

SHETLAND ARTS DEVELOPMENT  
AGENCY

TRUSTEES' REPORT & FINANCIAL STATEMENTS

for the year ended

31 March 2018

# SHETLAND ARTS DEVELOPMENT AGENCY

## CHAIRPERSON'S MESSAGE

31 MARCH 2018

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At the beginning of my message, I would like to extend my thanks to my fellow Shetland Arts Development Agency Trustees, Graeme Howell, the senior management team and all staff for their continued efforts to make Shetland Arts an aspiring, creative and vibrant organisation.

This is my third year as chair and I am pleased to say that it has seen the organisation build upon its previous success. The continued development of the staff and leadership team enables us to remain focussed on our core objectives and ensure that we continue to deliver on the purposes of the Trust as laid out in the Trust Deed.

Good facilities for staging and viewing art in all of its forms are key but above all the arts are about people and creating and variety.

The last year has seen us welcome over 200,000 audience members to our events, screenings and exhibition days with a further 18,000 participations in our education and outreach activity. Our programme has included dramatic productions, humour and comedy, romance and political satire.

Personal highlights for me have included 'live' screenings of Theatre and Ballet performances, the visit by Let's Circus and the Shetland Youth Theatre performance of "In the Still of the Night Have We Wept" which we saw up at Baltasound in Unst. The installation of Dinh Q Le's The Colony in Mareel was spectacular and further demonstrated how the organisation is developing strands of work to maximise its assets.

Young People have formed a big part of our plans in the last 12 months with Let's Circus, Screenplay and the Arts Education program all engaging young people across Shetland and providing different cultural experiences and learning opportunities.

Over 1500 young people took part in a circus workshop and over 3000 audience members enjoyed the show. Screenplay expanded its education offer this year working in partnership with Discovery Film Festival in Dundee and the second year of the Start education programme explored The Future with young people from Fetlar Primary School, Baltasound JH School, Aith JH School, Whalsay School and Sandwick JH School.

Our other major organisation development last year was the recruitment of the community promoters. Working with this team we are aiming to not only increase our activity in the more remote and rural areas of Shetland but also ensure that what we currently do is given a higher profile. Their first production was a tour of local musicians featuring Beltane Ree and Fjanna with local support at each of the locations the tour visited.

In January we were very pleased to hear that Creative Scotland will be reinvesting in the organisation through to the end of the next funding cycle in 2021 and this along with continued investment from Shetland Charitable Trust and support from Shetland College, Highlands and Islands Enterprise, Shetland Islands Council and The University of Highlands and Islands and all our other partners ensures the continuation of our programme and creative endeavour.

Whilst it has again been a challenging year financially, I am delighted to be able to report that for the third year running we have made a small surplus.

In closing, I would like to take this opportunity to thank you, our audience, for your support in making our work possible, for encouraging and engaging in what we do. I am confident that the staff and trustees are well placed to face the challenges ahead as we continue to deliver on our purpose in the face of an ever tightening financial situation.



Lorraine Hall  
Chair

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

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The Trustees are pleased to present their annual Trustees' Report together with the financial statements of the charity for the year ending 31 March 2018.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the trust deed and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2015.

### OBJECTIVES AND ACTIVITIES

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

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

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

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

### Introduction

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

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

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

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

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

In 2015 Shetland Arts committed to a "3 Year Programme" of activity (of which 17/18 was the 3rd and final year) that built on nine years of quality arts programming to provide opportunities for people of all ages to access enjoyable creative experiences as participants and as audience, across a wide range of art forms as per our Trust Deed. Up to 2014/15 SADA has focussed activity and reporting under artform specific criteria. From 2015/16 onwards activity and reporting is under 6 "Priority Areas of Activity", identified for 2015-18 as:

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

This includes the work we do with Shetland Youth Theatre and the support of groups such as Maddrim Media and the Shetland Young Promoters Group. It includes innovative projects designed to increase the engagement of young people in the arts and exchange programmes with organisations outwith Shetland, encouraging Shetland's youth to engage with and help shape cultural events in Shetland.

#### **2. Education & Learning**

We are committed to the delivery of a programme of activities aimed at skills development for creative industries practitioners as well as classes and workshops aimed at increasing accessibility and participation in creative activities. The Gallery Education Programme works with schools to encourage access to and engagement with our exhibition programme. We also facilitate peer review and support by and for practitioners at all levels of participation and a range of formal learning opportunities in partnership with Shetland College UHI, from secondary school level through to masters level.

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

We will continue to advocate and support the provision of arts and cultural activities for older people in care settings and people in supported living programmes, delivered by local and national arts professionals. We also work in partnership with space2face, the restorative justice and arts programme.

#### **4. Development & Support**

The support of individuals and groups is integral to our work and includes arts practitioners and creative industries micro-businesses, audience development and our formal and informal education work. It also includes staff and volunteer development.

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

This includes the programming of our cinema, gallery, exhibition spaces, theatre and auditorium; Screenplay and Wordplay, our highly successful book and film festivals; and Fiddle Frenzy. We also develop creative residencies in partnership with local and national bodies and extend our regional, national and international reach through the development of a variety of events.

#### **6. Broadcast, Recording & Intellectual Property**

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

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### Achievements & Performance

Priority Areas	Key Performance Indicators - Full Year 17/18			
	Concerts, Screenings and Exhibition Days	Audience Attendances	Development Sessions	Participations
1. Youth Arts	8	388	125	1,523
2. Education & Learning	3	170	1,315	6,471
3. Arts & Wellbeing	1	50	163	1,081
4. Development & Support	307	16,818	131	4,300
5. Programme, Commissioning & Curation	4,272	182,942	302	5,230
6. Broadcast, Recording & IP	-	-	127	50
Totals	4,591	200,368	2,163	18,655

### Notable variances between Target and Actual KPIs

	Target*	Actual	% Achieved
Concerts / Screenings / Exhibition Days	3,000	4,591	153
Audience Attendances	160,000	200,368	125
Development Sessions	1,300	2,163	166
Participations	9,000	18,655	207

\* Targets as set in 2014

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

Development sessions and participations also continue to exceed targets. A large number of these KPIs is generated through strong numbers of students enrolled on the formal education programmes developed and delivered on behalf of Shetland College UHI (Vocational Pathways, NC, HNC, BA and MA levels). Large numbers of sessions and participations are generated by well supported developmental events organised by venue hirers, such as the Young Fiddler of the Year, Schools Music Festival and Shetland County Drama Festival.

Our own developmental events, including Fiddle Frenzy, Wordplay and Screenplay generate significant participation numbers, the latter's education programme expanded in 2017 with all schools in Shetland being offered the opportunity to be involved.

