

SHETLAND ARTS DEVELOPMENT AGENCY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2007

Charity Number SC037082

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

SHETLAND ARTS DEVELOPMENT AGENCY

OFFICERS AND PROFESSIONAL ADVISERS

Trustees

Lynsey Anderson	Chair, resigned as Chair on 6 November 2006
Geoff Bevan	Vice Chair, resigned as trustee on 12 September 2006
Leslie Angus	Appointed Vice Chair on 6 November 2006
Ivan Coghill	Resigned as Trustee on 1 November 2006
Joanne Jamieson	
James Johnston	
Christine McLean	Resigned as trustee on 12 September 2006
Alan Murdoch	Appointed 11 October 2006
Donald Murray	Appointed as Chair on 6 November 2006
Roxane Permar	
Cameron Rae	Resigned as trustee on 12 September 2006
James Sinclair	Appointed 11 October 2006

Acting Director

Kathryn Hubbard	1 April 2006 – 3 September 2006
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Director

Gwilym Gibbons	From 4 September 2006
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Address

Shetland Arts Development Agency
Toll Clock Shopping Centre
26 North Road
Lerwick
Shetland ZE1 0DE

Auditors

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

Bankers

Clydesdale Bank plc
Commercial Street
Lerwick
Shetland ZE1 0JJ

Solicitors

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

Founding Trust Deed

Registered BC & S on 13 January 2006

Charitable Status

Scottish Charity No. SC037082

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

YEAR ENDED 31 MARCH 2007

The trustees present their report and financial statements for the year ended 31 March 2007. This being the latest report of the newly formed Agency.

CHAIRPERSON'S MESSAGE

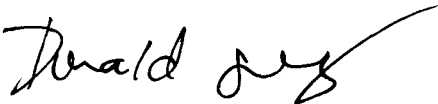
There can be few experiences in life as daunting and daring as the start of a new venture. As a new Board of Trustees, it has been both our challenge and privilege to be involved in one. Our role has been to draw together the work of two former constituted bodies - which between them provided a comprehensive arts service for the people of Shetland for many years - in order to forge them into a new, cohesive force for development and inclusion locally in the arts.

On our initial stages on this journey, we experienced more than a little turbulence. Two of our original group of trustees moved away from Shetland while another realised that their work commitments actively prevented their full participation in the work of the Board. A few more individuals came forward, however, allowing our work to continue. As a result, the new Board spent the year coming to grips with all the administrative and financial demands of a new charitable organisation.

One of the most important tasks we undertook was the appointment of a new Director. For this role, we needed someone who would be a key figure in guiding our organisation through its first years. It would be their responsibility to help us develop our vision, creating the kind of policies that might lead to increased access to, and participation in, the arts in Shetland. The individual that we appointed, Gwilym Gibbons has brought both energy and a wealth of experience to the Agency. He has worked tirelessly to build the Board and the staff team, forging them into a confident, forward-looking unit with both shared values and a shared sense of excitement about the organisation's future.

It is one that nurtures a great deal of ambition on behalf of the community to which we belong – and time will judge us on how well we achieve. Yet if hard work, energy and creativity can do it, we have every confidence in our eventual success.

In closing, I would like to thank my colleague Lynsey Anderson. She chaired the Board through the first crucial ten months of its existence – after we became a charity in January 2006. She performed this demanding role with fortitude and good humour, meeting all the major challenges that the task involved. My gratitude goes, too, to all my colleagues on the Board for their invaluable contribution to the success of the organisation, and the staff and volunteers of Shetland Arts Development Agency for their energy and commitment. Through all the tests and trials of the last year, they have emerged with undiminished enthusiasm and determination to serve the community in which they live.



Donald S Murray
Chairperson

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2007

DIRECTOR'S STATEMENT

I can only begin by thanking Kathy Hubbard and acknowledging the significant contribution she made to Shetland Arts Development Agency in its tender first six months in her role as Acting Director. Shetland Arts Development Agency brought together elements of two bodies with extensive histories, successes and challenges. The journey that brought our parent organisations together was at times painful for all involved. It became evident to me, very early on, that all staff and supporting organisations had been through a hard time. But despite this, I arrived to an organisation with a sense of optimism about the future. It is a credit to Kathy, the full staff team and the support of Trustees and external organisations that the foundations for Shetland Arts Development Agency in its early days were so strong and forward looking.

