processing		8,003			8,003
Bank interest		94			94
Loan interest		5,235			5,235
Cost of moving offices		2,569			2,569
Mareel capital project costs		0	177,964		177,964
		<u>430,444</u>	<u>230,835</u>	<u>0</u>	<u>661,279</u>
					<u>216,410</u>

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

### 8. GOVERNANCE COSTS

Auditors remuneration:

Audit	10,075			10,075	6,000
Accountancy services	0			0	0
Actuary fee	1,819			1,819	1,622
	<u>11,894</u>	<u>0</u>	<u>0</u>	<u>11,894</u>	<u>7,622</u>

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

	Opening Balance £	Deferred In Year £	Released in Year £	Closing Balance £
-Fiddle Frenzy subscriptions prepaid	1,062	0	(1,062)	0
-Insurance monies for Kergord Hatchery Roof	11,850	0	(11,850)	0
-Exhibition sales paid in advance	163	0	(163)	0
-Film Memberships paid in advance	0	2,724	0	2,724
<b>Awards For all</b>				
-Created Space	3,394	0	0	3,394
<b>Children In Need</b>				
-Space2Face (under 18 years)	2,800	0	(228)	2,572
<b>Community Mediation Group</b>				
-Space2Face (over 18 years)	2,815	0	(1,431)	1,384
<b>Robertson Trust</b>				
-Power Of Place	1,091	0	(391)	700
<b>Creative Scotland Grants</b>				
-Undersails LK243	1,073		(1,073)	0
-Visual Arts Awards Scheme 2012	2,250		(2,250)	0
-Working Up 5 Craft Scheme	5,250		(5,250)	0
-Hansel Of Film	25,500		(25,500)	0
-Textile Festival 2013	0	1,000	0	1,000
<b>Shetland Charitable Trust</b>				
-Planned Maintenance funding	0	18,539	0	18,539
<b>Shetland Islands Council</b>				
-Visual Arts Awards Scheme 2012	2,000	0	(2,000)	0
<b>London Organising Committee of the Olympic and Paralympic Games</b>				
-Hansel Of Film	18,120	0	(18,120)	0
	<u>77,368</u>	<u>22,263</u>	<u>(69,318)</u>	<u>30,313</u>

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

### 10. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
<b>COST/VALUATION</b>					
As at 1 April 2012	12,227,010	570,759	42,800	2,862	12,843,431
Additions during period	<u>384,209</u>	<u>729,587</u>	<u>0</u>	<u>0</u>	<u>1,113,796</u>
As at 31 March 2013	<u><u>12,611,219</u></u>	<u><u>1,300,346</u></u>	<u><u>42,800</u></u>	<u><u>2,862</u></u>	<u><u>13,957,227</u></u>
<b>DEPRECIATION</b>					
As at 1 April 2012	0	265,681	0	0	265,681
Charge for period	<u>0</u>	<u>135,828</u>	<u>0</u>	<u>0</u>	<u>135,828</u>
As at 31 March 2013	<u><u>0</u></u>	<u><u>401,509</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>401,509</u></u>
<b>NET BOOK VALUE</b>					
As at 31 March 2013	<u><u>12,611,219</u></u>	<u><u>898,837</u></u>	<u><u>42,800</u></u>	<u><u>2,862</u></u>	<u><u>13,555,718</u></u>
As at 1 April 2012	<u><u>12,227,010</u></u>	<u><u>305,078</u></u>	<u><u>42,800</u></u>	<u><u>2,862</u></u>	<u><u>12,577,750</u></u>

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

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

### 11. HERITAGE ASSETS

	Heritage Property £
<b>COST/VALUATION</b>	
As at 1 April 2012 and 31 March 2013	<u><u>269,450</u></u>
<b>NET BOOK VALUE</b>	
As at 31 March 2013	<u><u>269,450</u></u>
As at 1 April 2012	<u><u>269,450</u></u>

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

### 12. INVESTMENTS

Investment in  
Subsidiary  
£

#### COST

As at 1 April 2012

1

As at 31 March 2013

1

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

As at 31 March 2013, Shetland Arts IP C.I.C. had not yet commenced its activities.