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

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### Priority Area 1: Youth Arts

Highlights included:

- In May members of **Shetland Youth Theatre (SYT)** saw months of hard work come to fruition with performances in Baltasound, Walls and The Garrison of the ***In the Still of the Night Have We Wept*** World War One inspired play funded by the **Heritage Lottery Fund**.
- **SYT's** following performance, ***The Free9***, took place in March in Mareel, and the group were making plans to tour the show to the **NT Connections Regional Festival** at **Eden Court**, Inverness in April.
- **Let's Circus** visited Shetland. The group arrived in April for some preliminary shows and appearances at the Shetland Folk Festival, before starting their tour of the isles. They visited Mid Yell, Whalsay, Brae, Aith and Sandwick, before setting up the Magpie Tent in Lerwick for their final sold-out shows. Over 1,500 school children took part in the outreach program of workshops and school visits, from Unst, Yell, Fetlar, Whalsay, Fair Isle, Foula and across the mainland from Dunrossness to North Roe.
- **Creativity Club**, our new programme of fun arts workshops for 7 - 11 year olds led by local freelance artists included sessions on theatre skills, film, animation and craft.
- This summer marked the return of our **Summer Dance Intensives**, led by Shetland-born dancer and choreographer **Kathryn Spence**. She ran one beginner-level week and one intermediate-level week for young people aged 11 and up, culminating in our celebration of dance, **Just Dance**.
- We expanded the **Screenplay Education Programme** to accommodate nearly 1,200 young people in a programme of screenings, and development and critical thinking activities.
- Members of **Shetland Young Promoters Group (SYPG)** and **Maddrim Media** worked collaboratively to produce cross artform production and exhibition produced by young artists and musicians.
- SYPG put the final touches to their plans for the annual **Battle of the Bands** scheduled for April 2018.

### Priority Area 2: Education & Learning

Highlights included:

- We continued to deliver a range of formal education courses and modules on behalf of **Shetland College UHI** and in partnership with other colleges in the UHI network through a Service Level Agreement. The courses include **Vocational Pathways** courses in **Video Production** and **Sound Engineering**, **NC Music**, **HNC Music**, **BA Applied Music**, **BA Contemporary Film-Making in the Highlands and Islands** and the **MA Digital Production module** (see below):
  - Q1 saw the completion of the 16/17 academic year. 47 students completed their studies (a 100% completion rate) and 96% achieved their qualifications.
  - The MA Digital Production module was delivered remotely to students on the UHI MLitt Music in the Environment course. Students were based in locations including Brazil and Switzerland.
  - In Q2 51 students (26 part time and 25 full time) enrolled on formal education courses.
  - This year saw the commencement of the second year of the new UHI Contemporary Film Making in the Highlands and Islands BA (Hons) course. Shetland Arts have been working with partners at North Highland College, Moray College and Orkney College to develop the course. 5 full time Shetland based students enrolled on the course.
  - Students held 3 well attended showcase concerts and film screenings in the Mareel auditorium.
- Pupils from the Anderson High and Sandwick Junior High Schools enjoyed three days working with technicians in the Mareel Recording Studio as part of **Schools Activity Week**.
- The **START Bonhoga Education Programme**, supported by national organisation Children & The Arts and delivered by Shetland Arts in partnership with SIC Creative Links, entered its third year. Lead artists Amy Gear worked with pupils from Brae, Fetlar, Aith, Whalsay and Sandwick schools to take part in development activities and create work for an end of project exhibition in Bonhoga. The students also visited Mareel to experience video work **The Colony** by **Vietnamese artist Dinh Q. Lê**.
- **Dinh Q. Lê** visited Shetland in October and delivered an informal 'in conversation' talk.

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- The **Know Your Arts From Your Elbow** events were delivered in November and December - the informal evening Turner Prize sessions, led by artist Amy Gear, exploring the work of the four nominees for this year's Turner Prize. The weekly sessions culminated with a screening of the live broadcast of the announcement.
- Our ever popular **Life Drawing** classes continued.

### Priority Area 3: Arts & Wellbeing

Highlights included:

- Our popular informal **Wellbeing Choir** continued under the new leadership of Suzanne Briggs, an experienced tutor and student on the BA Applied Music course. An evaluation in January illustrated the impact of the choir on its members:
  - "Relaxed, welcoming, fun... love learning harmonies, meeting new people, listening to and singing a variety of songs"
  - "I love to try and sing, and the non-pressure environment of this choir is just perfect"
  - "Very relaxed and enjoyable, with an inclusive atmosphere"
- We continued to partner with **Alzheimer Scotland** to facilitate **Tak Your Makkin**, our knitting group for people with Alzheimer's and their carers. The project was nominated for a **Most Innovative Partnership Award** at the **Dementia Scotland Awards**.
- Our **Arts in Care** programme continued, with artists from a range of practices working in care homes around Shetland and with participants in care settings. A particular highlight was a film made by **Supported Living and Outreach** participants with help from film-maker **Stephen Mercer** which spoofed the Shetland crime series and was a YouTube hit.
- We ran a **Christmas Wellbeing Crafts** workshop in the lead up to Christmas, where participants worked with different materials and techniques to create a variety of small Christmas crafts.
- We continued our support for **space2face**, the restorative arts project working with people involved in offending behaviour.

### Priority Area 4: Development & Support

Highlights included:

- Bonhoga Gallery continued to build on its reputation as a craft and applied arts hub offering numerous development and **Curated Retail** opportunities. The Bonhoga shop carries the work of around 70 local, national and international artist and makers.
- As part of the Curated Retail strategy, the weekly **Maker Blogs** continued to drive traffic to the Shetland Arts website, creating publicity for Shetland Arts, Bonhoga and the local makers themselves, and providing an effective method of introducing the work to our online audience.
- We continued to host the monthly **Creative Industries Forum** in Mareel, an independent, informal and open group of Shetland Creative Industries practitioners who meet to network and discuss a variety of Creative Industries related topics.
- Shetland Arts continued to provide meeting spaces for the several groups including the **Lerwick Writers Group**, **Westside Writers Group**, the **Peerie Makers** school knitting project, the **space2face** restorative justice project previously mentioned and Shetland Moving Image Archive Group, together with non-arts specific groups including **Mind Your Head** and the **Shetland LGBTi Group**.
- In mid September, the **Garrison Stakeholders Group**, of which Shetland Arts was a member, held a public meeting to establish a new group called **Friends of the Garrison**. The group's aim is "to work towards a shared vision to support, advocate, celebrate, nurture and champion the Garrison Theatre as a thriving, dynamic and inclusive community performance space ensuring the theatre remains as part of the fabric of arts provision within the community."
- We launched our **Community Film Project** in April, which looks to provide training and guidance for members of community groups on how to use film to promote their work, and is funded by the People's Postcode Lottery.
- Our support for individual creative practitioners continued through the provision of numerous paid freelance opportunities in the delivery of our programme of activities including our ever-popular **Life Drawing** classes.

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- As part of the national **Processions** project, in March we commissioned local artist **Christina Inkster** to deliver a series of public workshops during April and May to create a centenary banner celebrating Shetland women's involvement in the Suffrage movement and their right to the vote.

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

Highlights included:

#### Cinema

- The ever-popular cinema programme continued to cater for a wide range of contemporary, populist and specialist tastes.
- Two new strands were introduced to the programme: **Screen Classics**, bringing classics (of all sorts!) back to the big screen where they belong; and **Screen Pride**, showcasing films with an LGBT theme or characters.
- Screen Wednesdays brand was relaunched as **Screen Horizons** - a new name and a slightly altered screening schedule, but still the same specially-curated mix of quality independents, foreign language cinema and documentaries.
- We celebrated the 11th birthday of **Screenplay**, our annual film festival.
- The popular **Film Quiz** continued with around 100 participants each month.
- As part of **Autism Awareness Week** in April, we hosted a well-attended screening of award-winning documentary *Life, Animated* with a panel discussion after the film.
- Notable screenings included:
  - **Gin: The Movie** in association with the **Taste of Shetland** festival as a 'taste-along' screening.
  - Soviet-era silent thriller *By the Law* with live music from award-winning Scottish singer-songwriter **RM Hubbert**.
  - Documentary *Poor Kids* followed by a panel discussion, marking **Challenge Poverty Week** and run in association with Community Planning and Development.
  - Two films from **Fokus: Films from Germany**, a partnership between Goethe-Institut (Glasgow) and Filmhouse (Edinburgh).
  - A four-film season of films set during the First World War programmed to coincide with the exhibition *We're Here Because We're Here* at Bonhoga. The season was introduced by history teacher and WWI scholar Jon Sandison, who gave an illustrated talk.

