

**Chief Executive: Dr Ann Black**

22-24 North Road  
Lerwick  
Shetland  
ZE1 0NQ

Telephone: 01595 744994  
mail@shetlandcharitabletrust.co.uk  
www.shetlandcharitabletrust.co.uk

If calling please ask for  
**Edna Flaws**  
Direct Dial: 01595 744994

Our Ref: TA48

Date: 4 September 2024

Dear Sir/Madam

You are invited to the following meeting:

**Shetland Charitable Trust**  
**22-24 North Road, Lerwick, ZE1 0NQ (and remotely via Zoom)**  
**Thursday 12 September 2024 at 11.00am**

Apologies for absence should be notified to Edna Flaws on 01595 744994.

*(Please note that a Zoom invitation will be sent separately for those attending remotely)*

Yours faithfully

(signed) Dr Ann Black  
Chief Executive

## **AGENDA**

- (a) Hold circular calling the meeting as read.
- (b) Apologies for absence, if any.
- (c) Declarations of Interest - Trustees are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any Trustee making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.

(d) Confirm minutes of meeting held on 6 June 2024 (*enclosed*).

***For Decision***

1. Shetland Charitable Trust Annual Report and Accounts for the year ended 31 March 2024. *Report enclosed.*

***For Information***

2. Investment Performance Update – three months to 30 June 2024. *Report enclosed.*

3. Management Accounts – three months to 30 June 2024. *Report enclosed.*

4. Capital Works Bridging Loan Scheme. *Report enclosed.*

*The following items contain **CONFIDENTIAL** information*

***For Decision***

5. External Investment Review. *Report enclosed.*

6. Investment Plan 2025-2030. *Report enclosed.*

7. Financial Plan 2025-2030. *Report enclosed.*

8. Disbursement Plan 2025-2030. *Report enclosed.*

9. Strategic Risk Assessment. *Report enclosed.*

10. Capital Grant Scheme. *Report enclosed.*

***For Information***

11. Service Performance of Funded Organisations – year ending 31 March 2024. *Report enclosed.*

12. Deeds Executed. *Report enclosed.*

13. Update from Chairs of Advisory Committees.

14. Update from Subsidiary Companies.

## REPORT

To: Shetland Charitable Trust

12 September 2024

From: Chief Executive

Report: CT2409020

### **Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2024**

#### **1. Introduction**

- 1.1 The purpose of this report is to present the Annual Report and Accounts for the year to 31 March 2024 for approval. These are attached as Appendix A.

#### **2. Commentary**

- 2.1 Shetland Charitable Trust (the Trust) has seen an increase in funds of £52.0 million this financial year. The Trust's net asset position now stands at £445.3 million (2023: £393.3 million).
- 2.2 Total incoming resources were £4.3 million (2023: £3.5 million) and total resources expended were £13.6 million (2023: £13.1 million). The difference in resources expended and incoming resources is met from the Trust's reserves in line with the Trust's Financial Plan 2020 – 2025.
- 2.3 Total charitable expenditure for the year was £12.1 million (2023: £11.7 million). The additional expenditure was due to an increase in disbursements, including additional funding and capital grant scheme awards, in line with the Trust's Strategy and Disbursement plan. Further information on charitable activities is provided in the Annual Report.
- 2.4 The value of Trust funds invested on global markets increased this year. There was an increase of £61.3 million (2023: ~~£48.3~~ million). Investment management costs for the year were £1,448,000 (2023: £1,411,000). The increase in cost reflects the market conditions and increase in value of investments.
- 2.5 The value of programme related investments (the Trust's local investments) reduced to £12.3 million. The small reduction (£15,041) is due to shared costs incurred by investments. There has been no investment or disposal during financial year.

- 2.6 RSM UK Audit LLP (RSM) have provided a report, shown in Appendix B, which summarises the work of the auditors. RSM presented this report to the Audit and Governance Advisory Committee (AGAC) on 15 August 2024.
- 2.7 The letter of representation from Trustees to RSM, required to complete the audit, is attached as Appendix C.

### **3. Financial Implications**

- 3.1 The Trust's net movement in funds (movement in reserves) for the year was a £52.0 million inflow (2023: £56.2 million outflow). The Trust continues to maintain a strong cash balance and has net assets (reserves) at 31 March 2024 of £445.3 million (2022: £393.3 million).