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2013**

<b>13. STOCK</b>	<b>2013 £</b>	<b>2012 £</b>
General stock	0	2
Weisdale Mill sales area stock	16,621	15,799
Weisdale Mill café stock	652	895
Dialect Programme book stock	3,425	3,425
Garrison Theatre stock	327	1,897
Mareel Foyer Stock	10,839	0
Mareel Cafe/Bar Stock	18,925	0
	<u>50,789</u>	<u>22,018</u>
<b>14. DEBTORS</b>	<b>£</b>	<b>£</b>
Trade debtors	12,282	1,625
Amount due by subsidiary undertaking	225	100
Other debtors	15,738	48,883
Prepayments and accrued income	182,013	339,720
	<u>210,258</u>	<u>390,328</u>
<b>15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>£</b>	<b>£</b>
Trade creditors	843,299	155,260
Accruals	73,392	529,726
Deferred income	30,313	77,368
Bank overdraft	14,511	0
Shetland Islands Council Bridging	382,869	0
Secured bank loan	6,816	6,528
	<u>1,351,200</u>	<u>768,882</u>
<b>16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>		
Secured bank loan (falling due in less than 5 years)	30,541	29,202
Secured bank loan (falling due after 5 years)	75,428	83,572
	<u>105,969</u>	<u>112,774</u>

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

### 17. PENSION SCHEME

Shetland Arts Development Agency provides pension arrangements to eligible employees through a multi-employer defined benefit statutory scheme and the related costs are assessed in accordance with the advice of Hymans Robertson, Independent Qualified Actuaries.

The latest formal valuation of the Fund was at 31 March 2011 and this is updated on a triennial basis. A summary of the membership data used and the benefits valued at the latest formal valuation are set out in the formal valuation report. Hymans Robertsons has reviewed the most recent full actuarial valuation at 31st March 2011 and has updated it annually at the charity's balance sheet date to reflect current conditions.

Assumptions as at	31-Mar-13 % per annum	31-Mar-12 % per annum
Inflation/pension increase rate	2.8%	2.5%
Salary increases	5.1%	4.8%
Expected return on assets	5.3%	5.8%
Discount rate	4.5%	4.8%
Proportion of employees opting for early retirement	0.0%	0.0%

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

Mortality assumptions	31-Mar-13 Years	31-Mar-12 Years
Longevity at age 65 for current pensioners		
Men	23.0	23.0
Women	25.8	25.8
Longevity at age 65 for future pensioners		
Men	24.9	24.9
Women	27.7	27.7

### Assets (Employer Share)

	Long term rate of return expected at 31-Mar-13	Fund value at 31-Mar-13 £ 000	Long term rate of return expected at 31-Mar-12	Fund value at 31-Mar-12 £ 000
Equities	5.7%	1464	6.2%	1146
Bonds	3.5%	143	4.0%	113
Property	3.9%	107	4.4%	99
Cash	3.0%	71	3.5%	57
Total		<u>1785</u>		<u>1415</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

## 17. PENSION SCHEME (Continued)

Net Pension Asset as at	31-Mar-13 £ 000	31-Mar-12 £ 000
Fair value of Employer Assets	1,785	1,415
Present value of funded liabilities	(2,238)	(1,689)
Net (under)/overfunding in funded plans	(453)	(274)
Present value of unfunded liabilities	(216)	(197)
Unrecognised past service cost	0	0
Net asset/(liability)	(669)	(471)
Amount in the balance sheet		
Liabilities	(669)	(471)
Assets	0	0
Net Pension (liability)/asset	(669)	(471)

## Analysis of amount charged in the SOFA

Recognition in the SOFA	31-Mar-13 £ 000	31-Mar-13 % of pay	31-Mar-12 £ 000	31-Mar-12 % of pay
Current service cost	121	21.4%	87	18.4%
Interest cost	95	16.8%	75	15.8%
Expected return on employer assets	(86)	(15.2%)	(72)	(15.2%)
Past service cost/(gain)	57	10.1%		
Losses/(gains) on curtailment and settlements	0	0.0%	57	12.0%
<b>Total</b>	<b>187</b>	<b>33.1%</b>	<b>147</b>	<b>31.0%</b>
Actual return on plan assets	223		10	

