

**SHETLAND ARTS DEVELOPMENT
AGENCY**

TRUSTEES' REPORT & FINANCIAL STATEMENTS

for the year ended

31 March 2015

SHETLAND ARTS DEVELOPMENT AGENCY

LEGAL AND ADMINISTRATIVE DETAILS

31 MARCH 2015

Trustees

Robina Barton	Resigned September 2014
Steven Cheverton	
John Dally	
Jill Franklin	Resigned April 2014
John Goodlad	Resigned September 2014
Alan Lindsay	
Leslie Lowes	
Olive MacLeod	Appointed June 2014
Michael Palmer	Resigned April 2014
Veronica Rocks	Appointed May 2014
Robin Sandison	Appointed November 2014
Danus Skene	
Lorraine Hall	Appointed February 2015

General Manager Graeme Howell

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
St Olaf's Hall
Church Road
Lerwick
Shetland ZE1 0FD

Founding Trust Deed Registered BC & S on 13 January 2006

Charitable Status Scottish Charity No. SC037082

SHETLAND ARTS DEVELOPMENT AGENCY

CHAIRMAN'S MESSAGE

31 MARCH 2015

I reflected a year ago that the activities and results for Shetland Arts covering the financial year 2013-14 were characterised by a process of "digesting" the opening of the Mareel facility in 2012, and attempting to "normalise" the management of the organisation thereafter. This remains appropriate language when considering 2014-15, but it is now a pleasure and relief to give a clear signal of "job done". We look ahead with confidence.

The financial outcomes for the year are still dominated by the rounding off of the Mareel capital project. There remain significant tasks in connection with the project's snagging list, but these can be managed over time as part of SADA's regular management, and the achievement of the year is to be able now to look ahead to the future of SADA's provision of cultural provision for all of the Shetland community without a sense of constraint by the elephant in the room of the unconcluded capital project. It is notable that the early months of 2015 have shown a consistent ability by the organisation to operate month by month "in the black", and the figures in this report show increased self-reliance and decreasing dependence on grant support.

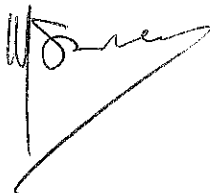
It is a pleasure to record thanks to SADA's staff for dedicated performance through 2014-15, and now beyond. In particular, I would like to record appreciation of the huge contribution to the organisation of senior staff members Sheila Duncan and Holly Burford, who both left us during the time under review. A major milestone was passed with the departure of Gwilym Gibbons, Director, after nine years of notable service and leadership. He will be forever associated with the development and delivery of the Mareel project.

The arrival in December 2014 of Graeme Howell as General Manager has both enabled and symbolised the transition to management of SADA that has new focus and promise. 2014-15 results show the start of stabilisation of our financial sustainability which now continues, with a radical process of management restructuring in hand. It is a particular pleasure to record a reinvigorated relationship during the year with our stakeholders. We did well to succeed with our application to Creative Scotland for regular funding over the period 2015-18, and we engage in a refreshed atmosphere with the Shetland Charitable Trust.

I thank my fellow trustees for their diligence and patience. The demands for considered and continual reaction by the Board during the period of management transition were substantial. Thank you all. Deep gratitude is due to John Goodlad, Robina Barton, Jill Franklin and Mike Palmer, all of whose Board service came to an end during the year. A particular debt of gratitude is due to Olive MacLeod for the extent and quality of her contribution to our financial management capacity. It is a pleasure and a privilege to hand over the Chair of SADA to Lorraine Hall, whose extensive skills and sound common sense will be well tested!

As SADA consolidates its sustainable self-management, I look forward to development in the near future of key benefit to the Shetland Community. As we enable artistic and cultural experiences and development right across the Isles, our interconnected contribution to educational excellence in Shetland will grow. The cultural sector will expand in importance in Shetland's economy, with SADA at the centre of policy and practical developments that see "cultural industry" flourish.

Danus Skene
Former Chairman



SHETLAND ARTS DEVELOPMENT AGENCY

GENERAL MANAGER'S STATEMENT

31 MARCH 2015

During 2014-15, Shetland Arts Development Agency (Shetland Arts) has continued to deliver a broad range of high quality arts opportunities across the isles, against a challenging financial situation.

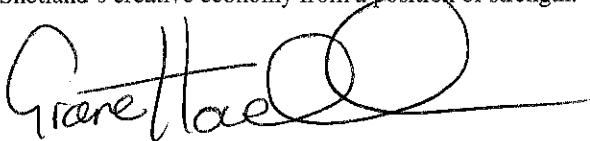
You will see from the activity report on pages 5 - 8, Shetland Arts continues to reach far and wide into the Shetland community: from care homes to schools, from country halls to our own venues of Bonhoga, The Garrison and Mareel and out to the world through live broadcast and recorded content from our studio and events.

A healthy creative community relies on wider investment in and support for the arts far beyond that of just one organisation. To that end Shetland Arts has continued to work in partnership across the local, national and international creative sectors, we have developed a range of collaborative projects and continued to develop relationships both within our sector and across others such as social care, criminal justice and education.

The organisation has also begun a significant restructure during this period that is designed to not only respond to changing funding circumstances but to make us more open and flexible as an organisation.

As this is my first report as General Manager for Shetland Arts I would like to thank the staff, and trustees for welcoming me to Shetland and the supportive and open way that they have engaged with my ambition for the organisation. I would also like to thank our stakeholders, the Shetland Charitable Trust, Creative Scotland, Highlands and Islands Enterprise and Shetland Islands Council.