### **4. Recommendations**

- 4.1 Trustees are asked to:-
  - a) approve the Annual Report and Accounts for the year to 31 March 2024 attached as Appendix A;
  - b) authorise the Chair and the Chair of Audit & Governance Advisory Committee to sign the accounts;
  - c) note the summary report from RSM UK Audit LLP, the Trust's auditors, attached as Appendix B, and
  - d) authorise the Chair to sign the Letter of Representation reproduced as Appendix C.

Reference: TA2

Report Number: CT2409020

**Shetland Charitable Trust**

**Trustees' report and consolidated  
financial statements**

Charity number SC027025

For the year ended 31 March 2024

## Contents

Chair's Introduction	1
Trustees' Report	2
Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements	12
Independent auditor's report to the Trustees of Shetland Charitable Trust	13
Consolidated statement of financial activities	17
Trust statement of financial activities	18
Consolidated balance sheet	19
Trust balance sheet	20
Consolidated cash flow statement	21
Notes to the financial statements	22

## Chair's Introduction

Last year has been busy for both the trust and Trustees. I am delighted to say that the full complement of 12 Trustees have been very active in delivering the work of the trust including the development of a new strategy. As Trustees' terms of office come to a close there is always a sense of renewal and regeneration for the trust as new Trustees are appointed bringing a wealth of experience and enthusiasm.

I would like to thank all Trustees for their contributions and dedication during the last year and also thank my fellow committee chairs of Ryan Leith (Audit & Governance Advisory Committee) and Ryan Stevenson (General Purposes Advisory Committee) for their contributions.

The Trust began the process of reviewing its current strategy in the autumn of 2023, supported by external strategy consultants, and developing a new strategy for a five year period 2025-2030. This process is now complete with the new strategy document presented to Trustees in February 2024 and subsequently approved.

A key component of the new strategy is enhanced engagement with those organisations which the trust funds. This has resulted in a series of conversations and meetings throughout the year. These discussions have proven to be incredibly useful for the exchange of views and enhanced understanding of the challenges and successes faced by these organisations.

The Capital Works Bridging Loan Scheme continues to be a benefit to organisations with its value being recognised via good coverage in the local press generating a much wider awareness. This scheme continues to support the leveraging of external funds into Shetland for worthwhile community projects.

The main Grant Scheme has disbursed £9.2 million to 24 organisations, with a number of these grants being multi year.

The Small Grant Scheme continues to be open for new applications with total disbursements of £38K having been made.

The health of our investments has dropped from their peak during the pandemic but remain at the upper end of the current strategy projections. Importantly this ensures that the trust can continue to commit to the level of disbursements in the strategy. The Investment Portfolio is currently being reviewed in conjunction with our newly appointment Investment Consultants. This will enable the development of a Financial Plan detailing the requirements of the new 2025-2030 Strategy.

The Capital Grant Scheme to support the large funded bodies with essential repair and maintenance work, with a budget of £12 million, is still in place with progress slower than anticipated due to a number of factors.

Trust staff continue to perform an excellent job supporting the work of the Trust and Trustees in a highly professional and effective manner whilst also providing support to the many funded organisations both current and future. Trust business and meetings have embraced the hybrid style with the technology continually improving to enable Trustees and staff to come together no matter the geography. A truly effective team.

**R M Leask**  
*Chair*

12 September 2024



## Trustees' Report

### Section 1: Reference and Administrative Details

**Name** Shetland Charitable Trust  
**Scottish Charity Number** SC027025  
**Address** 22-24 North Road, Lerwick, Shetland, ZE1 0NQ

#### Trustees

R M Leask, Chair (App. Chair 8 June 2023; Vice Chair between 2 June 2022 and 8 June 2023)	K Harrison (Resigned 31 May 2023)
R J Stevenson, Vice Chair (App. Vice Chair 8 June 2023)	Y C Hopkins
E J Adamson	R C Leith
A B Cooper (Resigned 31 May 2023)	E Miller
A P Ferguson	B Mouat (App. 1 June 2023)
S M Gray	I R Napier (Resigned 31 May 2023)
	J Nicolson (App. 8 August 2023)
	R N Risk (App. 8 August 2023)
	M I Roberts

**Chief Executive** Dr Ann Black

**Bankers** Bank of Scotland  
117 Commercial Street  
Lerwick  
ZE1 0DL

**Auditor** RSM UK Audit LLP  
St Olaf's Hall, Church Road  
Lerwick, Shetland  
ZE1 0FD

<b>Solicitors – Governance And charity law</b>	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	<b>Commercial</b>	Dentons Quatermile One 15 Lauriston Place Edinburgh EH3 9EP
--	--	-------------------	---

**Investment  
Managers** Insight Investment Management (Global) Limited  
160 Queen Victoria Street,  
London,  
EC4V 4LA

BlackRock Global Investors Limited  
Drapers Gardens  
12 Throgmorton Avenue  
London  
EC2N 2DL

Schroders Property Managers  
1 London Wall Place  
London  
EC2Y 5AU

**Investment  
Managers** Baillie Gifford & Co  
Calton Square  
1 Greenside Row  
Edinburgh  
EH1 3AN



### **Investment Advisory Committee**

The Investment Advisory Committee oversees the Trust's Investment Plan and its implementation. It also monitors the performance of external and local investments.