Reconciliation of defined benefit obligation	31-Mar-13 £ 000	31-Mar-12 £ 000
<b>Opening defined benefit obligation</b>	<b>1,886</b>	<b>1,295</b>
Current service cost	121	87
Interest cost	95	75
Member contributions	36	32
Actuarial losses/(gains)	290	370
Past service costs/(gains)	57	0
Losses/(gains) on curtailments	0	57
Liabilities extinguished on settlements	0	0
Liabilities assumed in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	(8)	(8)
Estimated benefits paid	(23)	(22)
<b>Closing defined benefit obligation</b>	<b>2,454</b>	<b>1,886</b>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

## 17. PENSION SCHEME (Continued)

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

	31-Mar-13	31-Mar-12
Equities	82%	81%
Bonds	8%	8%
Property	6%	7%
Cash	4%	4%

## Reconciliation of fair value of employer assets

	31-Mar-13 £ 000	31-Mar-12 £ 000
<b>Opening fair value of employer assets</b>	1,415	972
Expected return on assets	86	72
Contributions by members	36	32
Contributions by the employer	134	113
Contributions in respect of unfunded benefits	8	8
Actuarial gains/(losses)	137	248
Assets distributed on settlements	0	0
Assets acquired in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	(8)	(8)
Estimated benefits paid	(23)	(22)
<b>Closing fair value of employer assets</b>	<u>1,785</u>	<u>1,415</u>

## Amounts for the current and previous accounting periods

	31-Mar-13 £ 000	31-Mar-12 £ 000	31-Mar-11 £ 000	31-Mar-10 £ 000	31-Mar-09 £ 000
Fair value of employer asset	1,785	1,415	972	813	502
Present value of defined benefit obligation	(2,454)	(1,886)	(1,295)	(1,290)	(699)
Surplus/(deficit)	<u>(669)</u>	<u>(471)</u>	<u>(323)</u>	<u>(477)</u>	<u>(197)</u>
Experience gains/(losses) on assets	137	248	(8)	183	(69)
Experience gains/(losses) on liabilities	1	(247)	(112)	72	(77)

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

## 17. PENSION SCHEME (Continued)

## Amount recognised in SOFA

	31-Mar-13 £ 000	31-Mar-12 £ 000	31-Mar-11 £ 000	31-Mar-10 £ 000	31-Mar-09 £ 000
Actuarial gains/(losses)	(153)	(122)	39	(282)	(62)
Other actuarial adjustment	(45)	(26)	115	2	6
Actuarial gains/(losses) recognised	<u>(198)</u>	<u>(148)</u>	<u>154</u>	<u>(280)</u>	<u>(56)</u>
<b>Cumulative actuarial gains and losses</b>	<u>(555)</u>	<u>(402)</u>	<u>(280)</u>	<u>(319)</u>	<u>(37)</u>

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2014 will be approximately £.

Hymans Robertson confirm the figures presented above are prepared only for the purposes of Financial Reporting Standard on Retirement Benefits FRS17 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under the International Accounting Standard IAS 19, for bulk transfers or for other statutory purposes under LGPS Regulations.

## 18. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year. Travelling expenses claimed by Trustees totalled £2,897 for the year (2012 - £1,933). Trustees were paid £Nil (2012 - Nil) during the year for commissioned work.

Shetland Arts Development Agency loaned £100 to Shetland Arts IP C.I.C. during the year-ended 31 March 2012. No interest is being accrued on this loan. It will be repaid when income is generated in the Community Interest Company.