Davie Gardner, Shetland Arts Music Development Officer, left us to set up as a freelance music agent and events consultant in October. Davie's contribution to the development of music in Shetland in his role as Music Development Officer both for Shetland Arts Development Agency and previously with Shetland Arts Trust has been universally recognised as of major significance. His legacy and the foundations he has laid for music development in Shetland are ones we continue to build on today. Shetland Arts Development Agency also enjoys a continued relationship with Davie in his freelance form and we wish him all the best for the future in his new business endeavours.

Shetland Arts Development Agency, year one, has in essence been one of recovery, (from the past two years of uncertainty and change), and revolution, (a mixture of aspiration, visioning and further change), uncomfortable bedfellows at times as the need to evolve and move forward inevitably brought further uncertainty and upheaval. The level of change that staff had experienced in the formation of Shetland Arts Development Agency escalated as the team began to find its feet and shape its structures, processes and values to meet its new purpose. In November Shetland Arts Development Agency adopted a new vision to guide its development along with a range of values to inform how we work.

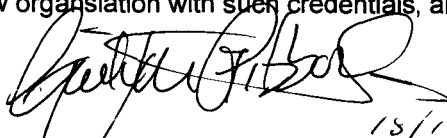
Our Vision: Shetland celebrated as a place where:

- inspiration and innovation are valued;
- people want to live work and study;
- individual creative opportunity is available to all;
- each achieves their full creative potential;
- personal development improves life circumstances, styles and choices;
- the full social and economic potential of the islands is achieved.

Despite our focus on development and the establishment of a new agency Shetland Arts Development Agency has continued to deliver a high level of quality arts work as detailed in the 'summary of activity' which generated over 200,000 attendances across a broad range of art forms. Further, Shetland Arts Development Agency has continued to be at the helm of the development of Shetland's new Music and Cinema Venue, a major capital project that I believe is a key part of Shetland's creative and social future. Shetland Arts Development Agency continues to work with the design team, stakeholders and funders towards a target opening date in 2010.

Shetland Arts Development Agency has also enjoyed a strong partnership relationship with our two core funders: Shetland Charitable Trust, who have provided significant additional professional support though this time of change, and the Scottish Arts Council who in our first year of Foundation Funding have also provided much welcome advice and support.

A final thank you to all the staff and volunteers of Shetland Arts Development Agency and to our Trustee Team. It has been a year of endurance; of developing new structures, procedures and policies, followed by implementation and review. I am very proud of the progress that we have made over a relatively short period of time. Shetland Arts Development Agency has a great lineage in the work of two organisations whose collective histories have provided Shetland Arts Development Agency with a local, national and international reputation for arts development and delivery built over twenty years of work and innovation. It is a privilege to be a part of a new organisation with such credentials, and such a dedicated staff, trustee and volunteer team.



13/12/07

Gwilym Gibbons
Director

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2007

THE AGENCY OBJECTIVES

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

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

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

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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 charity's financial activities during the year and of its financial position at the end of the year. In preparing these financial statements, the trustees are required to;

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Follow applicable accounting Standards, subject to any material departures disclosed and explained in the accounts;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities and Trustees Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the terms of the charity's founding deed. 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.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2007

GOVERNANCE

The Trustees meet bi-monthly to administer the activities of the Agency, with day to day operation being delegated to the Director, who has responsibility for financial and employment matters and policy implementation. The Board comprises a minimum of ten trustees, and a maximum of thirteen. Three of the initial trustees will retire on 31 March 2010, three on 31 March 2011, with the remaining trustees retiring on 31 March 2012. Thereafter, trustees will retire on the third anniversary of their appointment. From April 2012, each trustee shall hold office for a period of three years with power to be re-appointed for a further period of three years. In the event of appointment for that further period, such trustees will not be eligible for appointment for a period of three years thereafter. The appointment of new trustees will be the job of a Noinations 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.

New Trustees receive individual induction from the Director on appointment, and are encouraged to undertake training as appropriate to their role. The Board received training in governance from Arts and Business during 2006 – 2007.

