

Shetland Arts Development Agency
Board of Trustees Annual General Meeting
Thursday 27th August 2026 5:30pm
Venue: Mareel/Teams

Item	Description	Report	Item taken by	ACTION
1	Welcome		Chair	
2	Minutes 28 August 2025		Chair	Approval
3	Chairs Report		Chair	Note
4	Annual Financial Statements	Attached	Chair	Note

**Minutes of the Annual General Meeting of Shetland Arts Development Agency, Thursday
28 August 2025, held at 5.30 p.m. in Mareel and via video conference**

Present:

Jamie Manson (JM), Chair, Shetland Arts
Malcolm Innes (MI), Shetland Arts
Hannah Hough (HH), Shetland Arts
Charlotte Jones (CJ), Shetland Arts
Michele Kerry (MK), Shetland Arts (online)
Kristofer Wilson (KW), Shetland Arts

In Attendance:

Graeme Howell (GH), Chief Executive, Shetland Arts
Kerry Llewellyn (KLL), Support Lead, Shetland Arts
Irene Hambleton (IH), RSM UK Audit LLP
Catrina Carter, minute taker
E. Adamson (online)
C. Cope (online)
D. Davies (online)
J. Davies (JD) (online)
M. Johnson (online)
Councillor M. Lyall (ML) (online)
P. Murrison (online)
R. Permar (RP) (online)
N. & K. Riddell (online)
C. White (online)
S. Myles (online)

Apologies:

Kerry LARBalestier, Shetland Arts
Jackie Williamson, Shetland Arts

Item	Topic	Action
1	Welcome JM welcomed trustees, IH from RSM, and those who had joined the meeting online	
2	Minutes of AGM held on 26 September 2024 Approved by MI, seconded by HH	
3	Chair's Report The chairman read the Chairperson's Message from the Trustees' Report and financial statements. There were no questions or comments made.	
4	Annual Financial Statements IH presented the annual financial statements to the Board and went through a presentation to highlight details.	

	She stated that trading activity had reduced slightly from £1.1 million to £1 million, primarily due to the closure of Bonhoga and the Tall Ships Race being included the previous year. Education income had increased – this was dependant on student numbers and some funding had been received from Developing the Young Workforce. Grants and Interest received were similar to the previous year, resulting in income for the year of £2,402,073 compared to £2,484,093 the previous year. IH then ran through the breakdown of Grants (exc. capital) received with Shetland Charitable Trust being the main funder providing £750K plus £50K maintenance and £144K Covid Recovery support, Creative Scotland provided £250K plus almost £40K project funding. Wages and Salaries continued to be the significant proportion of expenditure, but slightly less in percentage terms than the previous year. Trading expenditure was slightly reduced but that would be expected with reduced trading income, whilst Development and Programming increased as the organisation continued its recovery. Overheads had increased but that was expected with the increase in electricity and insurance costs, etc. Taking all that into account, Shetland Arts had made a loss of just under £94,000. Pension figures were provided by actuaries but IH advised that due to changes in legislation they were no longer recognised in the accounts. She highlighted this meant that an asset that had previously been included had now been removed. Referring to the balance sheet, IH stated that Shetland Arts' Fixed Assets comprised primarily of Mareel and Bonhoga, the value of which was slightly reduced from the previous year due to depreciation. Stock and Debtors had increased due to accrued capital funding. This was recognised in a different timeframe from when it was spent. Cash at Bank was reduced due to the deficit. That was balanced by Liabilities and Funds. Creditors and Deferred Income was primarily timing differences, there was a small loan still outstanding and the balance was all the funds. As expected with Bonhoga and Mareel being major capital assets, their funds were sitting in Capital. There was an element of capital that would be used in the next year to develop Bonhoga. IH highlighted that as part of the audit the net assets and future budgets had been examined and they were happy to conclude and concur with the trustees' view that the going concern was satisfactory.	
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	IH concluded by thanking KLL and the team for their work.	
5	Questions JM opened the meeting for questions from the public. RP asked if there was the possibility of setting up practitioners advisory groups in view of further staffing cuts. Whilst supportive, GH stated that the organisation was currently recruiting for a Director of Creativity and Impact and suggested leaving conversations about this until they were in post. RP then stated that in the past Shetland Arts had had a community equipment bank that practitioners could borrow from and wondered whether this might be reinstated in future. GH confirmed this was something that could be considered but the scheme had come to an end due to some equipment being used for commercial purposes. Whilst tricky to manage, it was something that he would be happy for the organisation to look at again. ML had received a number of representations from the community regarding the AGM. Referring to the minutes of the previous year's AGM, she felt that stating that it had been held in Mareel and online was misleading. She could see that Board members were in Mareel but it gave the impression that it was more open than what was maybe the case. This caused some friction in the community and she wondered if it was felt this reflected the nature of the AGM. JM stated that the minutes were a factual statement but acknowledged that the public was invited online as it was felt this was more inclusive than trying to fit everyone into the conference room. The organisation was aware of the correspondence regarding this and was open to doing things differently in future. ML stated that the building had larger rooms so did not feel that the room should be the defining factor. ML then asked about the process for appointing trustees. JM advised that he chaired a recruitment panel that made recommendations to the Board and unsuccessful candidates were offered feedback. He was not aware of any challenges to this process. JM confirmed that applications were submitted to him and all those who applied had been invited to interview. Ten applications had been received during the last recruitment process, one of which had withdrawn. From those, 4 appointments had been made and some applications may be revisited throughout the year if required. (IH left the meeting) ML stated that many in the community missed Wordplay and the film festivals that had been held in the past and wondered if there were	

	plans to redevelop these. GH stated that Screenplay had come to an end due to the curators moving on to other initiatives. He felt it was wise to respect that and leave space for other things to happen. Conversations were being held about the possibility of other film festivals coming to Shetland and Shetland Noir would be held in 2026. GH felt it was important not to continue just doing what had been done in the past, it was important to review and move forwards and evolve and change with the needs of the community. JD was aware that there were views in the community but cautioned that sometimes what played out on social media could be as much fiction as fact and sometimes it was a very small number of voices making a disproportionate sound replaying the same issues over and over again. It wasn't helpful to those in the community who were grateful to Shetland Arts for what they do. She had said something similar last year and hadn't been intending to say anything this year but felt it needed to be recognised that some people had different reasons for complaining. Everyone knew the situation of the arts throughout the UK and the wider world and Shetland Arts was producing new things and new ideas and that meant letting go of some old things and ideas. She hoped that next year comments would not be the same about how the organisation was deciding to do things like an AGM. For example, she referred to the query about becoming a trustee and stated that information was available on Shetland Arts' website. The Complaints procedure was on the website. Any person could write to the organisation and raise any personal issues that they had. She then wondered if there were any updates on the future developments at the former Anderson High School site. GH replied that work was underway on the Full Business Case and it would be possible to say more about this as things developed. RP stated that whilst she understood the sentiment of looking forward, she and others really missed Screenplay and she felt that this type of festival was important to help creative practitioners' development. She felt it was heartening to see more opportunities being advertised for commissions but felt it would be helpful to give unsuccessful, and successful, candidates feedback if they wanted it. Constructive feedback would be helpful in terms of development. GH confirmed that this was feedback that had been received from the last round of commissioning and it was being built into the next round. The challenge was the cost of this. If there were 46 applicants receiving a ½ hour of feedback, that was a week of feedback, but this was being budgeted in for the next round.	
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	There being no further comments or queries, JM thanked everyone who had attended and closed the AGM at 6.00 p.m.	
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SHETLAND ARTS DEVELOPMENT AGENCY

TRUSTEES' REPORT & FINANCIAL STATEMENTS

for the year ended

31 March 2026

SHETLAND ARTS DEVELOPMENT AGENCY

CHAIRPERSON'S MESSAGE

31 MARCH 2026

As Chair of Shetland Arts Development Agency, I am pleased to present our Annual Financial Statement for the year ending 31 March 2026. This year marks the first under new multi-year funding agreements with both Shetland Charitable Trust and Creative Scotland, providing a more stable foundation from which to plan and deliver our work.