I am excited about the potential for Shetland Arts and the creative industries in Shetland over the next ten years. However we need to be as equally focused on our commercial and financial responsibilities as we have been on the artistic and social ones. If we can get this balance right over the coming year we will be in a position to contribute to Shetland's creative economy from a position of strength.



Graeme Howell
General Manager – Shetland Arts Development Agency

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2015

The trustees present their report and financial statements for the year ended 31 March 2015.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document and organisation

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 General Manager.

Appointment of trustees, their induction and training

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.

Decisions are made by majority vote at the six-weekly Trustees' meetings, although during the year-ended 31 March 2015 it has been necessary for the Board to meet eleven times.

Trustee recruitment took place during the year, which resulted in Veronica Rocks being appointed in May 2014, Olive Macleod in June 2014, Robin Sandison in November 2014 and Lorraine Hall being appointed in February 2015. New Trustees receive individual induction from the General Manager on appointment, and are encouraged to undertake training as appropriate to their role.

Related parties

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.

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

Shetland Arts IP C.I.C., a Community Interest Company, was incorporated on 25 July 2011. The Company is wholly owned by Shetland Arts Development Agency and was set up as a means to 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.

Risk Management

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

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2015

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.

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

Introduction

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

Exhibitions by Local, National and International Artists and Makers

The exhibition programme for 2015 was developed with a broad international focus, involving artists and establishments from Sweden, Denmark, Australia and America, alongside ongoing support and opportunities for local makers and artists.

International issues of conflict and social deprivation were carried through from 2014 into late February with a continuation of the ARTIST ROOMS exhibition of work by Don McCullin and photographs from the West Bank by local photojournalist Calum Toogood. Comments highlighted the impact of the ARTIST ROOMS exhibition, e.g.:

“These photographs should be shown in schools and colleges in every country! No one should escape or hide from the pain and heartache some people suffer because of our inhumanity and lack of understanding and love for poor, different or suffering people in this world”

“Thank you for bringing this exhibition to Shetland. When will we ever learn?”

“A very powerful exhibition, amazing to view Don McCullin's work here in Bonhoga”

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (Continued)

This exhibition was followed by work by the landscape painter Chris Rigby representing his relationship with the landscape of Shetland, accompanied in the lower gallery by photographs by Paul Boyle.

Promote and Support Visual Arts

Shetland Arts Visual Arts Development Officer (VADO) continued to support individual artists, groups and organisations. The Visual Art and Craft Awards scheme has a total number of applications of 36 with 22 bursary awards being made to Shetland makers and artists. Untutored life drawing classes were delivered in Mareel's Green Room and were well attended with participants of all abilities. In February, the VADO spoke at a Forgiveness seminar in the Sound Hall, organised by the Community Mediation Team, regarding the role of the arts in forgiveness and restorative justice.

An application was submitted to Arts and Business Scotland on behalf of the Pelagic Sculpture Partnership for a public art project. This was successful. Meetings continued with the Shetland Amenity Trust, SIC Access, and landowners regarding a proposed Shetland Sculpture Trail. A training session for artists wishing to work in care settings was held in February in partnership with Andy Ross of Global Yell. The space2face restorative arts project continued in partnership with the Community Mediation Team, with artists working with individual clients, as well as groups. The VADO was involved in weekly supervision and management sessions as well as face to face delivery. We were successful in a stage 1 application to the Start Programme (the Prince's Foundation for Children and the Arts) and submitted a stage 2 application to run a 3 year schools' education programme around the exhibitions at Bonhoga.

Promote and Support Craft Development

The Visual Art and Craft Awards scheme was well supported by craft makers with 19 applications from Shetland makers during the last year. The knitting group, in partnership with Alzheimer Scotland, continued to meet on the last Thursday of the month in the upstairs cafe bar in Mareel. Two Shetland makers (Cheryl Jamieson and Helen Robertson) are currently supported by Emergents' mentoring project. (<http://www.emergents.co.uk/project/growing-in-confidence/>).

Both are also recipients of Shetland Arts' Visual Art and Craft Awards, highlighting the continued quality and creativity of Shetland product nationally. A successful funding application was made to Craft Scotland to support two 'Meet Your Maker' events with Shetland based makers at Bonhoga Gallery during 2015.

Promote and Support Drama Development

Shetland Youth Theatre rehearsed and performed 'Remote' a new one act play by Stef Smith. The production was performed as part of NT Connections, the largest festival of Youth Theatre in the world, organised by the National Theatre of Great Britain. 21 young people (aged 11 -19) participated in the production which was rehearsed three times a week over a six week period and performed on three nights at the Garrison Theatre. The National Theatre of Great Britain sent a visiting director to Shetland to feedback on the show (see below):

"The students were passionate about the play, very engaged and insightful with the challenges of presenting its form on stage and were patently a close, complicit and trusting ensemble delighted by the experience they had working with the director and each other.