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

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

Shetland Arts Development Agency also receives foundation funding from the **Scottish Arts Council**, dependent upon its submission to SAC of an annual programme of activities. This programme must meet the Scottish Arts Council's own aims, which are to increase participation in the arts, to support artists in Scotland to fulfill their creative and business potential, and to place the arts, culture and creativity at the heart of learning.

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 company, and are satisfied that systems are in place to mitigate our exposure to the major risks.

FINANCIAL REVIEW

This was the first year of Shetland Arts Development Agency's operation, and we have finished the year with an operating surplus of £39,330. Apart from the core funding received from Shetland Charitable Trust and the Scottish Arts Council, staff drew in just under £220,000 in additional external grants, and over £140,000 in project income, including box office. New financial regulations ensured that expenditure could be closely monitored, and that the Agency was able to carry out all its operational plans within the budget it had set for itself.

RESERVES POLICY

For the first year of its operation the Agency has had no reserves policy. Procedures are in place, however, to request the return of part or all of the operating balance should activities acceptable to the Shetland Charitable Trust be identified and applied for. From 1 April 2007, the Shetland Charitable Trust has agreed that its arms length trusts, of which Shetland Arts Development Agency is one, may keep up to £50,000 as reserves.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2007

AIMS 2006 – 2007

Our main aim for 2006 – 7 was to ensure the continuation of a broad arts development service to the people of Shetland whilst the new Board settled in, whilst staff were adjusting to change, new staff being recruited and whilst the appointment of a new Director was underway. It will be seen from the summary of activities below that this was achieved.

SUMMARY OF ACTIVITIES 06 - 07

During the financial year 2006 -7 Shetland Arts Development Agency provided the following activities:

- Community workshops in traditional dance across Shetland
- Traditional dance to people with learning disabilities
- Traditional dance in tourism and community events
- Shetland Youth Theatre outdoor production of 'A Midsummer Night's Dream'
- Drama projects and workshops in primary, secondary and after school clubs
- Support for the County Drama Festival
- A collaborative drama project with Faroe, Denmark and Norway
- A partnership project with a local drama group encouraging new writing and improved theatre skills
- The commissioning of a play for Shetland Youth Theatre by Nicola McCartney
- The programming of touring theatre in the Garrison Theatre
- The launch of a new music website
- Promoting live music showcases at APAP New York and Celtic Connections
- The tour of a young Shetland group of musicians in New York and Pennsylvania
- Music education workshops in piano, guitar, accordion and percussion in schools
- The provision of traditional music sessions for young people in alcohol free environments
- Music promotions for tourists and visitors such as Fiery Sessions (Up Helly Aa)
- The third Shetland international fiddle school, 'Fiddle Frenzy'
- The second Shetland Guitar Festival (Martin Taylor, Juan Martin and
- A World Music Weekend Festival (Flamenco, African, Estonian and Canadian)
- Concerts in rural communities
- Classical piano and violin recitals
- Training courses in CUBASE home pc recording
- Exchange musical project with Estonia
- Eleven exhibitions at the Bonhoga Gallery
- Eleven craft exhibitions at the Bonhoga Gallery
- Six visual arts touring exhibitions in five venues across the islands
- A Gallery Education programme for schools
- Two month visual artists exchange project with Dusseldorf artists using the Booth (WASPS)
- A programme of visual arts and craft workshops for adults and children at The Hatchery
- Professional development workshops for visual artists
- 'Moder Dy' exhibition of Shetland indigenous crafts
- 'Knitting for All' community events
- Indigenous crafts activities for tourist and community events such as the Johnsmas Foy
- Promoting The Peerie Knitters of Unst at the Royal Highland Show
- A mentoring service for makers
- Product development initiatives for makers
- Skills development workshops for makers
- Introduction of devolved SAC grants scheme for makers
- Maintenance and development of extensive networking scheme for makers
- The fifth annual Shetland Book Festival, Wordplay 2006 (Chris Brookmyre, James Robertson, Debi Gliori, Vicki Feaver, William McIlvanney and others)
- Support of local writers and readers groups
- Evening classes in creative writing
- One to one mentoring for creative writers
- Weekly creative writing groups for mental health and learning disability groups and individuals
- Micro residencies in creative writing (Susanna Jones and Kenneth Steven)
- National Poetry Day Event with Katrina O'Reilly
- Monthly screenings of popular films at the Garrison Theatre
- Publication of a book of postcards by local poets mentored by Jen Hadfield

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (continued)

YEAR ENDED 31 MARCH 2007

FUTURE PLANS

The development and construction of the new arts venue, Mareel, looms large on Shetland Arts Development Agency's horizon as a specific project for the future, with plans to start construction in 2008.