#### Music

- **Classical Season**
  - **Mr McFall's Chamber's** concert was described as "A magnificent, charming performance of wonderful compositions, played to perfection, that left the audience with a spring in their steps and smiles on their faces" by Shetland News.
  - **Dunedin Consort** hosted an evening of madrigals by Baroque composer Claudio Monteverdi.
  - **Scottish Chamber Orchestra** performed in Mareel, Aith and Burravoe. The SCO also performed a short, hour long set for babies and small children at Mareel.
  - Shetland born musicians **Abby Hayward** on cello and **Neil Georgeson** on piano explored the theme *In Our Homeland* in Mareel.
  - **The Edinburgh Quartet** worked with us to visit the isles as part of their *North, South, East, West* project, which saw them teach a new piece and perform it with local musicians as part of their concert.
  - **Neil Georgeson's Dance Music** concert contrasted such popular classical pieces with a strikingly contemporary work by Patrick Nunn making use of innovative technology.
- Mareel hosted **Mark Lyken's** multimedia performance of **Oscillon Response**. This was a challenging piece, so in order to give context to the work Mark gave an interview to **Shetland Arts TV** in the run-up to the event. Mark's performance was preceded by an afternoon workshop for students and concluded with a Q&A session.
- The hugely acclaimed, 10-strong international supergroup **String Sisters**, based themselves in Mareel in order to record their latest album in the Auditorium, and give a concert of these new works at the end of the process.



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- We supported the album launch in Quarff Hall of HNC Music graduate **Lewis Hall's** debut *Murmur*, recorded at Mareel. The concert was accompanied by projected visuals from Chloe Keppie and Eve Christie.
- **Shetland Folk Society** held the **Young Fiddler of the Year** in Mareel's Auditorium, with a series of well-attended competition rounds and a final concert featuring **George Spence**, this year's winner.
- Mareel was again a venue during the **Shetland Folk Festival**, now in its 36th year. With concerts each night, the Peerie Spang for families with young children and the Foy all well attended.
- **Ragged Wood** promoted a series of concerts in Mareel including cajun two-step and rock'n'roll Influenced **Laura Cortese & The Dance Cards**, experimental folk three piece **Lau** as part of their 10th anniversary tour, scottish singer songwriter **Roddy Woomble** and Nashville based singer **Lindsay Lou** with her band.
- **CASH**, the Johnny Cash tribute act came to Mareel in June with **ANS Promotions**.
- **Shetland Accordion and Fiddle Society** held a variety concert in the Garrison Theatre.
- Internationally acclaimed Americana singer **Martha Wainwright** played to a full house in Mareel with support from members of her own band as Bernice Project, and **Jenny Sturgeon** with **Jonny Hardie**.
- Renowned trumpeter, **Colin Steele**, made his first visit to Shetland with his jazz quintet at the end of the month, playing from his award-winning album, *Even in the Darkest Places*.
- August saw the return of **Fiddle Frenzy**, curated by **Claire White**, with eight days of workshops, session, masterclasses, tours and concerts. Concerts were well attended, with performances from **Salt House**, **Ross Couper** and **Tom Oakes** (who launched their new album as part of the festival), **RANT**, **Jenna Reid** and **Kevin Mackenzie**.
- **Aly Bain** and **Phil Cunningham** played two very popular concerts in Mareel and Walls in September.
- We screened the Soviet Era, black and white, silent film, *By The Law* in Screen 2, accompanied by an atmospheric, live soundtrack composed by renowned Scottish composer, **RM Hubbert**.
- We launched our first Rural Tour of the new **Community Promoters** project. Traditional Shetland music groups **Beltane Ree** and **Fjanna** toured around Shetland in four nights, playing in Quarff, Sandness, Brae and Whalsay. At every gig the main act was supported by a local act.
- November saw an ambitious day of recording and performing by the **Shetland Mandolin Band**, who spent the day in the studio and then played to an enthusiastic crowd in the evening, supported by local acts **High Level Hot Club** and **Haltadans**.
- **Beyond Presents** gave the Mareel Auditorium a particularly busy week in October with 3 back-to-back gigs - **Newton Faulkner**, **Lucy Spraggan** and **Scouting For Girls**. All of the artists involved were delighted with their gigs and the experience at Mareel, with some members of Newton's band taking the time to record a track in the studio.
- In December, we presented a very popular Christmas offering with local artists the **North Ness Boys** and **Freda Leask** taking the stage in the Auditorium.
- **Queen II**, one of the UK's most popular Queen tribute acts, played a sell out concert with support by popular local act The Bashies.
- 2017 closed with a sell-out **Hogmanay at Mareel** with **The Revellers**, sponsored by Event Scotland. Also on the bill was local acts; **Kansa**, **Arthur Nicholson Band**, **Vair** and **Hom Bru**. The concert was followed by a dance with the **Alan Nicolson Dance Band** and our resident **Mixology DJs** in the Cafe Bar.
- **Up Helly-Aa** heralded the ever-popular **Fiery Sessions** concert at the Garrison Theatre, with performances from the **High Level Hot Club**, **Ewen** and **Martha Thomson**, **Maggie** and **Bryan**, and **Eunice Henderson** and **The South Mainland Fiddlers**, all compered by storyteller **Davy Cooper**. Mareel was also a hall in the evening.
- In February Mareel hosted **Northern Flyway**, a large scale, ambitious 75 minute music and visual production devised by **Jenny Sturgeon** and **Inge Thomson** incorporating birdsong and field recordings alongside both acoustic and electronic music. The performers recorded the material in the Mareel Recording Studio.
- In March we hosted the BBC2 Folk Award 2017 Best Group winners, **The Furrow Collective** who entranced their audience with a set of found folk songs from across the country.
- **Ben Ottewell** of Gomez fame performed in Mareel in early March, with an acoustic gig promoted by Mac Events.
- Popular West Coast of Scotland folk-rockers **Tide Lines** performed in Mareel promoted by **Beyond Presents**.

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- Mareel in March was especially busy with the annual **Shetland Schools Music Festival**, showcasing the talent of primary pupils throughout Shetland in classes as well as the **Young Musician of the Year** and Gala Concerts.
- Shetland College Music Students held three concerts throughout the year which were live-streamed on the Mareel Facebook page.
- **Open Mic @ Mareel** continued throughout the year providing a platform for emerging and established singers, musicians, poets, and prose writers to share their work in a supportive and encouraging atmosphere.
- **Mixology** nights hosted by local DJs continued to be a popular fixture in the Mareel cafe bar.