The play was vividly realised in a stripped back, deftly directed, well-paced production with clever choices in representing the tree onstage (a step ladder with leaf shaped post-its) and manifesting the chorus (groups of young people following the action via passively staring at their phones/devices who would then jolt into storytelling life on their line or shared section). The performances from the seven named characters were heartfelt, charming and engaging. The modulation of the play's shifts and phases were pronounced and the use of the chorus was effective in delineating the landscape of the play's interior and exterior lives"

The company was invited to take this production to Eden Court Theatre, Inverness as part of the Connections Regional Festival. Not only is this a valuable opportunity for the company to present its work to a wider audience, but also affords the opportunity to see the work of other groups and be at the centre of a major event.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2015

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

There was major input into Splinters Youth Theatre, assisting a small group of senior members as they prepared a piece for the annual drama festival. Similar support was also given to the Westside Players.

The weekly drama classes for primary aged children (now called 'Stage 1') continued to be very successful with 25 children attending on a weekly basis. The sessions culminated with a presentation for family/friends of a piece called 'The Fisherman and the Dolphin'

Support was given to one student with audition speeches. This student was granted a conditional place at the Royal Central School of Speech and Drama

Promote and Support Dance Development

Traditional Dance continued to be provided both in school and out of school settings. The demand for this service has diminished somewhat after a charging system was introduced but there is still a widespread uptake of classes but with a reduction in the number of sessions requested.

Promote and Support Literature Development

Work continued as usual in support of writers groups, and organisations, including organizing and delivering Literature Nights for customers of Supported Living and Outreach and the ongoing support of Annsbrae Just Writing Group. A funding application was made to the Scottish Book Trust for Live Literature Funding in support of the 8th annual Primary Schools' creative residency, to be run in partnership with SIC Creative Links. This was successful.

Promote and Support Music Development

Shetland Arts has hosted another dynamic range of performing musicians including Dean O'Rourke, Tommy Emmanuel, Martin Taylor, Adam Holmes, Gruff Rhys alongside the Shetland schools' music festival and a range of community events.

The regular informal Mareel programme of Student Music nights, monthly Singer Songwriter sessions and a new 'Open Mic' night were well attended through the winter months.

The Shetland Schools Music Festival, the week long celebration of performance and creativity, featured young players from all corners of Shetland - from solo performances to school choirs and orchestras. The week culminated in the prestigious 'Young Musician of the Year' competition and the Grand Finale Gala Concert.

The Shetland Community Orchestra's 'One in Ten' project where local children worked alongside members of the orchestra on three pieces of music, culminating in a performance in the afternoon. This performance was recorded and sent to the BBC for inclusion on the BBC Ten Pieces website.

Shetland Arts continued to deliver a range of full and part time educational courses in partnership with Shetland College, part of the University of the Highlands and Islands (UHI). These included National Certificate and Higher National Certificate Music courses; a Vocational Pathways course in Sound Engineering; support and facilities for Shetland based BA Applied Music students (delivered by Video Conferencing (VC) across the UHI network); and the delivery of a Masters level Digital Production module via VC. Lecturing staff also began delivering a Masters level module via Video Conference to students as far afield as Lancashire and Switzerland.

Shetland Arts digital production capabilities continued to evolve with several commercially available recordings produced in Mareel's studio and a range of concerts and conferences broadcast in partnership with Promote Shetland.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2015

ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE (continued)

Promote and Support Film and Digital Media Development

The Cinema continues to be a key source of income as well as a platform for promoting a range of artistic and developmental experiences.

The annual film festival, Screenplay 2014 included a mix of local, national and international films. There were a number of films by Scottish filmmakers and by filmmakers resident in Shetland, including *Homemade in Shetland*, a programme of nineteen short films made by local filmmakers of all ages and skill levels. It was acknowledged as one of The Guardian's Hot 100 cultural events of 2014.

Local film-maker, Tirval Scott, received a Visual Art and Craft bursary award to develop a satirical film that commented on life and politics in the UK. The film includes narrative by Nigel Buckland of 'Vids' fame. This screened in Mareel on election night.

Conclusion

In the current economic climate, funding for the arts has been hard to find. Shetland Arts have continued to secure additional project funding and find innovative ways to deliver the Arts Agency objectives.

VOLUNTEERS

Shetland Arts has been fortunate in working with over 130 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 successful application for Creative Scotland 3 year funding along with a refreshed relationship with Shetland Charitable Trust give the organisation a strong foundation to build upon for the future.

The current organizational restructure that was embarked upon in the last part of the year is designed to

- Create a more efficient organisation
- Make the structure fit for purpose and scalable according to means and opportunities
- Enhance income generation potential through ensuring strong customer service and experience, increasing footfall, and increasing engagement across all three venues
- Strengthen the senior management team
- Strengthen approach to arts development by making the organisation more open to external thinking
- Clarify roles and responsibilities of the staff team
- Ensure income and expenditure budgets are effectively set and monitored
- Ensure good practice particularly in Shetland Arts' use of zero hours contracts
- Open up and widen opportunities for freelance work and input from across Scotland
- To increase apprenticeships and paid internship opportunities
- To ensure external legibility through clear team structure and streamlined roles

This will enable us to focus on the six priority areas:

- Youth Arts
- Education and Learning
- Arts and Wellbeing
- Development and Support
- Programme and Curation
- Broadcast, Recording and Intellectual Property Rights Support.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2015

FINANCIAL REVIEW

The Total Incoming Resources for the year were £2,507,942 (2014 - £4,048,228) made up as follows;

	2015 £	2015 %	2014 £	2014 %
Revenue grants received	1,031,561	41.1%	1,011,975	25%
Capital grants received	-	-	1,500,000	37.1%
Self-generated income	1,466,837	58.5%	1,520,753	37.6%
Donations and sponsorship	9,544	0.4%	15,498	0.3%
Investment income	-	-	2	-
TOTAL	2,507,942	100%	4,048,228	100%

We received annual revenue funding of £696,038 from Shetland Charitable Trust (SCT) and £212,000 from Creative Scotland (CS) during the year. We were also provided with £26,992 planned maintenance funding from SCT in respect of this year.