In broader terms, Shetland Arts Development Agency intends to develop a five year Corporate Plan during 2007 – 8, setting out the Agency's vision and targets for the coming years. For now, the objectives for 2007 – 8 include:

- Reviewing/devising and implementing all required organisational systems and procedures including use of the LEAP service evaluation model and a range of robust financial controls;
- Completing a DDA access audit of all Shetland Arts Development Trust property and service delivery and devising a phased recovery schedule in order to meet regulatory requirements where required;
- Delivering all service elements within a set of four seasonal programmes that reflect the agreed core values and outcomes of Shetland Arts Development Trust with exit strategies in place for prior committed activities falling outside our agreed outcomes;
- Implementing a new marketing/ PR strategy including the establishment of a new brand identity with associated logos, website, seasonal programme and promotional materials;
- Taking over full operational management of the Garrison Theatre, having first adapted staffing structures to create an Events Team with supplemented staff resource to ensure effective management and development of all Shetland Arts Development Trust venues and arts programming;
- Delivering a Music and Cinema Venue Stage 2 capital bid application to the Shetland Arts Council and securing required partner funding, with a view to design and build completion spring 2010;
- Leading a successful partnership procurement of a computerised Shetland Box Office facility that will include online ticket purchase and face to face sales providing an enhanced customer service and the capture of key audience development data on customer travel distances and profiles;
- Reviewing and revising staffing structures, recruiting and training sufficient volunteers and staff to deliver a sustainable, inclusive and quality service;
- Devising and agreeing a Shetland Arts Property Development Plan, defining medium and long term roles of our property, and the required investment and potential acquisitions to deliver the Shetland Arts vision;
- Having a range of Service Level Agreements and Partnership Agreements in place with education and economic partners defining roles and resource allocations;
- Establishing the Toll Clock Offices as an effective and creative working environment for staff and partner organizations;
- Beginning the consultation process which will lead to the eventual publication of a 5 year Business Plan 'Shetland Arts Development Trust 2007 – 2012'. The consultation will be wide ranging and will incorporate all key stakeholders as well as individuals and organisations who make up the wider Shetland "Arts" Community;
- Developing with partners a Creative Industries Strategy for Shetland and in doing so defining our specific role along side others to realise the full potential of the creative industries in Shetland;
- Reviewing and developing our customer services functions to deliver a exemplary and consistent front of house service for all Shetland Arts Development Trust promoted events and venues;
- Achieving the standards necessary to gain the Investors in People standard, having implemented individual training and development plans, inclusive organisational practices and effective staff support, appraisal and management at all levels. The actual decision to apply for IIP Status will be reviewed at the Trustee "Away Day" in November 2007;
- Reviewing our organisational governance structure and deciding whether or not to augment our charitable status with company status.

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

YEAR ENDED 31 MARCH 2007

We have audited the financial statements of the Shetland Arts Development Agency for the year ended 31 March 2007 which comprise primary financial statements such as the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Regulation 10(1)(a) to (c) 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 its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities 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) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006, and the terms of the charity's founding deed. We also report to you if, in our opinion, the Trustees' Annual Report is consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

SHETLAND ARTS DEVELOPMENT AGENCY**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES (continued)****YEAR ENDED 31 MARCH 2007****Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charity's affairs as at 31 March 2007 and of its incoming resources and application of resources including, in its income and expenditure account, the surplus or deficit for the year then ended and;
- have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006, and the terms of the charity's founding deed.