### Exhibitions

- **Toby Paterson's *The Pinwheel***. Toby is one of Scotland's leading contemporary artists and work derives from encounters with architecture and the built environment. Toby and his gallery were delighted that one work sold and that it remains in a private collection in Shetland.
- **Traces**, a group exhibition by the four category winners of last year's **Shetland Open: Jeanette Nowak, Gillian Bridle, Vivian Ross-Smith and Aimee Labourne**. The artists explored connections between their work and themes that resonate beyond it: traditional skills, preservation and decay, lines of impermanence and layers of time.
- In the Lower Gallery **The Bairns' Open** filled the cafe wall with over 60 entries from young artists from P1-S6 and a prizes were awarded to **Freya Hutcheson** and **Tabitha Johnson**.
- Bonhoga continued to showcase **contemporary craft from Shetland** and across the UK in the lower gallery.
- The exhibition ***Behind the North Wind*** from the end of August drew together work by three prominent artists from the Nordic region: **Malfridur Aðalsteindóttir** (Norway), **Kristín Reynisdóttir** (Iceland) and **Barbara Ridland** (Shetland).
- Autumn was busy with ***Hairst***, an exhibition of applied art and craft from Shetland and the UK and prints by Gail Kelly in the Lower Gallery. ***Hairst*** provided customers a unique opportunity to purchase from a diverse collection of high quality but affordable contemporary art and craft.
- November and December exhibition was by ***Beach Scenes and Other Obsessions***, a celebration of the work and career of local artist **Maxie Bain**. This was his first solo show in Shetland since returning to live here after 40 years in the south of England and a wonderful combination of his recent landscape work and early portraits (the latter of which have never been shown in Shetland before).
- The work of Glasgow based printmaker **Louise Scott** was exhibited in the Lower Gallery during Maxie's show. Louise specialises in copper plate etchings of marine and birdlife.
- The Upper Gallery hosted an exhibition telling the story of the contemporary memorial ***We're Here Because We're Here*** by **Jeremy Deller** and presented by **14-18 NOW** and the **National Theatre of Great Britain**.
- In the Lower Gallery was an exhibition of limited edition prints featuring the Aurora Borealis from Shetland born artist **Ellie Mulhern**.
- The year-long exhibition of the **SIC's Shetland Contemporary Art Collection** came to an end in late June and was replaced with large scale photographs of the ***Klondykers*** by award-winning photographer **Jeremy Sutton-Hibbert**.
- Pen and watercolour work by Australian artist **Margaret Worthington** whose time as **Artist in Residence** at both Sumburgh and Bressay Lighthouses inspired her work, with hints of ever-changing light, swirls of mist and Fair Isle patterning.
- Mareel's auditorium hosted Vietnamese artist Dinh Q. Lê's ***The Colony***, a three-screen video installation by commissioning body Artangel. With generous support from Artangel, SADA was able to present this large-scale work as part of **Beyond Bonhoga**, the ongoing off-site gallery programme.
- The feature space hosted portraits by local photographer **Liam Henderson**.

### Drama, dance and comedy

- **Open Door Drama** produced ***The Amazing Maurice and his Educated Rodents*** with primary school aged children in the Garrison Theatre.
- In July, **Beyond Presents** brought the comedian and TV personality, **Phil Jupitus** to Mareel for a very well attended night in the auditorium.

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- The Garrison hosted the 68th annual **Shetland County Drama Festival** featuring thirteen performances over 4 days by various school and amateur dramatic groups.
- **Scottish Opera** made a visit to the Garrison Theatre with their *Opera Highlights* tour, showcasing a variety of well-known pieces.
- **Islesburgh Drama Group** presented their Spring production, *Absurd Person Singular* to enthusiastic audiences.

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

Highlights included:

- *Murmur*, the debut album by **Lewis Hall**, who is an alumni of the HNC Music course.
- A project featuring self-penned material by **Carol Jamieson** and **Martin Naylor**.
- Local americana group **Kansa** recorded an album's worth of material live in the Green Room.
- A significant recording project in early June, when Grammy-Award nominated folk supergroup **String Sisters** chose to record a new album at Mareel. The 10-piece group stretched the capabilities of the various spaces that comprise the studio.
- As part of **Schools' Activities Week**, 30 pupils from Anderson High School and Sandwick Junior High School participated in recording workshops across three days.
- Mastering work for local filmmakers.
- Voiceover work for local businesses developing new websites.
- CD duplication and archiving of material **transferred from reel-to-reel tape recordings**.
- **Kris Drever** brought an exciting project to the studio for mixing: **10 String Symphony**, a progressive folk duo from Nashville comprising 5-string banjo and 5-string fiddle.
- **Bruce Ncube** recorded a CD of African Percussion.
- Mastering of **David Halcrow's** album.
- Live recordings of a **Lau** concert in Belfast were mixed at Mareel for future release.
- Recording of **student work for portfolios**.
- A series of recordings by local singer **Gemma Anderson**.
- Editing work on audio for **Wellbeing Audiobooks**.
- Local band **Trookers** recorded several tracks.
- The **Shetland Mandolin Band** recorded an album on the Mareel stage, as well as recording their concert in November for inclusion on CD, mixed and mastered at Mareel in time for Christmas release.
- Mixes of past concerts in Mareel were produced for local musicians putting together **demos**.
- A week of training in November for a studio engineer.
- The **Northern Flyway** project, including filming and recording their live event.
- Online live broadcast of a solo performance by singer songwriter **Kris Drever**.
- Mixing and mastering of a single by Irish folk stalwarts **Stockton's Wing**.

### Volunteers

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

### Change Management

The period 2017/18 has been focussed on embedding and reviewing the changes undertaken during the previous year. The process of consult, reflect, change, review has been adhered to and led to some further minor structural tweaks, although the priority has been to maintain stability after a period of significant change.

### FINANCIAL REVIEW

The 2018 financial year has been challenging for the organisation however we have been able to continue generating an operating surplus for the third year. The improved budget monitoring put in place in 2016/17 allowed the organisation to react to issues identified much more effectively.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2018

The above helped the turnaround for the year which gives a surplus on the Unrestricted Funds of £1,505 (2017 - £13,054) for the year. This surplus of £1,505 in Unrestricted Funds comes after the deduction of depreciation in the year of £640,843. This depreciation is partly off-set by a transfer made from the Restricted Capital Fund to Unrestricted Funds of £611,844. This transfer is done to recognise the fact that capital grants received in this year and during earlier financial periods should be amortised over the same useful lifetime as the assets to which they relate.

The Total Incoming Resources for the year were £2,446,359 (2017- £2,512,081) made up as follows:

	2018 £	2018 %	2017 £	2017 %
Revenue grants received	973,758	39.8%	1,030,972	41.0%
Capital grants received	-	-	11,715	0.5%
Self-generated income	1,468,412	60.0%	1,439,977	57.3%
Donations and sponsorship	4,189	0.2%	29,417	1.2%
TOTAL	2,446,359	100%	2,512,081	100%

We received annual revenue funding of £664,426 from Shetland Charitable Trust (SCT) and £250,000 from Creative Scotland (CS) during the year.

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

Total Resources Expended was £3,056,698 (2017 - £3,124,955) made up as follows:

	2018 £	2018 %	2017 £	2017 %
Stock and goods purchases	310,001	10.1%	316,317	10.1%
Charitable activities	2,746,697	89.9%	2,808,638	89.9%
TOTAL	3,056,698	100%	3,124,955	100%

Grants were given out by Shetland Arts in the year of £12,333 (2017 - £6,495). 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 increased from £1,187,382 in 2017 to £1,194,048 in 2018. This increase is due to the organisation being required to comply with pension auto enrolment during the year. This has resulted in an increase in employers pension contributions from £100,256 in 2017 to £133,909 in 2018.

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 2018 resulted in a decrease of £435,000 in the Shetland Arts pension scheme liability, which is shown in the Statement of Financial Activities, decreasing the pension scheme liability in the Shetland Arts balance sheet to a total of £1,228,000.