### **Management and Administration**

The Trust is managed and administered by a team of four directly employed staff. The Chief Executive's role is to ensure that the charitable activities carried out by the Trust are in furtherance of its purposes, represent value for money and complement the needs and aspirations of the community. This must all be in accordance with the Trust Deed and the law.

The Chief Executive is also responsible for the effective management of the Trust's investments. This includes ensuring that charitable status is retained and putting in place effective investment policies. Some specialist services are purchased from other providers, under various service level agreements.

The Trust's procedures are governed by a set of Administrative Regulations. This public document is available through the Trust's website, [www.shetlandcharitabletrust.co.uk](http://www.shetlandcharitabletrust.co.uk).

### **Minutes**

The public minutes of all meetings of the Board, together with the relevant reports, are available electronically through the Trust's website.

### **Subsidiary Companies**

The Trust has three wholly owned subsidiary companies. The following are the directors of the companies:

<b>Shetland Heat Energy and Power Limited (SHEAP) SC181964</b>	Wendy Grant (Resigned May 2024) Neil Fraser Derek Leask William Spence Colin Clark Tom Wills (App. 6 June 2024) Justin Rhodes (App. 6 June 2024)
--	--

C.T. Shetland (T.M.) Limited is a dormant company whose present purpose is to register and own certification trademarks, for example knitwear trademarks.

<b>C. T. Shetland (T.M.) Limited SC072648</b>	M I Roberts
---	-------------

SCT Renewables Limited has a 90% interest in Viking Energy Shetland LLP 'the Shetland Partner' in the Viking Energy Partnership.

<b>SCT Renewables Limited SC256581</b>	I R Napier (resigned 31 May 2023) R J Stevenson (appointed 1 June 2023)
--	--

### **Risk Management**

The Board is responsible for the risks faced by the Trust.

The Trust has a risk management process designed to identify the major risks that could impact on the aims of the Trust's Strategic Plan. This process identifies the major risks the Trust faces, the likelihood of occurrence, the significance of the risk, and any mitigating controls that are in place. It also seeks to identify any actions and resources required to manage these risks further.

The Audit & Governance Advisory Committee has overall responsibility for the management of the risk assessment process. Each of the Advisory Committees ensures the risks associated with their terms of reference are reviewed regularly to identify the steps required to mitigate these risks. All recommendations from the Advisory Committees are reported annually to the Board for consideration and approval.

Trustees approved the risk assessment for 2023/24 on 8 February 2024. The five strategic key risks are:

No.	Risk	Current Risk Level	Lead Committee
1	Governance	Amber	Audit & Governance Advisory Committee
2	Reputational	Amber	General Purposes Advisory Committee
3	Investment	Amber	Investment Advisory Committee
4	Disbursement	Green	General Purposes Advisory Committee
5	Strategic Direction	Amber	General Purposes Advisory Committee

### **Disclosure of information to auditor**

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Trust's auditor is unaware; and each Trustee has taken all steps that he/she ought to have taken as a Trustee to make himself/herself aware of any relevant audit information and to establish that the Trust's auditor is aware of that information.

### **Section 3: Objectives and Activities**

The purpose of the Trust is to use its available funds to benefit and improve the quality of life of all people living in Shetland, and to preserve the Trust reserves for future generations.

In 2019, the Trust launched its Strategy 2020-25. The Strategy set out the Trust's aims and objectives for the next five years.

#### **Ambition**

Over the period 2020-2025, the Trust will seek to use its funding:

- To improve the quality of life for all the people of Shetland;
- To achieve a positive impact against the Trust Strategic Objectives through its disbursement decisions;
- To promote inclusion and reduce inequalities in Shetland;
- To demonstrate the impact and outcomes of Trust funding.

The Trust will continue to improve the quality of life for the people of Shetland. The Trust will target its funding where impact, positive change and outcomes, can be demonstrated and shown to be delivered.