Despite this increased security, the organisation continues to operate within a challenging environment. Rising costs and ongoing staffing pressures have required careful management and resilience from our team. I would like to recognise the commitment and adaptability of staff who have continued to deliver a high-quality programme in these circumstances.

Over the past year, Shetland Arts has maintained a strong level of activity and impact across the islands. Within the 12 months of this report, we presented more than 3,700 performances, screenings and exhibition days with over 220,000 audience engagements. Our programmes continue to support creative development, community connection and wellbeing, with consistently high levels of audience satisfaction and positive feedback.

We have also continued to invest in the creative economy, supporting practitioners and micro-businesses, while enabling new work, collaborations and skills development. This contribution remains vital to sustaining a vibrant and resilient cultural sector in Shetland.

This year has also been one of transition and anticipation. With Bonhoga closed for refurbishment, there has been an inevitable impact on delivery. However, this project represents a significant investment in the future of Shetland's cultural infrastructure, and we look forward to reopening an improved, more accessible and more sustainable facility in the coming year.

At Board level, I would like to welcome Kristofer Wilson, Charlotte Jones and Jacky Williamson to the Board. I also extend my thanks to my fellow Trustees for their continued commitment in supporting and guiding the organisation.

Finally, I would like to thank our core funders, Shetland Charitable Trust and Creative Scotland, for their continued investment and confidence in our work. My thanks also go to our staff, partners, audiences, participants, performers and students—your engagement and support are central to everything we do.

While challenges remain, the organisation is well placed to build on this year's progress. With renewed funding, ongoing capital developments, and a clear focus on impact, we look forward with cautious optimism to the year ahead.



Jamie Manson
Chair, Shetland Arts Development Agency

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES

31 MARCH 2026

The Trustees are pleased to present their annual Trustees' Report together with the financial statements of the charity for the year ending 31 March 2026.

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 (as amended for accounting periods commencing 1 January 2019) (the SORP).

OBJECTIVES AND ACTIVITIES

Shetland Arts' principal objectives are laid out in the supplementary Deed of Trust registered on 30 October 2020.

The objects of the agency are to:

- (i) 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;
- (ii) advance Arts and Culture for the benefit of the public in Shetland;
- (iii) advance Citizenship and Community Development for the benefit of the public in Shetland.

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) promote a culture of lifelong learning 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.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

Introduction

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

All elements of the activity are considered, particularly how the projects will deliver our social outcomes. The Leadership Team 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.

Monthly KPIs are collated for each project and are reported to our Trustees, Shetland Charitable Trust and Creative Scotland and made available on our website.

Social Outcomes

As part of the application process to Creative Scotland and Shetland Charitable Trust our Social Outcomes were reviewed and have evolved. Their alignment with a range of local and national strategies is still key. These are how the organisation designs its work programme.

1. Improved quality of life through greater access to creative and social experiences
2. Improved opportunities through the development of new skills
3. Improved confidence to contribute positively through greater opportunities for self-expression and community involvement
4. Improved feeling of inclusion and equality through an appreciation of a diversity of cultures and lifestyles
5. Improved mental and physical health through more active involvement in creative and social experiences
6. Improved community resilience through a more diverse creative economy

Although many of our activities will deliver against more than two of our social outcomes, our intention is to focus on the two that are the reason we are doing it and report against them. In our narrative reporting we acknowledge that a participant or audience member may well have experienced a different impact than we intended, and we will make every attempt to capture their story. We use a variety of methods to capture our impact including participant surveys, feedback, comments on social media and emails.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

Achievements & Performance

The table below shows the key performance indicators for the year. This will be followed by highlights from the work under each social outcome during the year.

Actuals	Concerts, Screenings and Exhibition Days	Attendances	Development Sessions	Participations
Delivered	3,777	221,159	1,118	12,820
Target	3,909	208,682	1,794	13,804
% of Target Delivered	97%	106%	62%	93%
Impact	Concerts, Screenings and Exhibition Days	Attendances	Development Sessions	Participations
Improved quality of life through greater access to creative and social experiences	3,139	166,310	59	1,205
Improved opportunities through personal and professional transferrable skills	217	20,186	685	5,798
Improved confidence to contribute positively through opportunities for self-expression and community involvement	350	26,578	798	7,389
Improved feeling of inclusion and equality through greater understanding of other cultures and lifestyles	418	22,415	29	514
Improved mental and physical health through more active involvement in creative and social experiences	1,749	54,219	131	1,765
Improved community resilience through a more diverse creative economy	1,661	149,363	318	5,123

Shetland Arts delivers a large variety of events, exhibitions, workshops and activities. Below is a small sample to illustrate how we have been delivering against our social outcomes.

1. Improved quality of life through greater access to creative and social experiences

Highlights of activity that delivered this social outcome

During 2025–26, we delivered **3,139** performances, screenings and exhibitions, reaching **166,310** attendances across Shetland.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

Our programme combined local, national and international work, ensuring audiences could access high-quality cultural experiences without leaving the islands. Highlights included *Homemade 2025*, showcasing locally produced short films, alongside curated cinema seasons such as *Wes Anderson* and *Spielberg Season*, and the continued presentation of *National Theatre Live* screenings.

Live performance remained central, with a diverse programme spanning theatre, dance and music. Events like *Bodies of Water* and *After All* brought contemporary performance to local audiences, while live music and spoken word events—including appearances by Hollie McNish, Michael Pedersen and Roseanne Watt—expanded the range of artistic voices represented.

Family and early years audiences were engaged through interactive work such as *A Home for Hamish*, while large-scale community moments including the *Hogmanay* celebrations and themed cinema events created shared cultural experiences.

Touring activity also extended reach beyond Lerwick, with initiatives such as the *Splore* tour bringing theatre and dance to rural communities, ensuring geographic access across the islands.

Audience feedback continues to highlight the importance of this provision in supporting connection, enjoyment and a sense of place.

"My bairn loved this event, she really enjoyed watching the bands and I also enjoyed watching the bands and graphics."

"I loved being part of something local that still felt world-class."

"It was so funny and great to see this calibre of talent in Shetland."

2. Improved opportunities through the development of new skills

Highlights of activity that delivered this social outcome

We delivered **685** learning and development sessions, with **5,798** participations across all age groups.

Formal education programmes, delivered in partnership with UHI Shetland, supported students to achieve accredited outcomes in creative subjects. Student showcases, prize-giving and public presentations provided opportunities to demonstrate learning and build confidence in professional settings.

Early-stage engagement was supported through work experience placements and informal learning opportunities, with participants gaining insight into areas such as technical production, cinema operations and event delivery.

Artist development remained a core strand. Through **VACMA** and the *Shetland Arts Commissioning Fund*, we supported practitioners to develop new work, including projects such as *O Da Bog*, *Garbanzo*, and *Story Slam* development. Residency activity—including Emily Briggs' Mareel residency and the *Muir is Tir* land and sea residency—provided structured time for research, experimentation and collaboration.

Skills development also extended into participatory workshops, including physical theatre, craft and textile work (*FELT*), and creative writing and storytelling sessions linked to Story Slam activity.

"I've never done anything like this before but was made completely at ease and could challenge myself at my own level... learnt a lot."

"She learned a lot and made new friends. It was a great experience all round."

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

3. Improved confidence to contribute positively through greater opportunities for self-expression and community involvement

Highlights of activity that delivered this social outcome

A range of informal and structured platforms supported self-expression. Initiatives like **Shetland Story Slam** created new opportunities for personal storytelling in a public setting, while **Soup & A Show** and open-stage events encouraged performers to test and share new work in a supportive environment.

Regular Artist Meet-Ups provided space for peer exchange, discussion and informal presentation, contributing to a stronger sense of creative community and shared practice.

Youth engagement remained a priority. Dedicated youth arts activity and opportunities for young filmmakers and musicians—particularly through **Homemade** and youth-focused events—enabled participants to present work publicly and gain recognition for their creativity.

Support through VACMA and commissioning allowed individual artists to develop and present work, with spotlight features highlighting practitioner journeys and encouraging wider participation.

There is evidence of progression from participation to initiation, with individuals and groups developing their own projects, collaborations and events, demonstrating increased confidence and agency within the cultural sector.

"It's nice to share my work in a public place after having it hidden away in the studio – it's given me a confidence boost."