## 19. ANALYSIS OF EMPLOYEE COST

	31-Mar-13 £	31-Mar-12 £
Salaries	924,673	673,345
National insurance	54,518	42,650
Pension Costs	<u>143,808</u>	<u>99,297</u>
Total	<u>1,122,999</u>	<u>815,292</u>

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

Employee No	2013	2012
Full Time	22	17
Part Time	<u>58</u>	<u>36</u>
	<u>80</u>	<u>53</u>

## SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

## 20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2012	(321,536)	0	12,296,088	11,974,552
Total Incoming Resources	1,682,313	632,674	459,000	2,773,987
Total Resources Expended	(1,945,579)	(635,820)	0	(2,581,399)
Other Recognised Gains And Losses	(198,000)	0	0	(198,000)
Transfer amortisation of Restricted Capital Fund	103,162	0	(103,162)	0
Transfer from Unrestricted Funds to cover negative balance in Restricted Funds	(3,146)	3,146	0	0
<b>Total Funds as at 31 March 2013</b>	<b>(682,786)</b>	<b>0</b>	<b>12,651,926</b>	<b>11,969,140</b>

## 21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Fund balances at 31 March are represented by:	Unrestricted Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Fixed Assets	1,173,243	0	12,651,926	13,825,169
Current Assets	270,140	0	0	270,140
Current Liabilities	(1,351,200)	0	0	(1,351,200)
Long-Term Liabilities	(105,969)	0	0	(105,969)
Provisions	(669,000)	0	0	(669,000)
<b>Total Net Assets</b>	<b>(682,786)</b>	<b>0</b>	<b>12,651,926</b>	<b>11,969,140</b>

## 22. OPERATING LEASES

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

	31-Mar-13		31-Mar-12	
	Land & Buildings £	Other items £	Land & Buildings £	Other items £
Operating leases which expire:				
Within 1 year	0	0	12,333	0
Within 2 to 5 years	0	10,680	0	10,680
	<b>0</b>	<b>10,680</b>	<b>12,333</b>	<b>10,680</b>

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2013

### 22. OPERATING LEASES (continued)

	31-Mar-13		31-Mar-12	
	Plant & Machinery £	Other items £	Plant & Machinery £	Other items £
Operating lease payment made in the year	10,680	0	10,680	37,000
	<u>10,680</u>	<u>0</u>	<u>10,680</u>	<u>37,000</u>

### 23. CAPITAL COMMITMENTS

The construction of Mareel, Shetland Arts Development Agency's purpose built cinema and music venue, was completed during the year-ended 31 March 2013. This large scale capital project was highly challenging, with construction delays resulting in Mareel not being open to the public until last August 2012, some 18 months later than originally planned. These delays resulted in additional construction costs and professional fees being incurred. In addition, Shetland Arts Development Agency has identified a significant number of defects in the building. The estimated cost of remedying these defects exceed the amount of retention held back by Shetland Arts Development Agency from payments due to the building contractor. Negotiations with the contractor are ongoing to finalise construction costs and make good the building defects.

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

### 24. POST BALANCE SHEET EVENTS

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

# **SHETLAND ARTS DEVELOPMENT AGENCY**

## **NOTES TO THE FINANCIAL STATEMENTS**

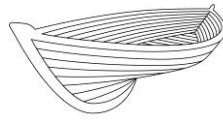
**YEAR ENDED 31 MARCH 2013**

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

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Net incoming/(outgoing) resources before transfers	201,963	3,016,896
Depreciation	135,828	21,311
Interest payable	5,329	5,545
(Increase)/decrease in stocks	(28,771)	(3,397)
(Increase) in debtors	180,195	(141,337)
(Decrease)/increase in creditors	<u>175,150</u>	<u>(1,096,019)</u>
<b>Net cash inflow from operating activities</b>	<u><u>669,694</u></u>	<u><u>1,802,999</u></u>

### **26. ANALYSIS OF CHANGES IN CASH AND BANK BALANCES**

	<b>31-Mar-12</b>	<b>Cashflow</b>	<b>31-Mar-13</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash in hand and bank	67,661	(58,568)	9,093
Bank overdraft	<u>0</u>	<u>(14,511)</u>	<u>(14,511)</u>
	<u><u>67,661</u></u>	<u><u>(73,079)</u></u>	<u><u>(5,418)</u></u>