#### **Objectives**

The strategic objectives of the Trust 2020-2025 are:

- To enhance provision of services and activities, aligned to the Trust's ambition, and beyond the obligation of statutory services;
- To support the services and activities provided by the three large Trusts in Shetland;
- To support voluntary sector services in Shetland;
- To support, if appropriate, the core revenue costs of organisations where there is difficulty in sourcing alternative external funding to maintain or enhance the services provided.

The ambition to promote inclusion and reduce inequalities in Shetland will be a central theme for the Trust over 2020-2025, across all its funding commitments.

#### **Operational Plans**

The Strategy has informed the development of the operational plans for 2020-25. These are the Financial Plan, the Disbursement Plan and the Investment Plan covering the period 2020-25. Details of these plans are available on the Trust website.

### **Financial Objectives**

Trustees have agreed to continue with the long-term financial strategy of preserving the value of reserves against inflation, and therefore limits annual expenditure to the average growth on the investments above inflation.

In 2019, Trustees approved a new Financial Plan to run from 1 April 2020 to 31 March 2025. The Financial Plan uses the average investment growth above inflation on the Trust's reserves to support annual expenditure. This enables the reserves preserved against inflation to be passed to future generations, aligned to the purpose of the Trust. Annual expenditure is dependent on the assumed rate of return on the Trust investments for the Strategy period, whilst also ensuring that the Trust fund is protected against adverse investment returns over the period.

For the Strategy period 2020-2025 a rate of return on the Trust investments above inflation of 3.5% per annum is assumed. A maximum budget of £11.5 million has been set for the year to 31 March 2025 in line with the Financial Plan.

### **Budgets and Disbursements**

Each year the Board adopt a budget for the incoming financial year. Details of the budget approved by Trustees are given in column one of the tables on pages 8 and 9, with details of the actual spend in column two, and a comparison with the previous year in column three.

In 2019, Trustees approved a new Disbursement Plan to run from 1 April 2020 to 31 March 2025. Over the Trust's Strategy period 2020-2025, it is the intention of the Board that the funds are able to support applications, which align to the purpose and strategic objectives of the Trust. The Trust will operate a Main Grant Scheme for larger organisations and a Small Grant Scheme for smaller organisations and individuals. The Trust also introduced a time limited Capital Grant Scheme which will operate from 2022 to 2025. This Scheme has a maximum budget allocation of £12.0 million over the three years.

## **Section 4: Achievements and Performance**

During the year to 31 March 2024, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

- **Shetland Recreational Trust** - The grant is to provide core funding to support the cost of leisure and sports facilities at locations throughout Shetland.
- **Rural Care Model** - The grant is to provide core funding to add value to the community care provided in Shetland, as the level of service is over and above that which would normally be provided by a local authority.
- **Shetland Amenity Trust** - The grant is to provide core funding to support the delivery of their wide range of services in the fields of heritage and culture.
- **Shetland Arts Development Agency** - The grant is to provide core funding towards the costs of promoting, developing and delivering activities in the fields of dance, drama, theatre, film, literature, music, crafts and visual arts.
- **Shetland Islands Citizens Advice Bureau** - The grant is to provide core funding towards delivering a general information and advice service and the provision of a service targeting those hardest to reach. Funding will also go towards a dedicated fuel poverty advice service.
- **COPE Ltd** - The grant is to provide core funding to allow the organisation to provide focused placements, training, support and employment opportunities to adults with learning and/or physical disabilities.
- **Voluntary Action Shetland** - The grant contributes to the core costs of providing a central point for advice and information to the voluntary sector in Shetland and the operation and maintenance of Market House.
- **Shetland Women's Aid** - The grant is to provide core funding to enhance and expand the services they deliver. They provide a wide range of support and therapy for women, children and young people as well as a safe place to live, when required.
- **Royal Voluntary Service** - The grant is to provide core funding towards supporting a range of community projects for elderly and disabled people in Shetland and to increase their proposed service delivery.
- **Shetland Link Up** - The grant is to provide core funding enabling the organisation to offer an informal meeting place to support people who are affected by mental health problems.
- **Shetland Befriending Scheme CYP** - The grant is to provide core funding towards a befriending scheme which offers young people an opportunity to form a trusting relationship with

an adult, to promote the young person's welfare and personal development. This is overseen by Voluntary Action Shetland.