"Was lovely to see all the young children enjoying themselves on the stage, and becoming confident and comfortable in front of a live audience."

4. Improved feeling of inclusion and equality through an appreciation of a diversity of cultures and lifestyles

Our programme continued to prioritise inclusion, representation and accessibility.

Projects such as **X-Change Shetland Texas** explored international collaboration and cultural exchange, connecting Shetland-based artists with global networks. Work such as **Ultimate ThuleBEE** and related community workshops created inclusive, intergenerational participation opportunities rooted in local identity. Participatory projects including **FELT** encouraged engagement with heritage, materials and shared making practices, while also welcoming participants regardless of prior experience.

Programming also addressed social themes directly. Partnership work with Shetland Foodbank, including charity screenings, and exhibitions such as **Second Chances** created space for reflection on social justice, recovery and community support.

Performance and touring work brought diverse perspectives to local audiences, including contemporary dance, theatre and storytelling exploring identity, place and lived experience.

The Access and Inclusion Group continued to guide improvements in accessibility, communication and audience experience, ensuring that barriers to participation are actively addressed.

Feedback indicates that audiences value both the diversity of work presented and the inclusive environment in which it is delivered.

"It is so good to have discussions with those with first hand experience of Gaza and see artwork by people who are still there, in our local arts centre."

"Events like this make Shetland feel more inclusive and open to different perspectives."

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

5. Improved mental and physical health through more active involvement in creative and social experiences

Creative participation continued to play a significant role in supporting wellbeing.

During the year, **1,765** participants engaged in activity designed to support mental and physical health. This included structured wellbeing programmes such as ***Singing Mamas***, which provided regular opportunities for social connection through group singing.

Workshops and participatory activity, including movement-based sessions, craft workshops and reflective creative practices, offered accessible routes into engagement for individuals seeking low-pressure environments.

Projects like the ***Remembering Together COVID-19 memorial*** and associated book launch created opportunities for collective reflection and processing of shared experiences, contributing to longer-term emotional wellbeing.

Additional activity, including nature-based and material-focused workshops (e.g. ***FELT***), supported mindful engagement and connection to place, which is particularly relevant in Shetland's context.

Regular cultural participation, through attending events, screenings and performances, also contributes to wellbeing by reducing isolation and providing routine opportunities for social interaction.

Feedback demonstrates clear impact, with participants reporting improved mood, reduced stress and a increased sense of connection.

"It's just so good for the soul – I came in tired and left smiling."

"Taking part helped me through a tough time – it gave me focus and calm."

6. Improved community resilience through a more diverse creative economy

We supported **874** artists, freelancers and creative micro-businesses through commissioning, residencies, facilities and sector development activity.

The ***Shetland Arts Commissioning Fund*** and ***VACMA*** investment enabled artists to develop and present new work locally, supporting retention of creative talent within the islands. Funded projects spanned multiple disciplines, including performance, visual art, film and interdisciplinary practice.

Residency activity, including ***Muir is Tir*** and artist-led research and development projects, supported experimentation and collaboration, often connecting local practitioners with national and international networks.

Initiatives such as ***Even Here, Even Now*** strengthened inter-island collaboration, contributing to a broader creative ecosystem across Scotland's island communities.

Provision of facilities, including studio space, technical support and presentation platforms, enabled artists to produce work professionally within Shetland. Events such as arts and crafts fairs, exhibitions and screenings provided routes to market and audience development.

Sector visibility was further supported through communications activity, including artist spotlights, blog features and promotion of opportunities, helping to build a sustainable and connected creative community.

This combined approach contributes to a more resilient creative economy, enabling practitioners to sustain their work locally while contributing to Shetland's cultural and economic life.

"Being an Island artist can be quite a solitary profession at times, so its great to get opportunities to connect with other artists here in Shetland and across other Island communities."

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

"I've started selling my work because of the visibility this gave me – that's life-changing."

Volunteers

We work with volunteers in a number of different ways. This includes our voluntary board of Trustees, festival volunteers and delivery volunteers. During the year volunteers contributed 1,261 hours of their time to the organisation.

Change Management

During the financial year a restructure of the organisation took place which changed the structure of the Leadership Team. This change made the leadership team leaner to allow for additional staff at other levels within the organisation.

FINANCIAL REVIEW

The 2026 financial year was the first year of new funding agreements with Shetland Charitable Trust and Creative Scotland allowing the organisation to move forward in a positive way.

The successful funding applications to Shetland Charitable Trust for the period from 2025-2030 and to Creative Scotland for 2025-2028 have given certainty going forward. The trustees are confident that the organisation will remain solvent as projections to 30 September 2027 show the organisation in a suitable financial position. The Leadership Team will also review results monthly and will act quickly if cost savings are required.

The movement on the Unrestricted Funds for the year was £50,299 (2025 – £nil). This movement of £50,299 in Unrestricted Funds comes after the deduction of depreciation in the year of £588,575. This depreciation is partly offset by a transfer made from the Restricted Capital Fund to Unrestricted Funds of £576,260. 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 £2,701,181 (2025 - £2,870,968) made up as follows:

	2026 £	2026 %	2025 £	2025 %
Revenue grants received	1,431,528	53.0%	1,243,785	43.3%
Capital grants received	51,853	1.9%	468,895	16.3%
Self-generated income	1,207,855	44.7%	1,140,144	39.7%
Interest received	8,404	0.3%	15,033	0.6%
Donations and sponsorship	1,541	0.1%	3,111	0.1%
TOTAL	2,701,181	100%	2,870,968	100%

We received annual revenue funding of £1,050,000 from Shetland Charitable Trust (SCT) and £358,905 from Creative Scotland (CS) during the year.

Project funding was received from various funders, including Creative Scotland, Cycle UK 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.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

Total Resources Expended was £3,235,526 (2025 - £3,067,976) made up as follows:

	2026 £	2026 %	2025 £	2025 %
Stock and goods purchases	284,830	8.8%	256,649	8.4%
Charitable activities	2,950,696	91.2%	2,811,327	91.6%
TOTAL	3,235,526	100%	3,067,976	100%

Grants were given out by Shetland Arts in the year of £7,600 (2025 - £10,000). These are contained in the Charitable Activities line above and further details of the grant scheme are contained in note 8b.

All staff costs are included in charitable activities above and have increased from £1,143,049 in 2025 to £1,513,655 in 2026. Due to the new funding agreements the organisation was able to staff up to increase capacity to undertake projects.

Shetland Arts is an approved member of the Shetland Islands Council Pension Scheme. In line with guidance on the recognition of pension scheme assets, Shetland Arts have not recognised the defined benefit pension scheme asset as the impact of the asset ceiling is to reduce the net pension asset to £nil.

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, which 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 that 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 2026 are £7,353,411 (2025 - £7,887,756). This is split between Restricted Funds of £7,186,907 (2025 - £7,771,551) and Unrestricted Funds of £166,504 (2025 - £116,205).

A designation of £25,149 was made to the Asset Replacement and Repair reserve in the year to 31 March 2026.

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

PLANS FOR THE FUTURE

Funding

We have spent the last 12 month developing a fundraising strategy that will be implemented over the next three years. The plans are to increase investment from sponsorship and Trusts and Foundations to 10% of our total funded income.

Regional Role

We continue to develop Shetland Arts' regional role in partnership with The Pier Arts Center in Orkney, An Lanntair in Harris and Taigh Chearsabhagh Museum & Arts Centre in North Uist. 2026 / 27 should see the initial projects from the Islands Growth Deal begin to come to fruition. The inclusion of Even Here Even Now in the Scottish Government Islands Plan is significant recognition of the work of Shetland Arts and we look forward to expanding into new territories.