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 expect to see an improvement in coming years based on advice received.

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

### 31 MARCH 2018

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#### RESERVES POLICY

In April 2016 the Trustees approved a new reserves policy. SADA is working towards securing adequate reserves to meet current and potential future needs. The organisation aims to have unrestricted reserves of at least £200,000. This will allow the organisation to meet any unexpected expenditure that may arise. Within this reserve, funds will be designated to an Asset Replacement and Repair Reserve. In any year the organisation makes a surplus, 50% of this surplus will be designated into this fund. The fund will be used for the replacement and repair of the assets of the organisation.

Total funds as at 31 March 2018 are £9,415,144 (2017 - £9,590,483). This is split between Restricted Funds of £10,869,194 (2017 - £11,481,038) and Unrestricted Funds in a deficit position of £1,454,050 (2017 – deficit of £1,890,555). The funds in a deficit position are discussed in the financial review on pages 10 – 11.

#### PLANS FOR THE FUTURE

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

- a significant increase in remote and rural touring from 23 events in 2015/16 to 183 in 2018/19
- a new focus for Weisdale Mill as a leading craft centre in Scotland
- the launch of a mixed media electronic arts strand of programming
- developing new ways of engaging with visiting artists, performers and creatives

#### REFERENCE AND ADMINISTRATIVE DETAILS

<b>Trustees</b>	Louise Garriock Lorraine Hall Olive MacLeod Lynn-Sayers McHattie Helen Nisbet David Ramsay Veronica Rocks Robin Sandison Alan Skinner Ryan Stevenson	<i>Appointed 27 April 2017</i> <i>Appointed 27 April 2017</i> <i>Resigned 27 October 2017</i> <i>Resigned 25 June 2018</i> <i>Resigned 25 May 2017</i>
<b>Chief Executive</b>	Graeme Howell	
<b>Address</b>	Shetland Arts Development Agency Mareel Lerwick Shetland ZE1 0WQ	
<b>Auditors</b>	The A9 Partnership Limited 47 Commercial Road Lerwick Shetland ZE1 0NJ	
<b>Bankers</b>	Clydesdale Bank plc Commercial Street Lerwick Shetland ZE1 0JJ	
<b>Solicitors</b>	Harper Macleod St Olaf's Hall Church Road Lerwick Shetland ZE1 0FD	
<b>Founding Trust Deed</b>	Registered BC & S on 13 January 2006	
<b>Charitable Status</b>	Scottish Charity No. SC037082	

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2018

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### STRUCTURE, GOVERNANCE AND MANAGEMENT

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

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

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

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

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

Trustee recruitment took place during the year, which resulted in Lynn-Sayers McHattie and Louise Garriock being appointed in April 2017. New Trustees receive an individual induction from the General Manager on appointment and are encouraged to undertake training as appropriate to their role.

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

The Trustees consider that the charity's Trustees and Senior Management Team comprise the key management personnel of the charity in charge of direction and controlling, running and operating the charity on a day-to-day basis. The Senior Management Team comprises the General Manager, Head of Creative Opportunities, Head of Production and the Finance Manager. All Trustees give their time freely and no trustee received remuneration in the year. Details of trustee's expenses are disclosed in note 18 of the accounts.

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

#### **Related parties**

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

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

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2018

### Risk Management

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

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

### STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

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

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

# SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2018

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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 30 August 2018 and signed on its behalf by:



Chairperson



# SHETLAND ARTS DEVELOPMENT AGENCY

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2018

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### Opinion

We have audited the financial statements of Shetland Arts Development Agency (the 'charity') for the year ended 31 March 2018 which comprise Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018, and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

# SHETLAND ARTS DEVELOPMENT AGENCY

## INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2018

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

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

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

### Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on pages 14 - 15, the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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

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

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

*The A9 Partnership Limited*

The A9 Partnership Limited  
Statutory Auditor

*17 September 2018*

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 2018**

	<i>Note</i>	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2017 £
<b>INCOME from:</b>						
Donations	3	1,639	-	-	1,639	1,429
Charitable activities	4	250,000	723,758	-	973,758	1,042,687
Other trading activities	5	1,364,484	106,478	-	1,470,962	1,467,965
		<u>1,616,123</u>	<u>830,236</u>	<u>-</u>	<u>2,446,359</u>	<u>2,512,081</u>
<b>EXPENDITURE on:</b>						
Raising funds	6	310,001	-	-	310,001	316,317
Charitable activities	7	1,916,461	830,236	-	2,746,697	2,808,638
		<u>2,226,462</u>	<u>830,236</u>	<u>-</u>	<u>3,056,698</u>	<u>3,124,955</u>
NET INCOME/(EXPENDITURE)		(610,339)	-	-	(601,339)	(612,874)
Transfers between funds	19	611,844	-	(611,844)	-	-
		<u>1,505</u>	<u>-</u>	<u>(611,844)</u>	<u>(610,339)</u>	<u>(612,874)</u>
<b>NET INCOME/(EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>						
<b>OTHER RECOGNISED GAINS AND LOSSES:</b>						
Actuarial (losses)/gains on defined benefit pension schemes	17	435,000	-	-	435,000	(739,000)
		<u>436,505</u>	<u>-</u>	<u>(611,844)</u>	<u>(175,339)</u>	<u>(1,351,874)</u>
Net Movement in Funds						
Reconciliation of funds:						
Total funds brought forward		(1,890,555)	-	11,481,038	9,590,483	10,942,357
		<u>(1,454,050)</u>	<u>-</u>	<u>10,869,194</u>	<u>9,415,144</u>	<u>9,590,483</u>
Total funds carried forward		=====	=====	=====	=====	=====

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

All income and expenditure derive from continuing activities.

# SHETLAND ARTS DEVELOPMENT AGENCY

Charity Registration No. SC037082

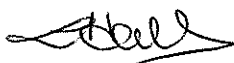
## BALANCE SHEET

31 March 2018

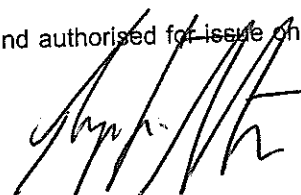
	Note	2018 £	2018 £	2017 £	2017 £
<b>FIXED ASSETS</b>					
Tangible assets	11		10,934,966		11,564,118
Investments	12		1		1
<b>TOTAL FIXED ASSETS</b>			<u>10,934,967</u>		<u>11,564,119</u>
<b>CURRENT ASSETS</b>					
Stock	13	36,087		35,473	
Debtors	14	59,344		59,790	
Cash at bank and in hand		138,820		32,282	
<b>TOTAL CURRENT ASSETS</b>		<u>234,251</u>		<u>127,545</u>	
<b>LIABILITIES</b>					
Creditors: Amounts falling due within one year	15	(427,130)		(323,067)	
<b>NET CURRENT LIABILITIES</b>			<u>(192,879)</u>		<u>(195,522)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			10,742,088		11,368,597
Creditors: Amounts falling due after more than one year	16		(98,944)		(115,114)
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			10,643,144		11,253,483
Defined benefit pension scheme liability	17		(1,228,000)		(1,663,000)
<b>TOTAL NET ASSETS</b>			<u>9,415,144</u> =====		<u>9,590,483</u> =====
<b>THE FUNDS OF THE CHARITY:</b>	19				
Capital restricted fund			10,869,194		11,481,038
Unrestricted funds:					
Unrestricted income funds excluding pension liability		(226,050)		(227,555)	
Pension reserve		(1,228,000)		(1,663,000)	
<b>Total unrestricted funds</b>			<u>(1,454,050)</u>		<u>(1,890,555)</u>
<b>TOTAL CHARITY FUNDS</b>			<u>9,415,144</u> =====		<u>9,590,483</u> =====