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

Total Resources Expended was £3,268,884 (2014 - £3,437,648) made up as follows:

	2015 £	2015 %	2014 £	2014 %
Stock and goods purchases	322,688	9.9%	323,046	9.4%
Charitable activities	2,896,412	88.6%	3,104,177	90.3%
Governance costs	11,065	0.3%	10,425	0.3%
Loss on disposal of assets	38,719	1.2%	-	-
TOTAL	3,268,884	100%	3,437,648	100%

Grants were given out by Shetland Arts in the year of £22,180 (2014 - £20,150). These are contained in the Charitable Activities line above and further details of the grant scheme are contained in note 7b.

All Staff costs are included in charitable activities above and have decreased from £1,316,594 in 2014 to £1,218,251 in 2015.

The above total incoming resources and expenditure for the year gives a deficit on the Unrestricted Funds of £109,037 (2014 - £132,567) for the year. This deficit of £109,037 in Unrestricted Funds comes after the deduction of depreciation in the year of £677,800. This depreciation is partly off-set by a transfer made from the Restricted Capital Fund to Unrestricted Funds of £651,905. 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.

It is also worth noting that the deficit for 2015 also includes a loss on disposal of fixed assets of £38,719 as noted above. The bulk of this loss arises on the sale of the Hatchery building in the year. The deficit for 2015 is therefore reduced from 2014 and going forward into 2016, with the increased focus on budgets and efficiency that began in 2015 we would expect results to improve once more.

Shetland Arts is an approved member of the Shetland Islands Council Pension Scheme. The updated actuarial valuation of the pension scheme as at 31 March 2015 resulted in an increase of £393,000 in the Shetland Arts pension scheme liability, which is shown in the Statement of Financial Activities, increasing the pension scheme liability in the Shetland Arts balance sheet to a total of £1,236,000.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2015

FINANCIAL REVIEW (continued)

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

RESERVES POLICY

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. Total funds as at 31 March 2015 are £11,251,778 (2014 - £12,405,720). This is split between Restricted Funds of £12,743,168 (2014 - £13,395,073) and Unrestricted Funds in a deficit position of (£1,491,390) (2014 - deficit of (£989,353)). The funds in a deficit position are discussed in the financial review on pages 9 - 10.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution.

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

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

AUDITOR

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

Approved by the Trustees on 24 September 2015 and signed on its behalf by:



Chairperson

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2015

We have audited the financial statements of Shetland Arts Development Agency for the year ended 31 March 2015 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 the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities statement set out on page 10, the trustees are responsible for the preparation of financial statements which give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2015, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

SHETLAND ARTS DEVELOPMENT AGENCY
INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES
31 MARCH 2015

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

24 September 2015

47 Commercial Road
Lerwick
Shetland
ZE1 0NJ

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

SHETLAND ARTS DEVELOPMENT AGENCY

STATEMENT OF FINANCIAL ACTIVITIES (Incorporating Income and Expenditure Account)

for the year to 31 MARCH 2015

	<i>Note</i>	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2014 £
INCOMING RESOURCES						
Incoming Resources from generated funds:						
Voluntary income	2	7,496	2,048	-	9,544	15,498
Activities for generating funds	3	1,383,837	83,000	-	1,466,837	1,520,753
Investment income	4	-	-	-	-	2
Incoming Resources from charitable activities	5	908,038	123,523	-	1,031,561	2,511,975
		<u>2,299,371</u>	<u>208,571</u>	<u>-</u>	<u>2,507,942</u>	<u>4,048,228</u>
RESOURCES EXPENDED						
Costs of generating funds						
Fundraising trading: cost of goods sold and other costs	6	322,688	-	-	322,688	323,046
Charitable activities	7	2,687,841	208,571	-	2,896,412	3,104,177
Loss on disposal of assets		38,719	-	-	38,719	-
Governance costs	9	11,065	-	-	11,065	10,425
		<u>3,060,313</u>	<u>208,571</u>	<u>-</u>	<u>3,268,884</u>	<u>3,437,648</u>
NET (OUTGOING)/INCOMING RESOURCES BEFORE TRANSFERS						
Gross transfers between funds	20	(760,942)	-	-	(760,942)	610,580
		<u>651,905</u>	<u>-</u>	<u>(651,905)</u>	<u>-</u>	<u>-</u>
NET (OUTGOING)/INCOMING RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES						
		(109,037)	-	(651,905)	(760,942)	610,580
OTHER RECOGNISED GAINS AND LOSSES						
Actuarial losses on defined benefit pension schemes	18	(393,000)	-	-	(393,000)	(174,000)
		<u>(502,037)</u>	<u>-</u>	<u>(651,905)</u>	<u>(1,153,942)</u>	<u>436,580</u>
Net Movement in Funds		(502,037)	-	(651,905)	(1,153,942)	436,580
Balance brought forward at 31 March 2014		(989,353)	-	13,395,073	12,405,720	11,969,140
		<u>(1,491,390)</u>	<u>-</u>	<u>12,743,168</u>	<u>11,251,778</u>	<u>12,405,720</u>

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

All incoming resources and resources expended derive from continuing activities.