Facilities

We will continue to invest in our facilities with investment from a variety of sources. The support from Shetland Charitable Trusts Capital Grants scheme has enabled us to improve and or replace some key areas. Funding from Cycle UK has enabled investment in a electric cargo bike and bike shed with recharge facilities.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

REFERENCE AND ADMINISTRATIVE DETAILS

Trustees	Chris Gadsby	<i>Resigned 23 August 2025</i>
	Hannah Hough	
	Malcolm Innes	
	James Johnston	<i>Resigned 25 June 2026</i>
	Charlotte Jones	<i>Appointed 25 August 2025</i>
	Michele Kerry	
	Kerry Larbalestier	Vice Chair
	Catriona MacDonald	<i>Resigned 20 July 2025</i>
	Susan Mail	<i>Resigned 23 August 2025</i>
	Jamie Manson	Chair
	Shona Miller	<i>Appointed 25 June 2026, Resigned 25 August 2026</i>
	Jacky Williamson	<i>Appointed 25 August 2025</i>
	Kristofer Wilson	<i>Appointed 25 June 2026</i>
Chief Executive	Graeme Howell	
Leadership Team	Kerry Llewellyn	Support Lead <i>To 31 May 2025</i>
	Kerry Llewellyn	Director of Operations <i>From 1 June 2025</i>
	Catriona Macdonald	Director of Creativity and Impact <i>Appointed 1 December 2025</i>
	Bryan Peterson	Education and Outreach Lead <i>Resigned 31 May 2025</i>
	Wendy Tulloch	Customer Experience Lead <i>Resigned 31 May 2025</i>
Address	Shetland Arts Development Agency Mareel Lerwick Shetland ZE1 0WQ	
Auditors	AJB Scholes Ltd St Olaf's Hall Church Road Lerwick Shetland ZE1 0FD	
Bankers	Virgin Money 106 Commercial Street Lerwick Shetland ZE1 0JJ	
Solicitors	Harper Macleod St Olaf's Hall Church Road Lerwick Shetland ZE1 0FD	
Founding Trust Deed	Registered on 13 January 2006	
Charitable Status	Scottish Charity No. SC037082	

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document and Organisation

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

Appointment of Trustees, their Induction and Training

The trustees meet bi-monthly to administer the activities of the Agency. During the year the Trust Deed required the board to be comprised of a minimum of seven trustees, and a maximum of thirteen. Each trustee shall hold office for a period of three years with power to be re-appointed for a further period of three years.

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

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.

New trustees receive individual induction from the Leadership Team 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 Leadership 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 Leadership Team comprises the Chief Executive, Director of Creativity and Impact and the Director of Operations. All trustees give their time freely and no trustee received remuneration in the year. Details of trustee's expenses are disclosed in note 19 of the accounts.

The pay of the senior staff is reviewed annually. The pay rates are benchmarked against third sector pay in Shetland. The pay of the Chief Executive 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 their 2025 – 2030 Strategy. Their priorities include Community wellbeing; Individual wellbeing; Everyone matters; Generational fairness and Enabling strong and resilient organisations.

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 criteria of Quality and Ambition; Engagement; Equalities, Diversity and Inclusion; Environmental Sustainability and Fair Work.

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

Risk Management

The Trustees have assessed the major risks to which the charity is exposed and are satisfied that systems are in place to mitigate our exposure to the major risks. The new risk of climate change has been added during the year. The table below highlights the risks the board have identified as being the most significant.

Risk Title	Risk Detail	Mitigation
Leadership	Loss of key leaders or key individuals that the organisation depends upon and cannot be replaced easily	Appropriate Pay and T&Cs Training and Wellbeing provision Good national profile to enable recruitment (Trustees & Staff) Critical Process Planning
Lack of Governance	Governance arrangements have little or no systems in place to identify and monitor compliance	Regular formal and informal meetings with key reports Complete the SCVO Governance Check Up Annual Audit

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

Risk Title	Risk Detail	Mitigation
Loss of Reputation and / or stakeholder confidence / trust	Risk that an incident or situation creates an environment that confidence is eroded or lost.	Social Outcomes Access to specialist comms freelancers Good informed relationship with stakeholders Active management of Social Media and public engagement
External Impacts	Being unable to manage and adapt to societal shocks. e.g. Pandemics, Disruption of International Trade, Significant change of National Political Direction	Ensure staff structure is flexible Ensure staff are current in training Business Continuity Planning Relationship with stakeholders
Finance	Unexpected shortfall in funding to income affecting the ability to deliver against medium-term plans	Diversity of Core Funding Able to raise project funding from alternative sources Focus on traded / commercial income Ensure funding is claimed in a timely fashion
Estates	Large, unexpected estates issues	Proactive Asset Management Regular & Reactive Maintenance Sufficient Insurance
Legal / Regulations	Breach of legal or licencing conditions	Trained Staff Use of professional advisors Use of auditors Proactive relationship with licencing body
Climate Change	Risk to organisation sustainability in the face of ongoing climate change impacts	Use of Hybrid Working Use of online meetings with partners Invest in facilities to reduce carbon usage Use of carbon budgeting
Cyber Security	Loss of organisational data, ransomware attacks, or IT failure disrupting operations and damaging reputation.	Use of robust infrastructure and safeguards Use of web-based tools where appropriate e.g. Monad, Web Hosting Reminders about cyber security, phishing emails etc in SADA news Cyber insurance in place
Safeguarding	Failure to adequately safeguard children or vulnerable adults involved in Shetland Arts' activities results in harm to individuals and significant reputational, legal, and financial damage to the organisation.	Clear PVG policies in place PVG checks and safer recruitment practices Staff training and clear reporting processes Designated Safeguarding Lead

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

SHETLAND ARTS DEVELOPMENT AGENCY

ANNUAL REPORT OF THE TRUSTEES (CONTINUED)

31 MARCH 2026

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 (FRS 102);
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

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

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

Approved by the board of trustees on 25 June 2026 and signed on their behalf by:



Jamie Manson
Chairperson

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2026

Opinion

We have audited the financial statements of Shetland Arts Development Agency (the 'charity') for the year ended 31 March 2026 which comprise Statement of Financial Activities, the Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2026 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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.

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 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 2026

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) 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' annual 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 statement of trustees' responsibilities set out on page 13 the trustees are responsible for the preparation of the financial statements and for being satisfied that they 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

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework, that the charity operates in and how the charity is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

SHETLAND ARTS DEVELOPMENT AGENCY

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES

31 MARCH 2026

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the charity's governing document and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents, inspecting correspondence with local tax authorities and evaluating advice received from external advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Employment Act 2008 and Health and Safety at Work Act 1974. We performed audit procedures to inquire of management whether the charity is in compliance with these law and regulations and inspected the client's risk register for controls in place, as well as checking payroll documentation and reconciliations.

The audit engagement team identified the risk of management override of controls and revenue recognition (occurrence and cut-off of grant income and completeness of other income) as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed in connection with management override included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates. In relation to revenue recognition we have tested grant letters and documentation in relation to ancillary revenue.

Due to the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

Use of our report

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

AJB Scholes Ltd.

A J B Scholes Ltd
Statutory Auditor
Chartered Accountants
St Olafs Hall
Church Road
Lerwick
Shetland Isles
ZE1 0FD

A J B Scholes Ltd 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 2026

	Note	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2025 £
INCOME from:						
Donations	3	1,541	-	-	1,541	3,111
Charitable activities	4	361,433	1,070,095	51,853	1,483,381	1,712,680
Other trading activities	5	1,207,855	-	-	1,207,855	1,140,144
Investments	6	8,404	-	-	8,404	15,033
Total Income		1,579,233	1,070,095	51,853	2,701,181	2,870,968
EXPENDITURE on:						
Raising funds	7	284,830	-	-	284,830	256,649
Charitable activities	8	1,820,364	1,130,332	-	2,950,696	2,811,327
Total Expenditure		2,105,194	1,130,332	-	3,235,526	3,067,976
NET INCOME/(EXPENDITURE)		(525,961)	(60,237)	51,853	(534,345)	(197,008)
Transfers between funds		576,260	-	(576,260)	-	-
NET INCOME/(EXPENDITURE) BEFORE OTHER RECOGNISED GAINS AND LOSSES		50,299	(60,237)	(524,407)	(534,345)	(197,008)
OTHER RECOGNISED GAINS AND LOSSES:						
Actuarial gains/(losses) on defined benefit pension schemes	18	-	-	-	-	(1,010,000)
Net movement in funds		50,299	(60,237)	(524,407)	(534,345)	(1,207,008)
Reconciliation of funds:						
Total funds brought forward		116,205	232,145	7,539,406	7,887,756	9,094,764
Total funds carried forward		166,504	171,908	7,014,999	7,353,411	7,887,756
		=====	=====	=====	=====	=====