These financial statements were approved by the board of Trustees and authorised for issue on 30 August 2018 and are signed on their behalf by:

Trustee



Trustee



R. STEVENSON

# SHETLAND ARTS DEVELOPMENT AGENCY

## STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	<i>Note</i>	2018 £	2017 £
<b>Cash flows used in operating activities:</b>	23	<b>140,207</b>	<b>(29,024)</b>
Net cash provided by/ (used in) operating activities		140,207	(29,024)
<b>Cash flow from investing activities:</b>			
Proceeds from the sale of property, plant and equipment		-	-
Purchase of property, plant and equipment		(12,642)	(25,756)
Net cash provided (used in) investing activities		(12,642)	(25,756)
<b>Cash flows from financing activities:</b>			
New borrowing		-	50,000
Repayments of borrowing		(15,614)	(8,874)
Interest paid		(5,413)	(3,811)
Net cash provided by (used in) financing activities		(21,027)	37,315
<b>Change in cash and cash equivalents in the reporting period</b>		<b>106,538</b>	<b>(17,465)</b>
Cash and cash equivalents at the beginning of the reporting period		32,282	49,747
Cash and cash equivalents at the end of the reporting period		138,820	32,282
<b>Analysis of cash and cash equivalents</b>		2018 £	2017 £
Cash in hand		7,900	7,900
Cash at bank including overdrafts		130,920	24,382
Total cash and cash equivalents		138,820	32,282

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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### 1. PRINCIPAL ACCOUNTING POLICIES

#### **Basis of Accounting**

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

In preparing the financial statements the charity follows best practice as laid down in the Accounting and Reporting by Charities: Statement of Recommended Practice, applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) (the SORP), the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended) except as noted below.

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

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

#### **Consolidation**

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

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

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

#### **Going Concern**

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

#### **Income**

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

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

#### **Capital Grants**

Capital grants are taken into account when they become receivable.

#### **Revenue Grants**

Revenue grants are taken into account when they become receivable.

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Expenditure

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

#### Support Costs

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

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

#### Termination Benefits

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

#### Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are accounted for in the Statement of Financial Activities within resources expended on a straight line basis over the period of the lease, with the exception of the rent payable to the Shetland Islands Council under the sub-lease of Mareel, which is netted off against rent receivable from the Shetland Islands Council under the head-lease, as explained in note 21.

#### Tangible Fixed Assets

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

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

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

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

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

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

#### Investments

Investments in subsidiary undertakings are initially capitalised at cost.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Stocks

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

#### Debtors

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

#### Cash at bank and in hand

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

#### Liabilities

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

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

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

#### Value Added Tax

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

#### Retirement Benefits

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

#### Funds

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

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

#### Financial Instruments

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



# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 2. LEGAL STATUS OF THE CHARITY

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

### 3. DONATIONS

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2017 £
Donations	1,639	-	-	1,639	1,429
	<u>1,639</u>	<u>-</u>	<u>-</u>	<u>1,639</u>	<u>1,429</u>
	=====	=====	=====	=====	=====

Donations of £1,429 were included in unrestricted funds in 2017.

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

### 4. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2017 £
Shetland Charitable Trust	-	664,426	-	664,426	694,878
Creative Scotland revenue funding	250,000	-	-	250,000	250,000
Creative Scotland project funding	-	5,055	-	5,055	13,389
Local Authority – project funding	-	3,872	-	3,872	2,343
Other public funds	-	50,405	-	50,405	82,077
	<u>250,000</u>	<u>723,758</u>	<u>-</u>	<u>973,758</u>	<u>1,042,687</u>
	=====	=====	=====	=====	=====

Creative Scotland funding of £250,000 was unrestricted in 2017. All other charitable activities income in 2017 was restricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 5. OTHER TRADING ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2017 £
Business sponsorships	-	2,550	-	2,550	27,988
Box office/programme	591,155	-	-	591,155	593,317
Ancillary earned income	763,574	-	-	763,574	738,773
Other income	9,755	103,928	-	113,683	107,887
	<u>1,364,484</u>	<u>106,478</u>	<u>-</u>	<u>1,470,962</u>	<u>1,467,965</u>
	=====	=====	=====	=====	=====

£92,625 of other income was restricted in 2017. Business sponsorships of £27,988 was included in restricted funds in 2017. All other trading activities income in 2017 was unrestricted.

### 6. RAISING FUNDS

Catering stock purchases	258,410	-	-	258,410	272,852
Shop and gallery stock purchases	51,591	-	-	51,591	43,465
	<u>310,001</u>	<u>-</u>	<u>-</u>	<u>310,001</u>	<u>316,317</u>
	=====	=====	=====	=====	=====

All Raising Funds expenditure in 2017 was unrestricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 7. CHARITABLE ACTIVITIES

	Notes	Unrestricted Funds £	Restricted Funds £	Capital Funds £	Total Funds £	2017 £
Direct service provision	7a	995,844	411,587	-	1,407,431	1,425,176
Grant funding	7b	-	12,333	-	12,333	6,495
Support costs	7c	920,617	406,316	-	1,326,933	1,376,967
		<u>1,916,461</u>	<u>830,236</u>	<u>-</u>	<u>2,746,697</u>	<u>2,808,638</u>
		=====	=====	=====	=====	=====
<b>a. Direct Service Provision</b>						
Development expenditure		250,000	117,606	-	367,606	401,021
Operations expenditure		734,973	293,981	-	1,028,954	1,016,358
Strategic marketing		10,871	-	-	10,871	7,797
		<u>995,844</u>	<u>411,587</u>	<u>-</u>	<u>1,407,431</u>	<u>1,425,176</u>
		=====	=====	=====	=====	=====
<b>b. Grant Funding</b>						
Grants paid to individuals		-	12,333	-	12,333	6,495
		=====	=====	=====	=====	=====
<b>c. Support Costs</b>						
Support staff salaries and other staffing costs		-	265,177	-	265,177	274,581
Overheads		920,617	134,454	-	1,053,071	1,091,983
Governance costs		-	8,685	-	8,685	10,403
		<u>920,617</u>	<u>406,316</u>	<u>-</u>	<u>1,326,933</u>	<u>1,376,967</u>
		=====	=====	=====	=====	=====

Of the total Charitable Activities expenditure of £2,808,638 in 2017, £901,585 was restricted and £1,907,053 was unrestricted.

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 8. ANALYSIS OF GOVERNANCE COSTS

	2018 £	2017 £
<i>Auditor remuneration:</i>		
Audit	8,500	9,000
Accounting services	185	-
<i>Non auditor fee:</i>		
Accounting services	-	1,403
	-----	-----
	8,685	10,403
	=====	=====

### 9. ANALYSIS OF STAFF COSTS

	2018 £	2017 £
Salaries and wages	998,018	1,021,178
Social security costs	62,121	65,948
Pension costs	133,909	100,256
	-----	-----
Total	1,194,048	1,187,382
	=====	=====

No employees received emoluments of over £60,000 during the year (2017: none)

Redundancy costs for the year were £Nil (2017: £13,068). These were accounted for when paid and were calculated in the statutory method. Redundancy costs were met in part by specific funding received from Creative Scotland.