Shetland*arts*

## **Shetland Arts Media Statement**

Issued: Wednesday 2 October 2013

### **Shetland Arts Board about to approve Annual Accounts 2012 – 2013 showing Projected Headline Figures of Year One of Operation of Mareel**

#### **Summary:**

- Underlying surplus figure of £17,434 achieved for the year to 31 March 2013.
- Overall revenue and expenditure are achieving the targets set by the 2008-2015 Business Plan.
- Shetland Arts moves from a 61% dependence on public funding to just 39% in 12 months.
- “A year of achievement” says Chair. “We have exceeded our expectations but we know we can do better”.

On Thursday 3 October Trustees of Shetland Arts Development Agency will be asked to approve the first set of audited accounts since the opening of Mareel in late August 2012. The Board will also hear details regarding performance of Mareel through its first year of operations and projections to the end of financial year 2013 – 2014. Mareel's first year straddles two financial years so to get a full picture on how things have gone it is important to review progress in both years and in looking forward consider the impact of Mareel opening on Shetland Arts after all one-off spend associated with opening is discounted.

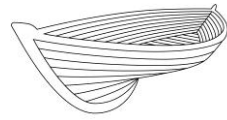
Year end figures to March 2013 show a deficit of £163,250. This figure includes accounting adjustments which do not impact on cash flow of £32,666 and also one-off spending in the year of £148,018. The underlying surplus from Shetland Arts' operations to 31 March 2013 was therefore £17,434.



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## Looking forward: Projection to End of March 2014

Projections to the end of March 2014 show Shetland Arts breaking-even including the final sums of one off spend (approximately £100K) associated with the second half of Mareel's first year. It also includes positive changes made in operation and programming in response to both learning from the operation of Mareel and listening to audience response to cinema and music programming during the first half of Mareel's first year. The result is that Shetland Arts is now making real improvements on income generation and cost reduction. The pictures points to Shetland Arts making a modest surplus in 2014 - 2015 based on current figures. Shetland Arts' original Business Plan did not project breaking even until Year 4 of Mareel's operation.

So how well are we projected to do at the end of a full financial year of Shetland Arts with Mareel open? A useful benchmark is the document which generated much comment and debate back in 2008 - our 2008 to 2013 Business Plan. As the basis on which we secured funding, this document therefore provides the targets against which we are required to report to funders. It was also widely distributed, with figures used to inform the Frequently Asked Questions document circulated in early 2009. The table below shows a comparison of the headline figures based on a full year of Shetland Arts operating Mareel, compared with our projections made back in 2008:

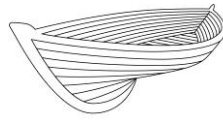


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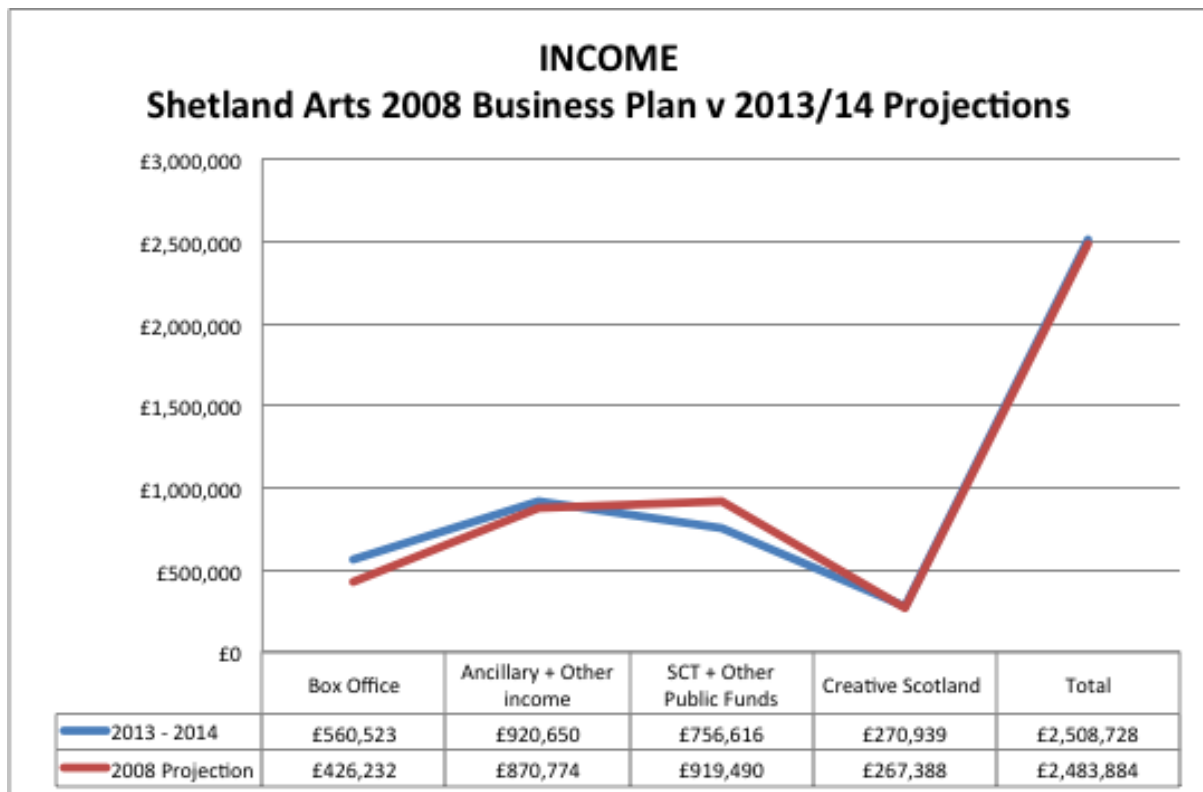
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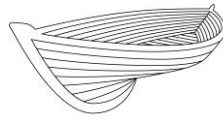
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Income	2008 figures	2013 -14	Variance	Note
	(2013-14 projections)	(6 months actual/ 6 months projection)		
Box Office	£426,232	£ 560,523	+ 32%	
Ancillary income	£697,394	£ 911,565	+ 31%	Hires, café and concessions
SCT + Other Public Funds	£919,490	£ 756,616	- 18%	-10% in SCT Funding in 2010
Creative Scotland	£267,388	£ 270,939	+ 1%	
Other income	£173,380	£ 9,085	- 81%	
<b>Total</b>	<b>£2,483,884</b>	<b>£2,508,728</b>	<b>+ 1%</b>	
<b>Expenditure</b>				
Staffing	£1,274,654	£1,243,513	- 2%	
Programme costs	£ 275,880	£ 434,489	+ 57%	Approx. £25,000 one off spend
General over heads	£ 621,167	£ 762,096	+ 23%	Approx. £75,000 one off spend
Other expenditure	£ 312,183	£ 68,551	- 78%	
<b>Total</b>	<b>£2,483,884</b>	<b>£2,508,649</b>	<b>+ 1%</b>	
<b>Balance</b>	<b>£0</b>	<b>£ 79</b>		