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 2026

	Note	2026 £	2026 £	2025 £	2025 £
FIXED ASSETS					
Tangible assets	12		7,017,857		6,934,062
Investments	13		1		1
			<u> </u>		<u> </u>
TOTAL FIXED ASSETS			7,017,858		6,934,063
CURRENT ASSETS					
Stock	14	27,992		20,957	
Debtors	15	383,523		1,062,829	
Cash at bank and in hand		306,606		231,705	
		<u> </u>		<u> </u>	
TOTAL CURRENT ASSETS		718,121		1,315,491	
LIABILITIES					
Creditors: Amounts falling due within one year	16	(382,568)		(360,106)	
		<u> </u>		<u> </u>	
NET CURRENT ASSETS			335,553		955,385
			<u> </u>		<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES			7,353,411		7,889,448
Creditors: Amounts falling due after more than one year	17		-		(1,692)
			<u> </u>		<u> </u>
NET ASSETS EXCLUDING PENSION ASSET/LIABILITY			7,353,411		7,887,756
Defined benefit pension scheme asset/(liability)	18		-		-
			<u> </u>		<u> </u>
TOTAL NET ASSETS			7,353,411		7,887,756
			<u>=====</u>		<u>=====</u>
THE FUNDS OF THE CHARITY:	20				
Capital restricted fund			7,014,999		7,539,406
Restricted fund			171,908		232,145
Unrestricted funds:					
Unrestricted income funds excluding pension reserve		166,504		116,205	
Pension reserve		-		-	
		<u> </u>		<u> </u>	
Total unrestricted funds			166,504		116,205
			<u> </u>		<u> </u>
TOTAL CHARITY FUNDS			7,353,411		7,887,756
			<u>=====</u>		<u>=====</u>

These financial statements were approved by the board of trustees and authorised for issue on 25 June 2026 and are signed on their behalf by:

J. Manson
Trustee

Michelle
Trustee

SHETLAND ARTS DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS

For the year ended 31 March 2026

	Note	2026 £	2025 £
Cash flows used in operating activities:	24	757,187	(50,288)
Net cash (used in)/provided by operating activities		757,187	(50,288)
Cash flow from investing activities:			
Interest from investments		8,404	15,003
Purchase of property, plant and equipment		(672,370)	(65,010)
Net cash used in investing activities		(663,966)	(50,007)
Cash flows from financing activities:			
Repayments of borrowing		(17,909)	(21,055)
Interest paid		(411)	(2,692)
Net cash provided by/(used in) financing activities		(18,320)	(23,747)
Change in cash and cash equivalents in the reporting period		74,901	(124,042)
Cash and cash equivalents at the beginning of the reporting period		231,705	355,747
Cash and cash equivalents at the end of the reporting period		306,606	231,705
Analysis of cash and cash equivalents		2026 £	2025 £
Cash in hand		4,345	4,264
Cash at bank including overdrafts		302,261	227,441
Total cash and cash equivalents		306,606	231,705

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

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 (as amended for accounting periods commencing 1 January 2019) (the SORP), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended) except as noted below.

Shetland Arts Development Agency meets the definition of a public benefit entity under FRS 102. 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.

All figures within the financial statements are rounded to the nearest pound except figures in note 18 where rounding is to the nearest £1,000.

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 following judgements and estimates have had the most significant effect on the amount recognised in the financial statements.

The trust recognised a defined benefit pension scheme asset on the balance sheet. At 31 March 2026 the gross asset was nil (2025: nil). Changes to the actuarial assumptions could result in material changes within the next financial year. Following updated guidance on the recognition of pension scheme assets, Shetland Arts have not recognised the defined benefit scheme asset as the impact of the assets ceiling is to maintain the net pension asset as £nil.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. These are re-assessed and amended when necessary.

Going Concern

Following the successful funding bids in the prior year the organisation now has a steady income base for coming years. The trading income position has also steadied with the exception of cinema. The Leadership Team have prepared cash flow projections for the next 12 months from the date of signing of the accounts and these show there will be sufficient cash, based on expected income and expenditure levels. The key assumptions underpinning these forecasts are the level of trading income earned and the receipt of funding from Shetland Charitable Trust beyond 2026/27, together with the ability to reduce costs. The anticipated level of trading income is based on industry expectations. The Shetland Charitable Trust funding is based on the indicative award in the outcome of a funding bid.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Based on the charity's cash flow forecasts, the anticipated outcome of the matters described and there being no material uncertainties, the trustees have concluded that there is a reasonable expectation that the charity has adequate financial resources to operate for the foreseeable future. Accordingly, the financial statements of the charity have been prepared on a going concern basis.

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 annual Trustees' Report.

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 Shetland Islands Council under the sub-lease of Mareel, which is netted off against rent receivable from Shetland Islands Council under the head-lease, as explained in note 22.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Tangible Fixed Assets

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

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. A review was undertaken by the Chief Executive in 2025 by requesting the piano tuner used by the organisation for a valuation and it was found that the value was appropriate.

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. Assets under construction are not depreciated. 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.

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. Pre-payments 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.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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 at their settlement value.

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 £	2025 £
Donations	1,541	-	-	1,541	3,111
	<u>1,541</u>	<u>-</u>	<u>-</u>	<u>1,541</u>	<u>3,111</u>
	=====	=====	=====	=====	=====

Donations of £3,111 were included in unrestricted funds in 2025.

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.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

4. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2025 £
Shetland Charitable Trust	-	1,050,000	-	1,050,000	1,303,497
Creative Scotland revenue funding	358,905	-	-	358,905	250,000
Creative Scotland project funding	-	7,500	-	7,500	37,625
Local Authority – project funding	-	-	-	-	100,000
Other public funds	2,528	12,595	51,853	66,976	21,558
	<u>361,433</u>	<u>1,070,095</u>	<u>51,853</u>	<u>1,483,381</u>	<u>1,712,680</u>
	=====	=====	=====	=====	=====

Creative Scotland funding of £250,000 and other public funds of £440 were unrestricted in 2025. All other charitable activities income in 2025 were restricted.

5. OTHER TRADING ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2025 £
Business sponsorships	-	-	-	-	400
Box office/programme	399,524	-	-	399,524	407,454
Ancillary earned income	600,203	-	-	600,203	536,035
Other income	208,128	-	-	208,128	196,255
	<u>1,207,855</u>	<u>-</u>	<u>-</u>	<u>1,207,855</u>	<u>1,140,144</u>
	=====	=====	=====	=====	=====

Other income of £1,140,144 was included in unrestricted funds in 2025.

6. INVESTMENT INCOME

All the charity's investment income arises from money held in interest bearing deposit accounts.

7. RAISING FUNDS

	Unrestricted Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £	2025 £
Catering stock purchases	270,330	-	-	270,330	248,168
Shop and gallery stock purchases	14,500	-	-	14,500	8,481
	<u>284,830</u>	<u>-</u>	<u>-</u>	<u>284,830</u>	<u>256,649</u>
	=====	=====	=====	=====	=====

All raising funds expenditure in 2025 was unrestricted.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

8. CHARITABLE ACTIVITIES

2026

	Notes	Unrestricted Funds £	Restricted Funds £	Capital Funds £	Total Funds £	2025 £
Direct service provision	8a	1,105,456	201,322	-	1,306,778	1,220,605
Grant funding	8b	2,200	5,400	-	7,600	10,000
Support costs	8c	712,708	923,610	-	1,636,318	1,580,722
		<u>1,820,364</u>	<u>1,130,332</u>	<u>-</u>	<u>2,950,696</u>	<u>2,811,327</u>
		=====	=====	=====	=====	=====
a. Direct Service Provision						
Development expenditure		257,587	43,202	-	300,789	398,832
Operations expenditure		847,869	158,120	-	1,005,989	806,048
Strategic marketing		-	-	-	-	15,725
		<u>1,105,456</u>	<u>201,322</u>	<u>-</u>	<u>1,306,778</u>	<u>1,220,605</u>
		=====	=====	=====	=====	=====
b. Grant Funding						
Grants paid to individuals		2,200	5,400	-	7,600	10,000
		<u>2,200</u>	<u>5,400</u>	<u>-</u>	<u>7,600</u>	<u>10,000</u>
		=====	=====	=====	=====	=====
The grants made during the year relate to the Visual Arts and Craft Award Scheme. This scheme is made possible through funding from Creative Scotland and Shetland Islands Council.						
c. Support Costs						
Support staff salaries and other staffing costs		16,591	477,202	-	493,793	363,603
Overheads		696,117	433,008	-	1,129,125	1,202,763
Governance costs		-	13,400	-	13,400	14,356
		<u>712,708</u>	<u>923,610</u>	<u>-</u>	<u>1,636,318</u>	<u>1,580,772</u>
		=====	=====	=====	=====	=====