The average number of staff was:	2018	2017
	84	91
	===	===

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

	Opening Balance £	Deferred in Year £	Released in Year £	Closing Balance £
Advance sales	2,827	8,807	(2,827)	8,807
Creative Scotland	5,055	-	(5,055)	-
Screenplay and Wordplay	-	2,000	-	2,000
Advance sales Fiddle Frenzy	5,293	-	(5,293)	-
Historic Scotland	8,900	-	(8,900)	-
People's Postcode Lottery	9,424	-	(9,424)	-
Processions project	-	1,250	-	1,250
	-----	-----	-----	-----
	31,499	12,057	(31,499)	12,057
	=====	=====	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 11. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
Cost/valuation					
As at 1 April 2017	13,191,816	1,385,331	42,800	2,862	14,622,809
Additions	-	12,642	-	-	12,642
Disposals	-	(133,991)	-	-	(133,991)
As at 31 March 2018	13,191,816	1,263,982	42,800	2,862	14,501,460
Depreciation					
As at 1 April 2017	2,124,731	933,960	-	-	3,058,691
Charge for year	543,746	97,097	-	-	640,843
Disposals	-	(133,040)	-	-	(133,040)
As at 31 March 2018	2,668,477	898,017	-	-	3,566,494
Net book amount					
31 March 2018	10,523,339	365,965	42,800	2,862	10,934,966
31 March 2017	11,067,085	451,371	42,800	2,862	11,564,118

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

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

Included within the net book value of Heritable Property of £10,523,339 are assets with restricted title or pledged as security for liabilities. The Mareel building, with a net book value of £10,273,640 (2017 – £10,811,996) has been granted as security over a 99 year grant, the conditions of which are discussed further in note 21. The Weisdale Mill building, with a net book value of £247,894 (2017 - £253,283) has been granted as security over the bank loan included in Creditors. The Booth building, with a net book value of £1,805 (2017 - £1,805) has been granted as security over the bank loan included in Creditors. See notes 15 and 16.

### 12. INVESTMENTS

	Investment in Subsidiary £
COST	
As at 1 April 2017 and 31 March 2018	1
	==

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 12. INVESTMENTS (Continued)

As at 31 March 2018, Shetland Arts IP C.I.C. had not yet commenced its activities. At 31 March 2018 the aggregate reserves of Shetland Arts IP C.I.C. amounted to a net deficit of £1,976 (2017 – net deficit of £1,573) and the loss for the year to that date was £403 (2017 – loss of £390).

### 13. STOCK

	2018 £	2017 £
Goods for resale	36,087 =====	35,473 =====

### 14. DEBTORS

	2018 £	2017 £
Trade debtors	19,034	20,270
Amount due by subsidiary undertaking	1,411	893
Other debtors	4,250	4,667
Prepayments and accrued income	34,649	33,960
	-----	-----
	59,344 =====	59,790 =====

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

	2018 £	2017 £
Trade creditors	255,152	169,982
VAT	13,896	15,366
Other creditors	44,797	22,812
Accruals	66,138	48,030
Deferred income	12,057	31,499
Secured bank loan	17,960	17,404
PAYE & NIC	17,130	17,974
	-----	-----
	427,130 =====	323,067 =====

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

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

	2018 £	2017 £
Secured bank loan (falling due in less than 5 years)	69,164	75,442
Secured bank loan (falling due after 5 years)	29,780	39,672
	-----	-----
	98,944 =====	115,114 =====

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 17. PENSION SCHEME

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

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

Assumptions as at	2018	2017
Inflation/pension increase rate	2.3%	2.4%
Salary increases	2.9%	4.4%
Discount rate	2.7%	2.6%

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

Mortality assumptions	2018 Years	2017 Years
Longevity at age 65 for current pensioners		
Men	22.1	22.8
Women	24.0	23.8
Longevity at age 65 for future pensioners		
Men	23.9	24.9
Women	26.1	26.7

#### Assets (Employer Share)

	Percentage 2018	Fund value at 2018 £ 000	Percentage 2017	Fund value at 2017 £ 000
Equities	79%	2,282	81%	2,457
Bonds	9%	260	8%	243
Property	12%	347	11%	333
Cash	0%	-	0%	-
	-----	-----	-----	-----
Total	100%	2,889	100%	3,033
	=====	=====	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 17. PENSION SCHEME (Continued)

<b>Net Pension Liability as at</b>	2018 £ 000	2017 £ 000
Fair value of Employer Assets	2,889	3,033
Present value of funded liabilities	(3,874)	(4,443)
	<u>          </u>	<u>          </u>
Net under funding in funded plans	(985)	(1,410)
Present value of unfunded liabilities	(243)	(253)
Unrecognised past service cost	-	-
	<u>          </u>	<u>          </u>
Net liability	(1,228)	(1,663)
	<u>=====</u>	<u>=====</u>
Amount in the balance sheet		
Liabilities	(1,228)	(1,663)
Assets	-	-
	<u>          </u>	<u>          </u>
Net Pension liability	(1,228)	(1,663)
	<u>=====</u>	<u>=====</u>
 <b>Amounts recognised in the SOFA</b>	 2018	 2017
	£ 000	£ 000
Current service cost	(253)	(120)
Net interest cost	(45)	(33)
Plan introductions, changes, curtailments and settlements	132	96
Remeasurements:		
Changes in demographic assumptions	23	-
Changes in financial assumptions	372	(1,086)
Other experience	518	(12)
Return on assets excluding amounts included in net interest	(312)	416
	<u>          </u>	<u>          </u>
	435	(739)
	<u>=====</u>	<u>=====</u>
 <b>Actual return on plan assets</b>	 2018	 2017
	£ 000	£ 000
Return on assets excluding amounts included in net interest	(312)	416
Interest income on plan assets included in net interest	80	88
	<u>          </u>	<u>          </u>
Return on plan assets	(232)	504
	<u>=====</u>	<u>=====</u>



# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 17. PENSION SCHEME (Continued)

	2018 £ 000	2017 £000
<b>Reconciliation of defined benefit obligation</b>		
<b>Opening defined benefit obligation</b>	4,696	3,428
Current service cost	253	120
Past service cost (including curtailments)	-	-
Interest cost	125	121
Member contributions	43	29
Actuarial losses/(gains)	(913)	1,098
Unfunded benefits paid	(9)	(9)
Benefits paid	(78)	(91)
	-----	-----
Closing defined benefit obligation	4,117	4,696
	=====	=====
<b>Reconciliation of fair value of employer assets</b>		
<b>Opening fair value of employer assets</b>	3,033	2,504
Interest income	80	88
Contributions by members	43	29
Contributions by the employer	123	87
Contributions in respect of unfunded benefits	9	9
Return on assets excluding amounts included in net interest	(312)	416
Unfunded benefits paid	(9)	(9)
Benefits paid	(78)	(91)
	-----	-----
Closing fair value of employer assets	2,889	3,033
	=====	=====

Shetland Arts Development Agency estimates that Employer's contributions for the year to 31 March 2019 will be approximately £123,000.

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

### 18. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year (2017 - £nil). No travelling expenses were claimed by Trustees in the year (2017 - £nil). Trustees were paid £nil (2017 - £nil) during the year for commissioned work. As at 31 March 2018, a balance of £nil (2017 - £nil) was owed to Trustees.