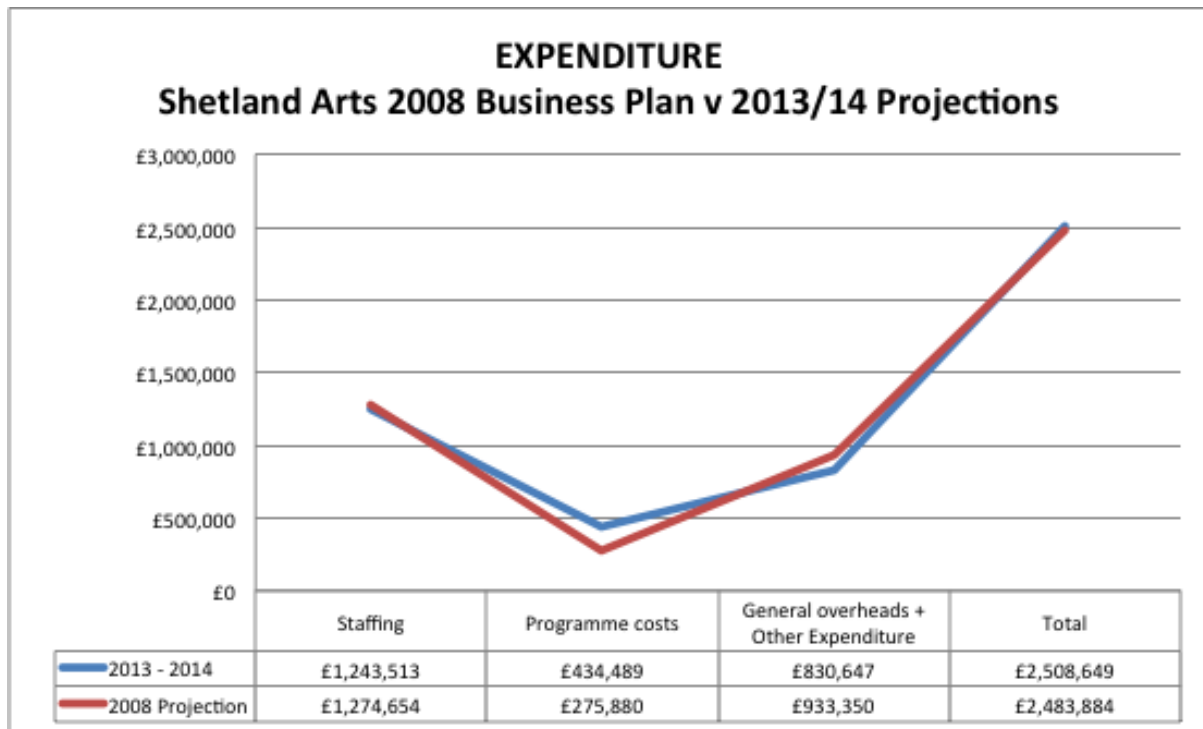


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The two tables above provide an illustration of the similarities of Shetland Arts' projected financial performance in 2008 against projected (6 months projected and 6 months actual) out-turn of performance for financial year 2013 to 2014. The above figures include an element of one-off costs associated with the first year of Mareel operation. This demonstrates Shetland Arts' revenue position going forward is sustainable without additional public funding.

### Quotes for Publication:

**Danus Skene, Chairman of Shetland Arts** says: "It has been a year of achievement. The opening of Mareel in August 2012 changed the nature of Shetland Arts from being an organisation mostly reliant on grant income, to developing as a social enterprise committed to drastic reduction of its dependence on that grant income. Turnover has now more than doubled. We undoubtedly have

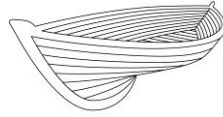


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challenges ahead, but I am extremely proud of what has been achieved in this unprecedented period of change and growth. The Annual Accounts provide the factual back-drop to Shetland Arts being able to deliver even more creative and social benefits to the community – which has also been demonstrated this year. We have exceeded our expectations but we know we can do better”.

**Gwilym Gibbons, Director, Shetland Arts**, says: “To have achieved the challenging targets set out in our Business Plan, despite arguably the most difficult financial environment in a generation, is a fantastic achievement. We now have a new kind of organisation – one in which commercial activity sits hand-in-hand with our subsidised activity. Our priorities now are to strengthen the operation of Mareel and the experience for its visitors, and grow and enhance our programming schedule, as well as continue to grow Shetland Arts’ other activities. Year Two is about bedding in this new type of organisation and building on all the achievements of the first year.”

### **Media Statement Ends**

The above statement should be read in conjunction with the Draft Shetland Arts Audited Accounts down loadable from SADA website as part of the SADA Board Pack for Thursday 3 October 2013.

<http://www.shetlandarts.org/about/shetland-arts/board-meetings/>



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