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THE A9 PARTNERSHIP LIMITED
Chartered Accountants & Registered Auditors

47 Commercial Road
Lerwick
Shetland
ZE1 0NJ

18 / 12 / 07 Date

SHETLAND ARTS DEVELOPMENT AGENCY

STATEMENT OF FINANCIAL ACTIVITIES

31 MARCH 2007

	Notes	Unrestricted Income Funds £	Restricted Income Funds £	Total Funds £
INCOMING RESOURCES				
Revenue grants receivable	2	694,226	219,962	914,188
Investment income	3	6,081	-	6,081
Project income	4	2,361	146,830	149,191
Income from Weisdale Mill trading activities	5	-	95,956	95,956
Release from deferred income provision		-	<u>23,195</u>	<u>23,195</u>
TOTAL INCOMING RESOURCES		<u>702,668</u>	<u>485,943</u>	<u>1,188,611</u>
RESOURCES EXPENDED				
Direct charitable expenditure	6	349,469	674,224	1,023,693
Cost of Weisdale Mill trading activities	5	-	88,647	88,647
Depreciation		8,370	23,571	31,941
Governance costs				
Audit fee		<u>5,000</u>	<u>-</u>	<u>5,000</u>
TOTAL INCOMING RESOURCES		<u>362,839</u>	<u>786,442</u>	<u>1,149,281</u>
NET INCOMING RESOURCES BEFORE TRANSFERS				
Transfer between funds		339,829	(300,499)	39,330
		(300,499)	<u>300,499</u>	<u>-</u>
NET INCOMING RESOURCES FOR THE YEAR		39,330	-	39,330
OTHER RECOGNISED GAINS AND LOSSES				
Actuarial gain on defined benefit pension scheme		<u>34,000</u>	<u>-</u>	<u>34,000</u>
NET MOVEMENT IN FUNDS		73,330	-	73,330
Fund balances brought forward from SAT		282,220	-	282,220
Pension funds brought forward from SAT		(71,000)	<u>-</u>	<u>(71,000)</u>
FUNDS BALANCES CARRIED FORWARD AT 31 MARCH 2007		<u>284,550</u>	<u>-</u>	<u>284,550</u>


SHETLAND ARTS DEVELOPMENT AGENCY

BALANCE SHEET

31 MARCH 2007

	Notes	£	£
FIXED ASSETS			
Tangible	14		290,003
CURRENT ASSETS			
Stock	15	13,567	
Debtors and prepayments	16	83,051	
Bank current accounts		140,291	
Cash in hand		<u>432</u>	
		<u>237,341</u>	
CURRENT LIABILITIES			
Creditors and accruals	17	132,562	
Bank overdraft		<u>487</u>	
		<u>133,049</u>	
NET CURRENT ASSETS			104,292
DEFERRED INCOME PROVISION	18		(72,745)
PROVISIONS FOR LIABILITIES AND CHARGES			
Pension fund deficit			(<u>37,000</u>)
			<u>284,550</u>
FUNDS			
UNRESTRICTED FUNDS			<u>284,550</u>

These accounts were approved by the Trustees on 18/12 / 2007.



 Trustee



 Trustee

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

1. ACCOUNTING POLICIES

Basis of accounting

The accounts are prepared under the historical cost convention, 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 Statement of Recommended Practice Accounting and Reporting by charities (SORP 2005) and applicable accounting standards.

Fixed Assets

Fixed assets are initially stated at cost. Heritable property has subsequently been revalued as at 31 March 2004. Depreciation is provided on all 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 following rates of depreciation have been used:

Equipment	20% reducing balance
Computers	20% straight line
Paintings	0%

Capital Grants

- i) Capital grants are taken into account when they become receivable.
- ii) Capital grants receivable in respect of the Weisdale Mill conversion are credited to a capital grant reserve only when capital costs are incurred.
- iii) Capital grants receivable in respect of plant and equipment are credited to a deferred income provision and are released to the income and expenditure account over the expected useful lives of the relevant assets by equal annual instalments.

Revenue Grants

Revenue grants are taken into account when they become receivable.

Creditors

Funds are included in creditors when authorised and committed.