SHETLAND ARTS DEVELOPMENT AGENCY

Charity Registration No. SC037082

BALANCE SHEET

31 March 2015

	<i>Note</i>	2015	2015	2014	2014
		£	£	£	£
FIXED ASSETS					
Tangible assets	11		12,595,113		13,399,538
Heritage assets	12		269,450		269,450
Investments	13		1		1
TOTAL FIXED ASSETS			12,864,564		13,668,989
CURRENT ASSETS					
Stock	14	39,472		48,536	
Debtors	15	43,508		79,393	
Cash at bank and in hand		7,898		12,416	
TOTAL CURRENT ASSETS		90,878		140,345	
CREDITORS					
Amounts falling due within one year	16	(376,272)		(461,775)	
NET CURRENT LIABILITIES			(285,394)		(321,430)
TOTAL ASSETS LESS CURRENT LIABILITIES			12,579,170		13,347,559
CREDITORS					
Amounts falling due after more than one year	17		(91,392)		(98,839)
NET ASSETS EXCLUDING PENSION LIABILITY			12,487,778		13,248,720
Defined benefit pension scheme liability	18		(1,236,000)		(843,000)
NET ASSETS INCLUDING PENSION LIABILITY			11,251,778		12,405,720
RESPRESENTED BY:					
Capital restricted fund	20		12,743,168		13,395,073
Unrestricted funds:					
Unrestricted income funds excluding pension liability		(255,390)		(146,353)	
Pension reserve		(1,236,000)		(843,000)	
Total unrestricted funds			(1,491,390)		(989,353)
TOTAL CHARITY FUNDS			11,251,778		12,405,720

These financial statements were approved by the board of trustees and authorised for issue on 24 September 2015 and are signed on their behalf by:

Trustee

Lorraine Hall

Trustee

[Signature]

SHETLAND ARTS DEVELOPMENT AGENCY

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Note	2015 £	2014 £
Net cash (outflow)/inflow from operating activities	23	(137,059)	896,388
Returns on investment and servicing of finance			
Interest received		-	2
Interest paid		(4,703)	(4,936)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		-	(483,934)
Proceeds from the sale of fixed assets		87,906	-
Financing			
Shetland Islands Council Bridging loan		-	(382,869)
Capital element of loan repayments in year		(7,128)	(6,817)
		<hr/>	<hr/>
Net cash (outflow)/inflow for the year		<u>(60,984)</u>	<u>17,834</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

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.

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.

Heritable Property, other than the Mareel building, 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 was an internal employee of Shetland Arts Development Agency and is not a qualified valuer.

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

Heritable Property – Mareel building – 24 years

Plant and Equipment – 5 to 10 years

Computer equipment – 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.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

Revenue Grants

Revenue grants are taken into account when they become receivable.

Creditors

Funds are included in creditors when authorised and committed.

Stocks

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

Pensions

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

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.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

Operating lease agreements

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

2. VOLUNTARY INCOME

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2014 £
Business sponsorships	-	2,048	-	2,048	6,938
Donations	7,496	-	-	7,496	8,560
	<u>7,496</u>	<u>2,048</u>	<u>-</u>	<u>9,544</u>	<u>15,498</u>

3. ACTIVITIES FOR GENERATING INCOME

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2014 £
Box office/programme	595,460	-	-	595,460	606,193
Ancillary earned income	766,718	-	-	766,718	768,708
Other income	21,659	83,000	-	104,659	145,852
	<u>1,383,837</u>	<u>83,000</u>	<u>-</u>	<u>1,466,837</u>	<u>1,520,753</u>

Within the total comparative figure of £1,520,753, reallocations have been made between the activities for generating income to better reflect the operating structure within the organisation.

4. INVESTMENT INCOME

Bank interest received	-	-	-	-	2
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>

5. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

Shetland Charitable Trust	696,038	26,992	-	723,030	708,392
Creative Scotland revenue funding	212,000	-	-	212,000	212,000
Creative Scotland project funding	-	38,893	-	38,893	252,790
Local Authority – project funding	-	4,604	-	4,604	8,100
Other public funds	-	53,034	-	53,034	230,693
Shetland Islands Council	-	-	-	-	1,100,000
	<u>908,038</u>	<u>123,523</u>	<u>-</u>	<u>1,031,561</u>	<u>2,511,975</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

8. ANALYSIS OF STAFF COSTS

	2015	2014
	£	£
Salaries and wages	1,058,428	1,128,136
Social security costs	54,914	61,938
Pension costs	104,909	126,520
	<u> </u>	<u> </u>
Total	1,218,251	1,316,594
	<u><u> </u></u>	<u><u> </u></u>

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

	2015	2014
The average number of staff was:	108	100
	<u> </u>	<u> </u>

9. GOVERNANCE COSTS

	2015	2014
	£	£
<i>Auditor remuneration:</i>		
Audit	10,650	7,925
Accounting services	415	-
<i>Non auditor fee:</i>		
Actuary fee	-	2,500
	<u> </u>	<u> </u>
	11,065	10,425
	<u><u> </u></u>	<u><u> </u></u>