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

8. CHARITABLE ACTIVITIES (continued)

2025

	Notes	Unrestricted Funds £	Restricted Funds £	Capital Funds £	Total Funds £	2024 £
Direct service provision	8a	936,921	283,684	-	1,220,605	1,292,157
Grant funding	8b	2,590	7,410	-	10,000	4,750
Support costs	8c	784,563	796,159	-	1,580,722	1,433,713
		<u>1,724,074</u>	<u>1,087,253</u>	<u>-</u>	<u>2,811,327</u>	<u>2,730,620</u>
		=====	=====	=====	=====	=====
a. Direct Service Provision						
Development expenditure		277,188	121,644	-	398,832	409,340
Operations expenditure		653,593	152,455	-	806,048	880,641
Strategic marketing		6,140	9,585	-	15,725	2,176
		<u>936,921</u>	<u>283,684</u>	<u>-</u>	<u>1,220,605</u>	<u>1,292,157</u>
		=====	=====	=====	=====	=====
b. Grant Funding						
Grants paid to individuals		2,590	7,410	-	10,000	4,750
		<u>2,590</u>	<u>7,410</u>	<u>-</u>	<u>10,000</u>	<u>4,750</u>
		=====	=====	=====	=====	=====
The grants made during the year relate to the Visual Arts and Craft Award Scheme. This scheme is made possible through funding from Creative Scotland and Shetland Islands Council.						
c. Support Costs						
Support staff salaries and other staffing costs		33,366	330,237	-	363,603	334,247
Overheads		751,197	451,566	-	1,202,763	1,084,445
Governance costs		-	14,356	-	14,356	15,021
		<u>784,563</u>	<u>796,159</u>	<u>-</u>	<u>1,580,722</u>	<u>1,433,713</u>
		=====	=====	=====	=====	=====

9. ANALYSIS OF GOVERNANCE COSTS

	2026 £	2025 £
<i>Auditor remuneration:</i>		
Audit	13,400	13,000
Accounting services	-	-
<i>Non auditor fee:</i>		
Accounting services	-	1,356
	<u>13,400</u>	<u>14,356</u>
	=====	=====

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

10. ANALYSIS OF STAFF COSTS

	2026 £	2025 £
Salaries and wages	1,125,186	910,651
Social security costs	115,007	69,618
Pension costs	273,462	162,780
Total	1,513,655 =====	1,143,049 =====

One employee received emoluments of over £80,000 and one employee received emoluments of over £60,000 during the year (2025: one employee received emoluments of over £70,000 during the year).

Redundancy payments totalling £28,394 were paid in the year (2025: £nil).

The average number of staff was:

2026	2025
62	60
===	===

The charity operated a defined contribution pension scheme during the year as well as the defined benefit pension scheme referenced in note 18. Total amounts of £3,570 (2025 - £5,874) were recognised in the Statement of Financial Activities in the year. The expense and liability is allocated in line with the activities of those staff members contributions relate to.

11. ANALYSIS OF MOVEMENT IN DEFERRED INCOMING RESOURCES

	Opening Balance £	Deferred in Year £	Released in Year £	Closing Balance £
Advance sales	19,763	34,245	(19,763)	34,245
Shetland UHI	-	10,360	-	10,360
Shetland Islands Council	6,667	6,667	(6,667)	6,667
Advance room hire		21,832	-	21,832
	26,430 =====	73,104 =====	(26,430) =====	73,104 =====

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

12. TANGIBLE FIXED ASSETS

	Heritable Property £	Equipment £	Pianos £	Paintings £	Total £
Cost/valuation					
As at 1 April 2025	13,202,913	1,289,611	42,800	2,862	14,538,186
Additions	613,520	58,850	-	-	672,370
Disposals	-	(33,432)	-	-	(33,432)
As at 31 March 2026	13,816,433	1,315,029	42,800	2,862	15,177,124
Depreciation					
As at 1 April 2025	6,475,619	1,128,505	-	-	7,604,124
Charge for year	547,967	40,608	-	-	588,575
Disposals	-	(33,432)	-	-	(33,432)
As at 31 March 2026	7,023,586	1,135,681	-	-	8,159,267
Net book amount					
31 March 2026	6,792,847	179,348	42,800	2,862	7,017,857
31 March 2025	6,727,294	161,106	42,800	2,862	6,934,062

The pianos were re-valued on 31 March 2011. A review was undertaken by the Chief Executive in 2025 through discussions with the piano tuner that visits Mareel and there was no significant change in value found. 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 Heritable Property is £553,048 (2025 - £nil) relating to the refurbishment of the Weisdale Mill building. These works were not complete by the year end and have therefore been treated as work in progress and not depreciated.

Included within the net book value of Heritable Property of £6,792,847 (2025 - £6,727,294) are assets with restricted title or pledged as security for liabilities. The Mareel building, with a net book value of £5,966,787 (2025 - £6,505,144) has been granted as security over a 99-year grant, the conditions of which are discussed further in note 22.

13. INVESTMENTS

	Investment in Subsidiary £
Cost	
As at 1 April 2025 and 31 March 2026	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 2026

13. INVESTMENTS (Continued)

As at 31 March 2026, Shetland Arts IP C.I.C. had not yet commenced its activities. At 31 March 2026 the aggregate reserves of Shetland Arts IP C.I.C. amounted to a net deficit of £2,558 (2025 – net deficit of £2,558 and the loss for the year to that date was nil (2025 – nil).

14. STOCK

	2026 £	2025 £
Goods for resale	27,992 =====	20,957 =====

15. DEBTORS

	2026 £	2025 £
Trade debtors	41,345	32,307
Amount due by subsidiary undertaking	4,574	4,234
Other debtors	4,250	4,250
Pre-payments and accrued income	333,354	1,019,605
VAT	-	2,433
	383,523 =====	1,062,829 =====

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2026 £	2025 £
Trade creditors	99,191	119,029
Other creditors	94,404	82,828
Accruals	77,271	94,948
Deferred income	73,104	26,430
Bank loans	1,671	17,888
PAYE & NIC	24,338	17,983
VAT	12,589	-
	382,568 =====	360,106 =====

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 11.

17. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2026 £	2025 £
Bank loans (falling due in less than 5 years)	-	1,692
Bank loans (falling due after 5 years)	-	-
	-	1,692
	=====	=====

The bank loan is secured on the Weisdale Mill building.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

18. PENSION SCHEME

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

The latest formal valuation of the Fund was at 31 March 2023 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 31 March 2023 and has updated it annually at the charity's balance sheet date to reflect current conditions.

Assumptions as at	2026	2025
Inflation/pension increase rate	3.00%	2.75%
Salary increases	3.00%	2.75%
Discount rate	6.30%	5.80%

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	2026 Years	2025 Years
Longevity at age 65 for current pensioners		
Men	21.0	20.6
Women	24.6	24.4
Longevity at age 65 for future pensioners		
Men	22.2	21.8
Women	25.3	25.1

Assets – prior to impact of asset ceiling (Employer Share)

	Percentage 2026	Fund value at 2026 £ 000	Percentage 2025	Fund value at 2025 £ 000
Equities	69%	4,587	77%	4,420
Bonds	6%	399	5%	287
Property	25%	1,662	17%	976
Cash	0%	-	1%	57
Total	100%	6,648	100%	5,740
	=====	=====	=====	=====

Following updated guidance on the recognition of pension scheme assets the Trust have not recognised the defined benefit pension scheme asset as the impact of the asset ceiling is to reduce the net pension asset to £nil. The net pension asset (prior to impact of the asset ceiling) was £2,525,000 (2025 - £1,837,000).