Stocks

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

Pensions

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

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

2. REVENUE GRANTS RECEIVABLE

UNRESTRICTED FUNDS	£
Core funding	
Shetland Charitable Trust	610,000
Shetland Arts Council	<u>84,226</u>
TOTAL UNRESTRICTED REVENUE GRANTS RECEIVABLE	<u>694,226</u>
RESTRICTED FUNDS	£
Music	
Shetland Arts Trust – Fiddle Frenzy	4,000
Shetland Arts Trust	150
Shetland Arts Lottery – PA System	7,294
Shetland Enterprise – American promotions	12,556
Shetland Enterprise – Go North, Celtic Connection	9,555
SIC Economic Development – Johnsmas Foy	16,242
SIC Economic Development – Concerts	5,770
BP	10,000
Website	<u>4,500</u>
	<u>70,067</u>
	£
Literature	
Shetland Arts Trust Lottery	24,200
Shetland Arts Trust Lottery - Wordplay	<u>5,000</u>
	<u>29,200</u>
	£
Indigenous Crafts	
Scottish Arts Trust	25,723
Shetland Arts Trust Lottery - Residency	3,001
Shetland Arts Trust Lottery – Mentoring	1,160
SIC Economic Development – Craft Development	3,500
SIC Economic Development – Projects	<u>15,000</u>
	<u>48,384</u>
	£
Visual Arts	
Shetland Arts Trust Lottery	<u>5,590</u>
	<u>5,590</u>
	£
Other grants	
Shetland Charitable Trust – Finance and management system	38,000
Shetland Charitable Trust – SAT surplus re-imbursed	14,900
Shetland Charitable Trust – SAGE upgrade	1,510
Shetland Charitable Trust – SAGE training	351
Shetland Arts Trust – Cultural Co-ordinator	9,900
Miscellaneous grants	<u>2,060</u>
	<u>66,721</u>
TOTAL RESTRICTED REVENUE GRANTS RECEIVABLE	<u>219,962</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

3. INVESTMENT INCOME - UNRESTRICTED

	£
Interest on bank deposits	<u>6,081</u>

4. PROJECT INCOME

UNRESTRICTED FUNDS

Other Income

	£
Miscellaneous	1,072
Education programme	275
Donations	914
Office services recharge	<u>100</u>
	<u>2,361</u>

RESTRICTED FUNDS

Music

	£
Box office	18,681
Workshops	11,721
Recharges	2,761
CD Income	1,503
PA Income	<u>2,240</u>
	<u>36,906</u>

Drama

	£
Box office	1,209
Workshops	10
Recharges	1,035
Donations	<u>403</u>
	<u>2,657</u>

Literature

	£
Box office	2,922
Recharges	100
Donations	4,950
Book sales	<u>300</u>
	<u>8,272</u>

Dance

	£
Workshops	984
Donations	<u>5</u>
	<u>989</u>

Garrison Theatre

	£
Box office – Films	60,210
Box office – Other	30,109
Letting	<u>7,687</u>
	<u>98,006</u>

TOTAL RESTRICTED PROJECT INCOME

146,830

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

5. WEISDALE MILL TRADING ACTIVITIES

	£	£
SALES AREA INCOME		
Sales	51,323	
Weisdale Mill hires	1,633	
Running costs recovered	1,261	
Crafts – workshops and recharges	1,627	
CAFÉ INCOME		
Sales	<u>40,112</u>	
TOTAL INCOME FROM WEISDALE MILL TRADING ACTIVITIES		95,956
SALES AREA EXPENDITURE		
Purchases and commissions	34,131	
CAFÉ EXPENDITURE		
Staff wages and mileage	31,247	
Food purchases adjusted for stock	19,869	
Café cleaning	514	
Repairs and renewals	2,634	
Marketing	<u>252</u>	
TOTAL COST OF WEISDALE MILL TRADING ACTIVITIES		<u>88,647</u>
TOTAL WEISDALE MILL SURPLUS		<u>7,309</u>

The surplus is made up of a Sales area surplus of £21,713 and a Café deficit of £(14,404).

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

6. DIRECT CHARITABLE EXPENDITURE

UNRESTRICTED FUNDS

	£
Salaries	217,597
Car allowance	1,576
Mileage	4,601
Travel	5,954
Pension – former employee	2,766
Conferences	456
Recruitment	8,546
Payroll charges	5,496
Personnel – SIC	3,000
Annual report	1,535
Bank charges	1,247
Bank interest	93
Office equipment	1,674
Stationery supplies	3,260
Photocopier lease	3,611
Cleaning	1,657
Heat and light	3,436
Telephone and fax	2,241
Postage	2,711
Insurance	7,877
Legal and professional fees	853
Publications and subscriptions	3,124
Licences	132
Rates	1,264
Office lease	31,107
Storage facilities	4,960
Repairs and maintenance	2,492
Training	7,126
Trustees expenses	1,466
Marketing	7,368
Miscellaneous	3,504
Relocation to Toll Clock	<u>6,739</u>
TOTAL UNRESTRICTED CHARITABLE EXPENDITURE	<u>349,469</u>