10. ANALYSIS OF MOVEMENT IN DEFERRED INCOMING RESOURCES

	Opening Balance	Deferred in Year	Released in Year	Closing Balance
	£	£	£	£
Hire invoices credited post year-end	4,288	-	(4,288)	-
Awards For all:				
- Created Space	3,394	-	-	3,394
Community Mediation Group:				
- Space2Face (over 18 years)	1,384	-	(1,384)	-
Creative Scotland Grants:				
- Space2Face	10,190	-	(10,190)	-
Shetland Charitable Trust:				
- Planned Maintenance funding	6,185	-	(6,185)	-
- Revenue Funding	58,003	-	(58,003)	-
Advance sales Fiddle Frenzy	-	17,979	-	17,979
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	83,444	17,979	(80,050)	21,373
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

11. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
Cost/valuation					
As at 1 April 2014	13,048,991	1,346,508	42,800	2,862	14,441,161
Additions	-	-	-	-	-
Disposals	(126,625)	-	-	-	(126,625)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2015	12,922,366	1,346,508	42,800	2,862	14,314,536
Depreciation					
As at 1 April 2014	493,494	548,129	-	-	1,041,623
Charge for year	538,356	139,444	-	-	677,800
Disposals	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2015	1,031,850	687,573	-	-	1,719,423
Net book amount					
31 March 2015	11,890,516	658,935	42,800	2,862	12,595,113
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 March 2014	12,555,497	798,378	42,800	2,862	13,399,538
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

12. HERITAGE ASSETS

	Heritage Property £
Cost/Valuation	
As at 1 April 2014 and 31 March 2015	269,450
	<hr/> <hr/>
Net book value	
As at 31 March 2015	269,450
	<hr/> <hr/>
As at 1 April 2014	269,450
	<hr/> <hr/>

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

for the year ended 31 March 2015

13. INVESTMENTS

	Investment in Subsidiary £
COST	
As at 1 April 2014 and 31 March 2015	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 2015, Shetland Arts IP C.I.C. had not yet commenced its activities.

14. STOCK

	2015 £	2014 £
Goods for resale	39,472 =====	48,536 =====

15. DEBTORS

	2015 £	2014 £
Trade debtors	24,288	19,502
Amount due by subsidiary undertaking	388	388
Other debtors	4,250	4,250
Prepayments and accrued income	14,582	55,253
	-----	-----
	43,508 =====	79,393 =====

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Bank overdraft	56,466	-
Trade creditors	103,887	229,182
VAT	41,475	36,838
Other creditors	48,028	19,338
Accruals	81,808	66,485
Deferred income	21,373	83,444
Secured bank loan	7,448	7,129
PAYE & NIC	15,787	19,359
	-----	-----
	376,272 =====	461,775 =====

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2015	2014
	£	£
Secured bank loan (falling due in less than 5 years)	33,415	31,944
Secured bank loan (falling due after 5 years)	57,977	66,895
	<u>91,392</u>	<u>98,839</u>

The bank loan is secured on the Weisdale Mill building.

18. PENSION SCHEME

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

The latest formal valuation of the Fund was at 31 March 2014 and this is updated on a triennial basis. A summary of the membership data used and the benefits valued at the latest formal valuation are set out in the formal valuation report. Hymans Robertson has reviewed the most recent full actuarial valuation at 31st March 2014 and has updated it annually at the charity's balance sheet date to reflect current conditions.

Assumptions as at	31-Mar-15	31-Mar-14
	% per annum	% per annum
Inflation/pension increase rate	2.4%	2.8%
Salary increases	4.3%	5.1%
Expected return on assets	3.2%	6.2%
Discount rate	3.2%	4.3%
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-15	31-Mar-14
	Years	Years
Longevity at age 65 for current pensioners		
Men	22.8	23.0
Women	23.8	25.8
Longevity at age 65 for future pensioners		
Men	24.9	24.9
Women	26.7	27.7

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

18. PENSION SCHEME (Continued)

Assets (Employer Share)

	Long term rate of return expected at 31-Mar-15	Fund value at 31-Mar-15 £ 000	Long term rate of return expected at 31-Mar-14	Fund value at 31-Mar-14 £ 000
Equities	3.2%	1,915	6.7%	1,639
Bonds	3.2%	239	3.8%	184
Property	3.2%	239	4.8%	143
Cash	3.2%	-	3.7%	82
Total		<u>2,393</u>		<u>2,048</u>

Net Pension Liability as at	31-Mar-15 £ 000	31-Mar-14 £ 000
Fair value of Employer Assets	2,393	2,048
Present value of funded liabilities	(3,395)	(2,667)
Net under funding in funded plans	<u>(1,002)</u>	<u>(619)</u>
Present value of unfunded liabilities	(234)	(224)
Unrecognised past service cost	-	-
Net liability	<u>(1,236)</u>	<u>(843)</u>
Amount in the balance sheet		
Liabilities	(1,236)	(843)
Assets	-	-
Net Pension liability	<u>(1,236)</u>	<u>(843)</u>

Analysis of amount charged in the SOFA

Recognition in the SOFA	31-Mar-15 £ 000	31-Mar-15 % of pay	31-Mar-14 £ 000	31-Mar-14 % of pay
Current service cost	185	29.8%	187	26.8%
Interest cost	128	20.6%	115	16.5%
Expected return on employer assets	(129)	(20.7%)	(98)	(14.0%)
Past service cost/(gain)	-	-	-	-
Losses/(gains) on curtailment and settlements	-	-	-	-
Total	<u>184</u>	<u>29.7%</u>	<u>204</u>	<u>29.3%</u>
Actual return on plan assets	<u>232</u>		<u>126</u>	