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

18. PENSION SCHEME (Continued)

Net Pension Liability as at	2026 £ 000	2025 £ 000
Fair value of employer assets	4,122	3,903
Present value of funded liabilities	(3,956)	(3,736)
Net over funding in funded plans	166	167
Present value of unfunded liabilities	(166)	(167)
Unrecognised past service cost	-	-
Net asset/(liability)	-	-
Amount in the balance sheet		
Liabilities	-	-
Assets	-	-
Net Pension asset/(liability)	-	-
Amounts recognised in the SOFA	2026 £ 000	2025 £ 000
Current service cost	(124)	(135)
Past service cost	(51)	-
Net interest cost	109	50
Employer contributions	274	161
Remeasurements:		
Changes in demographic assumptions	(23)	7
Changes in financial assumptions	197	855
Other experience	(44)	52
Return on assets excluding amounts included in net interest	351	(162)
Impact of asset ceiling	(689)	(1,837)
	-	(1,010)
Actual return on plan assets	2026 £ 000	2025 £ 000
Return on assets excluding amounts included in net interest	351	(162)
Interest income on plan assets included in net interest	339	271
Return on plan assets	690	109

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

18. PENSION SCHEME (Continued)	2026	2025
Reconciliation of defined benefit obligation	£ 000	£000
Opening defined benefit obligation	3,903	4,526
Current service cost	124	136
Past service cost (including curtailments)	51	-
Interest cost	230	221
Member contributions	57	44
Actuarial losses/(gains)	(130)	(914)
Unfunded benefits paid	(12)	(12)
Benefits paid	(101)	(98)
	=====	=====
Closing defined benefit obligation	4,122	3,903
	=====	=====
Reconciliation of fair value of employer assets		
Opening fair value of employer assets	3,903	5,536
Interest income	339	271
Contributions by members	57	44
Contributions by the employer	262	149
Contributions in respect of unfunded benefits	12	12
Return on assets excluding amounts included in net interest	351	(162)
Other experience	-	-
Unfunded benefits paid	(12)	(12)
Benefits paid	(101)	(98)
Impact of asset ceiling	(689)	(1,837)
	=====	=====
Closing fair value of employer assets	4,122	3,903
	=====	=====

Shetland Arts Development Agency estimates that employer's contributions for the year to 31 March 2027 will be approximately £193,000.

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.

19. RELATED PARTY TRANSACTIONS

No trustee received a salary or remuneration during the year (2025 - £nil). Travelling expenses totalling £625 (2025: £1,431) were claimed by one trustee in the year. Trustees were paid £nil (2025 - £8,961) during the year for performances and commissioned work. As at 31 March 2026, a balance of £nil (2025 - £nil) was owed to trustees.

During the year, Shetland Arts Development Agency paid expenses of £267 (2025 - £240) on behalf of its subsidiary, Shetland Arts IP C.I.C. As at 31 March 2026 a balance of £3,809 (2025 - £3,542) 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.

During the year, Shetland Arts Development Agency paid expenses of £190 (2025 - £144) on behalf of its subsidiary, Shetland Weathers LLP. As at 31 March 2026 a balance of £902 (2025 - £712) was owed to Shetland Arts Development Agency.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

The trustees consider that the charity's trustees and Leadership 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. At the start of the financial year the Leadership Team comprised the Chief Executive, Commissioning Lead, Education and Outreach Lead, Sales and Communications Lead, Customer Experience Lead, Production and Facilities Lead and Support Lead. Following a restructure from 1st July 2026 it comprised the Chief Executive, Director of Operations and Director of Creativity and Impact. The total employee benefits of the key management personnel were £368,320 (2025 - £300,951).

20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS

	Funds as at 1 April 25 £	Incoming Resources £	Resources Expended £	Other gains and losses £	Transfers	Funds as at 31 March 26 £
Unrestricted funds:						
General	68,491	1,579,233	(2,105,194)	-	551,111	93,641
Designated	47,714	-	-	-	25,149	72,863
Pension reserve	-	-	-	-	-	-
Total unrestricted funds	116,205	1,579,233	(2,105,194)	-	576,260	166,504
Restricted funds:						
Shetland Film Club	1,705	-	-	-	-	1,705
Shetland Charitable Trust	-	1,050,000	(1,050,000)	-	-	-
Shetland Charitable Trust – Capital Grant Scheme	40,070	-	(19,881)	-	-	20,189
Trad Big Band	2,435	-	(2,435)	-	-	-
Culture Collective	25,710	-	(25,710)	-	-	-
Corra Foundation	4,146	-	-	-	-	4,146
Visual Arts and Craft Makers Awards	-	7,500	(5,400)	-	-	2,100
Recovery Fund for Cultural Organisations	142,472	-	-	-	-	142,472
Summer of Play	2,972	-	(2,972)	-	-	-
Remembering Together	11,517	-	(11,517)	-	-	-
Discovery Film Club	1,118	745	(567)	-	-	1,296
Bonhoga Graduate	-	11,850	(11,850)	-	-	-
Total restricted funds	232,145	1,070,095	(1,130,332)	-	-	171,908
Restricted capital fund	7,539,406	51,853	-	-	(576,260)	7,014,999
Total Funds	7,887,756	2,701,181	(3,235,526)	-	-	7,353,411

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

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

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS (continued)

The designated fund is held for use in building repairs as per the reserves policy of the organisation.

The Shetland Film Club restricted fund was created from a donation from the Shetland Film Club on its wind up. The funds are restricted for use on the rural touring of film. No rural film touring was undertaken in the year meaning there was no movement on this fund. Discussions have been held with the individuals who were the final club members and the funds may be used to support educational screenings for school children in the future if rural touring cannot happen.

The Shetland Charitable Trust fund directly relates to the annual core funding received from Shetland Charitable Trust and was fully utilised in the year.

The Shetland Charitable Trust Capital Grant Scheme fund relates to funding agreed with the Shetland Charitable Trust for maintenance works that are yet to take place. Some of the works were undertaken in the year with the remainder being completed in 2026/27.

The Trad Big Band restricted fund relates directly to the Trad Big Band project. The remaining funds were used to support the Trad Youth North project in the year. This reserve is now closed.

The Culture Collective fund relates to the Culture Collective Project. This project is now complete and all funds utilised.

The Corra Foundation reserve was created due to a grant being received from this foundation for COVID wellbeing projects. The full grant has yet to be spent and the Corra Foundation has not asked for this to be repaid. The fund will be used for wellbeing projects undertaken in the 2026/27 financial year.

The Visual Arts and Craft Makers Awards restricted fund continues to be used to make awards to local craft makers and is an ongoing project.

The Recovery Fund for Cultural Organisations was created by funding from Creative Scotland to support the organisation in its recovery from COVID-19. Part of the funding was available to increase organisational reserves which is why there has been no movement. In the future the fund may be used in line with the other eligible cost areas for the grant.

The Summer of Play reserve was created through funding received to encourage children to take part in activity in summer 2021. The project expenses were not as great as anticipated and no reclaim has been sought from the funder. The remaining funds were used against youth activity in the year.

The Remembering Together reserve was created to support the delivery of the COVID memorial for Shetland. The project was completed in year and all funds utilised.

The Discovery Film Club fund was created with funding received to start a Discovery Film Club in Shetland. The Film Club project only began in Q4 25/26 and is ongoing.

The Bonhoga Graduate fund was created through grant funding received for a graduate to develop the future business plan for Bonhoga. The funding and employment will continue to mid 2026.