During the year, Shetland Arts Development Agency paid expenses of £403 (2017 - £nil) on behalf of its subsidiary, Shetland Arts IP C.I.C. As at 31 March 2018 a balance of £1,411 (2017 - £893) 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.

The Trustees consider that the charity's Trustees and Senior Management Team comprise the key management personnel of the charity in charge of direction and controlling, running and operating the charity on a day-to-day basis. The Senior Management Team comprises the Chief Executive, Head of Creative Opportunities, Head of Production and the Head of Organisational Support. The total employee benefits of the key management personnel were £207,838 (2017 - £198,710).

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

### 19. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Reserve £	Restricted Funds £	Restricted Capital Fund £	Total Funds £
Total Funds as at 1 April 2017	(227,555)	(1,663,000)	-	11,481,038	9,590,483
Total Incoming Resources	1,616,123	-	830,236	-	2,446,359
Total Resources Expended	(2,226,462)	-	(830,236)	-	(3,056,698)
Other Recognised Gains And Losses	-	435,000	-	-	435,000
Transfer amortisation of Restricted Capital fund	566,011	-	-	(566,011)	-
Transfer amortisation of lease premium	45,833	-	-	(45,833)	-
<b>Total Funds as at 31 March 2018</b>	<b>(226,050)</b>	<b>(1,228,000)</b>	<b>-</b>	<b>10,869,194</b>	<b>9,415,144</b>

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.

### 20. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £
<u>2018</u>					
Fixed Assets	65,773	-	-	10,869,194	10,934,967
Current Assets	249,251	-	-	-	249,251
Current Liabilities	(424,170)	-	-	-	(424,170)
Long-Term Liabilities	(116,904)	-	-	-	(116,904)
Provisions	-	(1,228,000)	-	-	(1,228,000)
<b>Total Net Assets</b>	<b>(226,050)</b>	<b>(1,228,000)</b>	<b>-</b>	<b>10,869,194</b>	<b>9,415,144</b>
<u>2017</u>					
Fixed Assets	83,081	-	-	11,481,038	11,564,119
Current Assets	127,545	-	-	-	127,545
Current Liabilities	(323,291)	-	-	-	(323,291)
Long-Term Liabilities	(114,890)	-	-	-	(114,890)
Provisions	-	(1,663,000)	-	-	(1,663,000)
<b>Total Net Assets</b>	<b>(227,555)</b>	<b>(1,663,000)</b>	<b>-</b>	<b>11,481,038</b>	<b>9,590,483</b>

Included within restricted capital funds are amounts of £874,653 (2017 - £920,486) 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 2018

### 21. OPERATING LEASES

At 31st March 2018 the charity had total future commitments under non-cancellable operating leases as set out below:

	2018		2017	
	Land & Buildings	Other items	Land & Buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	6,331	-	6,332
Within 2 to 5 years	-	11,081	-	17,413
	—	—	—	—
	-	17,412	-	23,745
	=====	=====	=====	=====

	2018		2017	
	Plant & Machinery	Other items	Plant & Machinery	Other items
Operating lease payment made in the year	6,331	-	6,330	-
	—	—	—	—
	6,331	-	6,330	-
	=====	====	=====	==

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.

### 22. FINANCIAL INSTRUMENTS

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

	2018	2017
	£	£
<b>Financial liabilities</b>		
Loan payable falling due within 1 year	17,960	17,404
Loan payable falling due between 2 – 5 years	69,165	75,442
Loan payable falling due after 5 years	29,779	39,672
	—	—
	116,904	132,518
	=====	=====

The loan financing is in the form of two secured loans. The first has a fixed interest rate (being 4% per annum over the Bank's base rate) and is due to finish in November 2025. The second has a variable interest rate (being 4% per annum over the Bank's base rate) and is due to finish in March 2022. The total interest paid during the year was £5,413 (2017 - £3,811).

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

	2018 £	2017 £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(610,339)	(612,874)
Adjustments for:		
Interest paid	5,413	3,811
Depreciation charges	640,843	666,219
Loss on sale of fixed assets	951	-
(Increase)/decrease in stocks	(614)	4,844
(Increase)/decrease in debtors	446	26,535
Increase/(decrease) in creditors	103,507	(117,559)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	140,207	(29,024)
	=====	=====

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

	£	2018 £	£	2017 £
<b>INCOME</b>				
Donations and business sponsorships		4,189		29,417
Revenue grants received		973,758		1,042,687
<b>Box office/programme</b>				
Box office income	505,193		501,404	
Hire of rooms	72,820		78,503	
Membership sales	13,142		13,410	
Total		591,155		593,317
<b>Ancillary Earned income</b>				
Food and beverage	541,131		518,813	
Foyer	107,188		121,161	
Retail	82,418		74,329	
Box Office commission	8,169		3,813	
Exhibition sales commission	5,675		5,931	
Screen advertising	18,993		14,726	
Total		763,574		738,773
<b>Other Earned income</b>				
Education and training income	103,928		92,625	
Miscellaneous	9,755		15,262	
Total		113,683		107,887
<b>TOTAL INCOME FOR YEAR</b>		<b>2,446,359</b>		<b>2,512,081</b>
<b>LESS:</b>				
Catering purchases	258,410		272,852	
Shop and gallery purchases	51,591		43,465	
Total		310,001		316,317
<b>Development expenditure:</b>				
Programme	175,596		199,648	
Travel and subsistence	44,260		46,892	
Marketing	10		2,390	
Salaries and NIC	147,358		150,665	
Other staff related costs	382		1,426	
Total		367,606		401,021
<b>Surplus carried forward to next page</b>		<b>1,768,752</b>		<b>1,794,743</b>

# SHETLAND ARTS DEVELOPMENT AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

<b>Surplus brought forward from previous page</b>	<b>1,768,752</b>	<b>1,794,743</b>
<b>Operations expenditure:</b>		
Programme	193,896	203,994
Travel and subsistence	7,637	9,027
Marketing	24,149	24,942
Salaries and NIC	800,198	777,733
Other staff related costs	3,074	662
	<u>1,028,954</u>	<u>1,016,358</u>
Strategic marketing	10,871	7,797
Grants paid to individuals	12,333	6,495
Support staff salaries	247,476	261,207
Other staffing costs	17,701	13,374
	<u>265,177</u>	<u>274,581</u>
<b>Overheads</b>		
Print, postage and stationery	5,236	4,428
Small equipment purchases and hire	8,215	8,114
ICT	29,394	26,632
Operating lease - equipment	15,146	21,081
Electricity	94,367	86,010
Telephone and fax	9,274	8,908
Cleaning	64,120	63,955
Motor expenses	-	402
Trustee expenses	-	82
Hospitality	35	567
Legal and professional fees	16,460	9,485
Bank charges	14,922	15,684
Publications and subscriptions	2,777	(187)
Licences	37,881	43,474
Rates	16,678	17,882
Rent	706	4,377
Repairs and maintenance	53,245	63,367
General overheads	54	8,217
Insurance	31,927	39,438
Website costs	5,413	-
Depreciation	640,843	666,219
Bank interest	15	3
Loan interest	5,413	3,811
Bad Debts written off	-	34
Loss on disposal of fixed assets	950	-
	<u>1,053,071</u>	<u>1,091,983</u>
Amortisation	(611,844)	(637,643)
Governance costs	8,685	10,403
	<u>1,505</u>	<u>24,769</u>
<b>SURPLUS FOR THE YEAR</b>	<b>1,505</b>	<b>24,769</b>