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

18. PENSION SCHEME (Continued)

	31-Mar-15	31-Mar-14
Reconciliation of defined benefit obligation	£ 000	£000
Opening defined benefit obligation	2,891	2,454
Current service cost	185	187
Interest cost	128	115
Member contributions	37	43
Actuarial losses/(gains)	447	124
Estimated unfunded benefits paid	(9)	(8)
Estimated benefits paid	(50)	(24)
	<u> </u>	<u> </u>
Closing defined benefit obligation	3,629	2,891
	<u>=====</u>	<u>=====</u>

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

	31-Mar-15	31-Mar-14
Equities	80%	80%
Bonds	10%	9%
Property	10%	7%
Cash	0%	4%

Reconciliation of fair value of employer assets

	31-Mar-15	31-Mar-14
	£ 000	£000
Opening fair value of employer assets	2,048	1,785
Expected return on assets	129	98
Contributions by members	37	43
Contributions by the employer	105	118
Contributions in respect of unfunded benefits	9	8
Actuarial gains/(losses)	124	28
Estimated unfunded benefits paid	(9)	(8)
Estimated benefits paid	(50)	(24)
	<u> </u>	<u> </u>
Closing fair value of employer assets	2,393	2,048
	<u>=====</u>	<u>=====</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

18. PENSION SCHEME (Continued)

Amounts for the current and previous accounting periods

	31-Mar-15 £ 000	31-Mar-14 £ 000	31-Mar-13 £ 000	31-Mar-12 £ 000	31-Mar-11 £ 000
Fair value of employer asset	2,393	2,048	1,785	1,415	972
Present value of defined benefit obligation	(3,629)	(2,891)	(2,454)	(1,886)	(1,295)
Deficit	<u>(1,236)</u>	<u>(843)</u>	<u>(669)</u>	<u>(471)</u>	<u>(323)</u>
Experience gains/(losses) on assets	124	28	137	248	(8)
Experience (losses)/gains on liabilities	(62)	(1)	1	(247)	(112)

Amount recognised in SOFA

	31-Mar-15 £ 000	31-Mar-14 £ 000	31-Mar-13 £ 000	31-Mar-12 £ 000	31-Mar-11 £ 000
Actuarial (losses)/gains	(323)	(96)	(153)	(122)	39
Other actuarial adjustment	(70)	(78)	(45)	(26)	115
Actuarial (losses)/gains recognised	<u>(393)</u>	<u>(174)</u>	<u>(198)</u>	<u>(148)</u>	<u>154</u>
Cumulative actuarial gains and losses	<u>(974)</u>	<u>(651)</u>	<u>(555)</u>	<u>(402)</u>	<u>(280)</u>

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2016 will be approximately £84,000.

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.

19. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year (2014 – Nil). Travelling expenses claimed by Trustees totalled £422 for the year (2014 - £128). Trustees were paid £nil (2014 – Nil) during the year for commissioned work. As at 31 March 2015, a balance of £20 (2014 – Nil) was owed to Trustees.

Prior to being appointed as a Trustee of Shetland Arts Development Agency, Lorraine Hall conducted work for the entity in relation to staffing and restructuring. These costs amounted to £7,700 and have been included in accruals at the year end.

During the year, Shetland Arts Development Agency paid expenses of £nil (2014 - £163) on behalf of its subsidiary, Shetland Arts IP C.I.C.. As at 31 March 2015 a balance of £388 (2014 - £388) was owed to Shetland Arts Development Agency. No interest is being accrued on this loan. It will be repaid when income is generated in the Community Interest Company.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Reserve £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2014	(146,353)	(843,000)	-	13,395,073	12,405,720
Total Incoming Resources	2,299,371	-	208,571	-	2,507,942
Total Resources Expended	(3,060,313)	-	(208,571)	-	(3,268,884)
Other Recognised Gains And Losses	-	(393,000)	-	-	(393,000)
Transfer amortisation of Restricted Capital fund	606,073	-	-	(606,073)	-
Transfer amortisation of lease premium	45,832	-	-	(45,832)	-
Total Funds as at 31 March 2015	<u>(255,390)</u>	<u>(1,236,000)</u>	<u>-</u>	<u>12,743,168</u>	<u>11,251,778</u>

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.

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Funds £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Fixed Assets	121,396	-	-	12,743,168	12,864,564
Current Assets	90,878	-	-	-	90,878
Current Liabilities	(376,272)	-	-	-	(376,272)
Long-Term Liabilities	(91,392)	-	-	-	(91,392)
Provisions	-	(1,236,000)	-	-	(1,236,000)
Total Net Assets	<u>(255,390)</u>	<u>(1,236,000)</u>	<u>-</u>	<u>12,743,168</u>	<u>11,251,778</u>

Included within restricted capital funds are amounts of £1,012,154 (2014 - £1,057,986) relating to the lease premium received from the Shetland Islands Council during the year ended 31 March 2014

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

22. OPERATING LEASES

At 31st March 2015 the charity had aggregate annual commitments under non-cancellable operating leases as set out below

	31-Mar-15 Land & Buildings	Other items	31-Mar-14 Land & Buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	-	-	-
Within 2 to 5 years	-	9,400	-	9,340
	<u>-</u>	<u>9,400</u>	<u>-</u>	<u>9,340</u>
	<u>==</u>	<u>=====</u>	<u>==</u>	<u>=====</u>