As per the reserves policy of the organisation, in prior years, 50% of the unrestricted operating surplus after the deficit on unrestricted funds was cleared has been designated to a new Assets Replacement and Repair Reserve. These funds will be used in conjunction with the SCT Capital Grant Funding to undertake repairs to SADA venues. A designation of £25,149 was made in year.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

20. ANALYSIS OF MOVEMENTS BETWEEN FUNDS (continued)

2025

Funds as at	Incoming 1 April 24 £	Resources Resources £	Other gains Expended £	and losses £	Funds as at Transfers £	31 March 25 £
Unrestricted funds:						
General	68,491	1,408,728	(1,980,723)	-	571,995	68,491
Designated	47,714	-	-	-	-	47,714
Pension reserve	1,010,000	-	-	(1,010,000)	-	-
Total unrestricted funds	1,126,205	1,408,728	(1,980,723)	(1,010,000)	571,995	116,205
Restricted funds:						
Shetland Film Club	1,705					1,705
Shetland Charitable Trust	-	895,947	(895,947)	-	-	-
Shetland Charitable Trust –						
Capital Grant Scheme	43,400	48,570	(51,900)	-	-	40,070
Trad Big Band	2,435	-	-	-	-	2,435
Culture Collective	27,630	35,000	(36,920)	-	-	25,710
Corra Foundation	4,146	-	-	-	-	4,146
Dispecta Est Thule	500	-	(500)	-	-	-
Xchange	5,288	-	(5,288)	-	-	-
Visual Arts and Craft						
Makers Awards	4,785	2,625	(7,410)	-	-	-
Recovery Fund for						
Cultural Organisations	142,472	-	-	-	-	142,472
Summer of Play	2,972	-	-	-	-	2,972
Remembering Together	90,720	-	(79,203)	-	-	11,517
Discovery Film Club	-	1,118	-	-	-	1,118
Rebranding	-	9,585	(9,585)	-	-	-
Art of Action	-	500	(500)	-	-	-
Total restricted funds	326,053	993,345	(1,087,253)	-	-	232,145
Restricted capital fund	7,642,506	468,895	-	-	(571,995)	7,539,406
Total Funds	9,094,764	2,870,968	(3,067,976)	(1,010,000)	-	7,887,756

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

21. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Unrestricted Pension Funds £	Restricted Funds £	Restricted Capital Funds £	Total Funds £
2026					
Fixed Assets	249,267	-	-	6,768,591	7,017,858
Current Assets	299,805	-	171,908	246,408	718,121
Current Liabilities	(382,568)	-	-	-	(382,568)
Long-Term Liabilities	-	-	-	-	-
Pension Asset	-	-	-	-	-
	<u>166,504</u>	<u>-</u>	<u>171,908</u>	<u>7,014,999</u>	<u>7,353,411</u>
	=====	=====	=====	=====	=====
2025					
Fixed Assets	66,680	-	-	6,867,383	6,934,063
Current Assets	411,323	-	232,145	672,023	1,315,491
Current Liabilities	(360,106)	-	-	-	(360,106)
Long-Term Liabilities	(1,692)	-	-	-	(1,692)
Pension Asset	-	-	-	-	-
	<u>116,205</u>	<u>-</u>	<u>232,145</u>	<u>7,539,406</u>	<u>7,887,756</u>
	=====	=====	=====	=====	=====

Included within restricted capital funds are amounts of £507,986 (2025 - £553,819) relating to the lease premium received from Shetland Islands Council during the year ended 31 March 2014.

22. OPERATING LEASES

At 31 March 2026 the charity had total future commitments under non-cancellable operating leases as set out below:

	2026 Land & Buildings £	Other items £	2025 Land & Buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	9,816	-	10,232
Within 2 to 5 years	-	39,264	-	7,674
	<u>-</u>	<u>49,080</u>	<u>-</u>	<u>17,906</u>
	=====	=====	=====	=====
	2026 Plant & Machinery	Other items	2025 Plant & Machinery	Other items
Operating lease payment made in the year	10,128	-	10,938	-
	<u>10,128</u>	<u>-</u>	<u>10,938</u>	<u>-</u>
	=====	=====	=====	=====

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

22. OPERATING LEASES (continued)

On 27 May 2013, a lease was granted by Shetland Arts Development Agency to 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 £132,547 (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 by either party.

23. FINANCIAL INSTRUMENTS

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

	2026 £	2025 £
Financial liabilities		
Loan payable falling due within 1 year	1,671	17,888
Loan payable falling due between 2 – 5 years	-	1,692
	<u>1,671</u>	<u>19,580</u>
	=====	=====

The loan financing is in the form of one unsecured loan. The unsecured loan has a fixed interest rate of 2.5% and is due to finish in May 2026. The total interest paid during the year was £411 (2025 - £2,692).

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

	2026 £	2025 £
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(534,345)	(197,008)
Adjustments for:		
Interest received	(8,404)	(15,003)
Interest paid	411	2,692
Depreciation charges	588,575	587,417
Loss on sale of fixed assets	-	-
(Increase)/decrease in stocks	(7,035)	(1,805)
(Increase)/decrease in debtors	679,306	(472,030)
Increase/(decrease) in creditors	38,679	45,449
	<u>757,187</u>	<u>(50,288)</u>
	=====	=====

	2025 £	Cash flows £	Non cash movements £	2026 £
Cash and cash equivalents	231,705	74,901	-	306,606
Bank borrowings due within one year	(17,888)	17,909	(1,692)	(1,671)
Bank borrowings due after one year	(1,692)	-	1,692	-
	<u>212,125</u>	<u>92,810</u>	<u>-</u>	<u>304,935</u>
	=====	=====	=====	=====

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

25. CAPITAL COMMITMENTS

Works continued during the year on the refurbishment of Bonhoga Gallery. A total of £79,227 is still to be paid on this project.

A contract was also underway for the construction of a Changing Places Toilet in Mareel. The remaining balance on this contract was £46,859.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

The following pages do not form part of the statutory financial statements
which are part of the independent auditor's report on pages 14-16.

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

	£	2026 £	£	2025 £
INCOME				
Donations and business sponsorships		1,541		3,511
Revenue grants received		1,431,528		1,243,784
Interest received		8,404		15,033
Box office/programme				
Box office income	275,613		297,382	
Hire of rooms	115,420		102,469	
Membership sales	8,491		7,603	
Total		399,524		407,454
Ancillary Earned income				
Food and beverage	435,062		370,287	
Foyer	87,836		90,965	
Retail	26,308		24,362	
Box Office commission	43,723		37,198	
Exhibition sales commission	-		-	
Screen advertising	7,274		13,223	
Total		600,203		536,035
Other Earned income				
Education and training income	100,070		125,578	
Miscellaneous	108,058		70,677	
Total		208,128		196,255
TOTAL INCOME FOR YEAR		2,649,328		2,402,072
LESS:				
Catering purchases	270,330		248,168	
Shop and gallery purchases	14,500		8,481	
		284,830		256,649
Development expenditure:				
Programme	94,203		218,489	
Travel and subsistence	15,383		13,155	
Salaries and NIC	191,203		167,188	
		300,789		398,832
Surplus carried forward to next page		2,063,709		1,746,591

SHETLAND ARTS DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2026

Surplus brought forward from previous page	2,063,709	1,746,591
Operations expenditure:		
Programme	123,840	135,921
Travel and subsistence	9,577	8,871
Marketing	27,322	15,632
Salaries and NIC	845,250	645,624
	<u>1,005,989</u>	<u>806,048</u>
Strategic marketing	-	15,725
Grants paid to individuals	7,600	10,000
Support staff salaries	477,202	330,237
Other staffing costs	16,591	33,366
	<u>493,793</u>	<u>363,603</u>
Print, postage and stationery	2,757	2,758
Small equipment purchases and hire	12,005	22,270
ICT	18,356	15,695
Operating lease - equipment	14,171	22,279
Electricity	135,062	164,213
Telephone and broadband	9,036	8,516
Cleaning	57,185	58,932
Legal and professional fees	31,124	77,425
Bank charges	24,071	25,219
Publications and subscriptions	8,219	7,926
Licences	55,576	49,221
Rates	27,054	23,437
Rent	198	72
Repairs and maintenance	69,290	64,335
General overheads	988	267
Insurance	73,598	67,136
Website costs	399	669
Trustees expenses	-	636
Motor expenses	-	-
Training and meeting catering costs	493	1,243
Depreciation	588,575	587,417
Loan interest	411	2,692
Bad Debts written off	557	405
Loss/(Gain) on disposal of fixed assets	-	-
	<u>1,129,125</u>	<u>1,202,763</u>
Amortisation	(576,260)	(571,995)
Governance costs	13,400	14,356
	<u>(9,938)</u>	<u>(93,909)</u>
(DEFICIT)/SURPLUS FOR THE YEAR	=====	=====