RESTRICTED FUNDS

Music	9	231,056
Drama	10	58,564
Literature	11	75,553
Dance	12	9,133
Visual arts	13	129,903
Crafts	14	49,516
Garrison Theatre	15	<u>120,499</u>

TOTAL RESTRICTED DIRECT CHARITABLE EXPENDITURE

674,224

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

7. MUSIC		£
	Salary	30,395
	Car allowance	549
	Mileage	725
	Travel	2,348
	PA System	7,875
	CD cost of sales	1,537
	Website	6,428
	Classical programme	4,002
	Projects	99,807
	Johnsma Foy	38,017
	Youth music project	1,351
	Recording project	1,200
	Education	479
	Marketing	122
	Fiddle Frenzy	<u>36,221</u>
		<u>231,056</u>
8. DRAMA		£
	Salaries	34,435
	Car allowance	822
	Mileage	1,387
	Travel	839
	Projects	<u>21,081</u>
		<u>58,564</u>
9. LITERATURE		£
	Salary	31,177
	Car allowance	753
	Mileage	204
	Travel	738
	Projects	11,542
	Writers in residence	2,370
	Readers/writers group	215
	Independent learning project	185
	Cost of books sold	1,106
	Book Festival	27,162
	Marketing	<u>101</u>
		<u>75,553</u>
10. DANCE		£
	Salary	6,750
	Car allowance	266
	Mileage	1,693
	Travel	108
	Marketing	<u>316</u>
		<u>9,133</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

11. VISUAL ARTS	£
Visual Arts Co-ordinator – Salary	37,675
Visual Arts Co-ordinator – Car Allowance	822
Visual Arts Co-ordinator – Mileage	505
Visual Arts Co-ordinator – Travel	1,934
Salaries	36,548
Hanging tech/education	1,039
Mileage	806
Telephone and fax	1,261
Office equipment, stationery and packaging	1,866
Heat and light	4,275
Postage	957
Photocopier	5,362
Rates	911
Cleaning	995
Miscellaneous	913
Set up costs	2,685
Routine repairs	3,094
Insurance	4,533
Exhibition programme	17,329
Hatchery workshop	1,219
Education workshop/travel	4,035
Arts/craft residency – Booth	175
Exchange residency	964
	<u>129,903</u>
 12. CRAFT	£
Salary	31,505
Car allowance	822
Mileage	531
Travel	514
Projects	15,864
Marketing	280
	<u>49,516</u>
 13. GARRISON THEATRE	£
Salary	35,145
Training	1,118
Repairs	1,598
Other professional fees	908
Stationery	12
Telephone	235
Purchases for resale	466
Miscellaneous	10
Equipment purchases	38
Licences	1,464
Marketing	108
Membership subscriptions	295
Programme cost	33,133
Film costs	45,969
	<u>120,499</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

14. TANGIBLE FIXED ASSETS

	Heritage Property £	Equipment £	Paintings £	Total £
COST/VALUATION				
Transferred from Shetland Arts Trust	170,000	221,839	2,862	394,701
Additions during period	-	62,491	-	62,491
Disposals during period	-	-	-	-
Revaluation	-	-	-	-
	<u>170,000</u>	<u>284,330</u>	<u>2,862</u>	<u>457,192</u>
As at 31 March 2007	<u>170,000</u>	<u>284,330</u>	<u>2,862</u>	<u>457,192</u>
DEPRECIATION				
Transferred from Shetland Arts Trust	-	135,248	-	135,248
Charge for period	-	31,941	-	31,941
Disposals during period	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 March 2007	<u>-</u>	<u>167,189</u>	<u>-</u>	<u>167,189</u>
NET BOOK VALUE				
As at 31 March 2007	<u>170,000</u>	<u>117,141</u>	<u>2,862</u>	<u>290,003</u>

The heritage property is made up of the Weisdale Mill Property which has been included at valuation.