	31-Mar-15 Plant & Machinery	Other items	31-Mar-14 Plant & Machinery	Other items
	£	£	£	£
Operating lease payment made in the year	9,400	-	7,690	-
	<u>9,400</u>	<u>-</u>	<u>7,690</u>	<u>-</u>
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

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

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

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

	2015 £	2014 £
Net (outgoing)/incoming resources before transfers	(760,942)	610,580
Depreciation	677,800	640,114
Loss on disposal of fixed assets	38,719	-
Interest received	-	(2)
Interest payable	4,703	4,936
Decrease in stocks	9,064	2,253
Decrease in debtors	35,885	130,865
Decrease in creditors	(142,288)	(492,358)
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities	<u><u>(137,059)</u></u>	<u><u>896,388</u></u>

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

	2015 £	2014 £
(Decrease)/Increase in cash in the year	(60,984)	17,834
Net cash at 1 April 2014	12,416	(5,418)
	<u> </u>	<u> </u>
Net (debt)/cash at 31 March 2015	<u><u>(48,568)</u></u>	<u><u>12,416</u></u>

25. ANALYSIS OF CHANGES IN CASH AND BANK BALANCES

	31-Mar-14 £	Cashflow £	31-Mar-15 £
Cash in hand and bank	12,416	(4,518)	7,898
Bank overdraft	-	(56,466)	(56,466)
	<u> </u>	<u> </u>	<u> </u>
	<u><u>12,416</u></u>	<u><u>(60,984)</u></u>	<u><u>(48,568)</u></u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2015

The following pages do not form part of the statutory financial statements
which are part of the independent auditor's report on pages 11-12

SHETLAND ARTS DEVELOPMENT AGENCY

INCOME & EXPENDITURE ACCOUNT

for the year ended 31 March 2015

		2015		2014
	£	£	£	£
INCOME				
Donations and business sponsorships		9,544		15,498
Revenue grants received		1,031,561		1,011,975
Bank interest received		-		2
Box office/programme				
Box office income	517,951		525,275	
Garrison Theatre hire	5,742		5,041	
Broadcasting income	9,430		-	
Membership sales	17,286		2,950	
Rental income	35,478		68,617	
Recording studio	9,573		4,310	
Total	-----	595,460	-----	606,193
Ancillary Earned income				
Bar and catering	469,484		469,512	
Foyer	146,013		157,105	
Merchandise	5,937		4,862	
Weisdale Mill Shop	53,209		46,634	
Exhibition sales commission	3,219		4,426	
Weisdale Mill café	68,624		67,846	
Equipment Hire	5,845		3,808	
Screen Advertising	14,387		14,515	
Total	-----	766,718	-----	768,708
Other Earned income				
Education and training income	83,740		63,206	
Management fees	-		6,266	
Miscellaneous	9,120		9,922	
Recharges income	11,799		6,128	
Insurance claim	-		60,330	
Total	-----	104,659	-----	145,852
TOTAL INCOME FOR YEAR		2,507,942		2,548,228
LESS:				
Catering purchases	294,086		298,060	
Shop and gallery purchases	28,602		24,986	
	-----	322,688	-----	323,046
Development expenditure:				
Programme	201,877		220,523	
Marketing	17,929		13,567	
Education	18,217		55,822	
Salaries and NIC	201,025		230,537	
Overheads and other expenses	2,230		177	
Other staff related costs	7,820		8,632	
	-----	449,098	-----	529,258
Surplus carried forward to next page		1,736,156		1,695,924

SHETLAND ARTS DEVELOPMENT AGENCY

INCOME & EXPENDITURE ACCOUNT

for the year ended 31 March 2015

Surplus brought forward from previous page	1,736,156	1,695,924
Operations expenditure:		
Programme	174,790	211,645
Marketing	5,319	7,388
Salaries and NIC	734,066	728,751
Other staff related costs	6,533	12,417
	920,708	960,201
Shetland Box office	14,958	16,946
Strategic marketing	13,258	11,380
Grants paid to individuals	22,180	20,150
Support staff salaries	291,776	357,306
Other staffing costs	33,719	14,043
	325,495	371,349
Overheads		
Stationery	4,196	5,959
Small equipment purchases and hire	18,270	10,968
ICT	36,684	30,780
Photocopier lease	24,345	17,317
Electricity	87,101	116,188
Telephone and fax	5,580	5,518
Cleaning	60,110	56,662
Postage	2,826	2,562
Trustee expenses	422	128
Hospitality	1,514	88
Legal and professional fees	71,356	33,883
Bank charges	16,406	6,488
Publications and subscriptions	3,783	2,523
Licences	20,792	22,620
Rates	2,212	2,105
Storage facilities	8,033	7,995
Repairs and maintenance	19,302	10,389
Planned maintenance	43,135	26,532
General overheads	2,226	1,858
Insurance	37,319	35,888
Depreciation	677,801	640,114
Payroll processing	-	4,559
Bank interest	80	20
Loan interest	4,623	4,936
Mareel capital project costs	2,599	148,813
	1,150,715	1,194,893
Amortisation	(651,905)	(608,040)
Loss on disposal	38,719	-
Governance costs	11,065	10,425
Transfer from restricted capital to cover deficit on restricted	-	(148,813)
	(109,037)	(132,567)
DEFICIT FOR THE YEAR	(109,037)	(132,567)