15. STOCK

	2007 £
General stock	199
Weisdale Mill sales area stock	9,065
Weisdale Mill café stock	541
Dialect Programme book stock	3,748
Under Canvas CD stock	<u>14</u>
	<u>13,567</u>

16. DEBTORS

	£
Trade debtors	36,893
Grants receivable	28,444
Prepayments	3,922
VAT	<u>13,792</u>
	<u>83,051</u>

17. CREDITORS

	£
Trade debtors	29,986
Deferred income	25,586
Accruals	<u>76,990</u>
	<u>132,562</u>

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

18. DEFERRED INCOME PROVISION	£
Transferred from Shetland Arts Trust	78,170
Capital grant received	<u>17,770</u>
	95,940
Released to income and expenditure account	(<u>23,195</u>)
As at 31 March 2007	<u>72,745</u>

19. PENSION SCHEME

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

Assumptions as at	31 March 2007 % per annum
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Inflation assumption	3.2%
Salary increases	4.7%
Pension increases	3.2%
Discount rate	5.4%

Assets (Employer Share)

	Long Term rate of return expected at 31 March 2007	Fund Value at 31 March 2007 £ 000
Equities	7.8%	393
Bonds	4.9%	32
Property	5.8%	-
Cash	4.9%	<u>12</u>
Total	7.2%	<u>437</u>

Net Pension Asset as at	31 March 2007 £ 000
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Estimated Employer Assets	(437)
Present value of scheme liabilities	474
Present value of unfunded liabilities	<u>-</u>
Total value of liabilities	(<u>474</u>)
Net Pension (liability)/asset	(<u>37</u>)

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2007

19. PENSION SCHEME (Continued)

Analysis of amount charged to operating surplus

Amount charged to Operating Profit

31 March 2007
£ 000

Service cost	62
Past service cost	(16)
Curtailment and settlements	—
Total operating charge	<u>46</u>

Analysis of the amount credited to other finance income

31 March 2007
£ 000

Expected return on assets pension scheme liabilities	26
Interest on Pension Scheme liabilities	(21)
Net Returns	<u>5</u>
Net Revenue Account Cost	<u>41</u>

Analysis of amount recognised in Statement of Total recognised gains and deficits (STRGL)

31 March 2007
£ 000

Actual return less expected return on pension scheme assets	4
Experience gains and losses arising on the scheme liabilities	(9)
Changes in assumptions underlying the present value of the scheme liabilities	<u>39</u>
Actuarial gain/(deficit) which would be recognised in STRGL	<u>34</u>

31 March 2007
£ 000

(Deficit)/surplus at beginning of the year

Current service cost	(71)
Employer contributions	(62)
Contribution in respect of Unfunded Benefits	41
Impacts of Settlements and curtailments	-
Past service cost	16
Net return on assets	5
Actuarial gains/(deficits)	<u>34</u>
(Deficit)/surplus at end of year	(37)

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2007

19. PENSION SCHEME (Continued)

History of Experience Gains and Deficits

	31 March 2007 £ 000
Difference between the expected and actual return on assets	4
Value of Assets	437
Percentage of assets	0.9%
Experience gains/(losses) on liabilities	(9)
Present value of liabilities	474
Percentage of the present value of liabilities	(1.9%)
Actuarial gains/(losses) recognised in STRGL	34
Present value of liabilities	474
Percentage of the present value of liabilities	7.2%

Hymans Robertson confirm the figures presented above are prepared only for the purposes of Financial Reporting Standard on Retirement Benefits FRS17 and have no validity in other circumstances. In particular, they are not relevant for calculations undertaken for funding purposes, for accounting under the UK accounting standard SSAP24 or international accounting standards or for other statutory purposes under UK pensions legislation.

20. RELATED PARTY TRANSACTIONS

No Trustees received a salary or remuneration during the year. Travelling expenses claimed by Trustees totalled £1,466 for the year.

21. ANALYSIS OF EMPLOYEE COST

	31 March 2007 £
Salaries	465,787
Social Security Costs	32,319
Pension Costs	<u>44,666</u>
Total	<u>542,772</u>

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

Employee No	2007
Full Time	13
Part Time	<u>25</u>
	<u>38</u>