- **Shetland Care Attendant Scheme** - The grant is to provide core funding to support the service. The Scheme provides short breaks for carers in their own home, through employed Care Attendants going into carers' homes to look after the cared person.
- **Shetland Rape Crisis** - The grant is to provide core funding to enhance and expand the services. The areas of activity supported are Core Provision, Prevention and Activism Work, Advocacy Service and Emotional and Therapeutic Support Service.
- **Gaada** - The grant is to provide core funding to support their wide range of activities in community art with an emphasis on art for individuals with disabilities.
- **Ability Shetland** - The grant is to provide project funding to support the post of Disability Sports Development Coordinator, with the aim of growing participation in physical activity and sport for people with disabilities.
- **Moving On Employment Service** - The grant is to provide a Transition Service to young people who require support to engage with activities, training and work experience that will enable them to meet their employment related goals.
- **Who Cares? Scotland** - The grant provides funding to continue their work in Shetland supporting children, young people and young adults who have experienced the care system.
- **OPEN** – The grant is to provide core funding to maintain and develop its peer education, peer mentoring, Da Café, peer research, and steering group activities.
- **The Swan Trust** - The grant is to provide core funding to support the costs associated with maintaining, operating and promoting the Swan sailing vessel.
- **Alzheimer Scotland** – The grant is to provide funding to help safeguard the wide range of activities the carry out in Shetland to ensure nobody faces dementia alone, via continued support of the Dementia Adviser.
- **Dogs Against Drugs** - The grant is to provide core funding to support their Drugs Education Programme delivered in schools to raise awareness of drugs misuse.
- **Clan Cancer Support** – The grant is to provide funding towards a dedicated Children and Families Service in Shetland. This offers support tailored to help children and teenagers through the cancer journey of parents, siblings and other loved ones, as well as specialist support for children with a cancer diagnosis.
- **Voluntary Action Shetland – Shetland Carers** - The grant is to support unpaid carers in Shetland to manage their caring role in order to look after their own health and wellbeing including providing more opportunities for carers to take a break from their caring role. This is overseen by Voluntary Action Shetland.
- **Shetland Community Connections** – The grant is to provide funding towards additional capacity for their work on Self-Directed Support for those transitioning from childhood to adulthood.
- **Shetland Befriending Scheme 16+** - The grant is to provide core funding towards a befriending scheme for people over the age of 16. The focus is on those who are having difficulty managing their own home and living independently. This is overseen by Voluntary Action Shetland.
- **NSPCC Scotland** - The grant provides funding towards an educational schools programme "Speak out Stay safe", teaching primary school children about abuse and neglect, and who they can get support from when something is wrong, including Childline.

The Trust allows organisations that it funds to hold up to 3 months grant, as reserves, for unforeseen items and to help with cash flow. The Trust has worked with the organisations funded to develop a system of service performance reporting. Trustees considered a progress report on service performance in October 2023, which set out, in detail, how the Trust's money makes a difference to people and communities. Overall, Trustees were content that most organisations were performing satisfactorily against their stated targets.

The Trust also operates a Capital Works Bridging Loan Scheme, which provides short-term bridging finance to community organisations undertaking capital projects. The scheme was established in 2010 to provide interest free loans to organisations that had secured funding from the EU, National Government sources or large charitable funders, but were only able to claim their grants on completion of the capital works. The scheme helps avoid any potential cash flow problems and allows community projects to go ahead.

**Charitable Expenditure**

	2023/24 budget £	Actual spend to 31 March 2024 £	Actual spend to 31 March 2023 £
<b><u>Main Grant Scheme Awards</u></b>			
Shetland Recreational Trust	3,306,500	3,656,500	3,225,900
Support to Rural Care Model	1,986,200	1,986,200	1,986,200
Shetland Amenity Trust	1,230,900	1,230,900	1,200,900
Shetland Arts Development Agency	716,600	891,600	682,500
Shetland Islands Citizens Advice Bureau	279,100	279,100	272,300
COPE Ltd	236,400	236,400	230,600
Voluntary Action Shetland (VAS)	224,600	224,600	184,000
Shetland Women's Aid	102,500	102,500	100,000
Mind Your Head	-	-	76,900
Royal Voluntary Service	65,700	65,700	64,100
Shetland Link Up	57,500	57,500	56,700
Shetland Befriending Scheme CYP	55,100	55,100	54,000
Shetland Care Attendant Scheme	53,000	53,000	75,700
Shetland Rape Crisis	46,800	46,800	33,000
Gaada	45,000	45,000	43,900
Ability Shetland	40,000	40,000	40,000
Moving On	36,800	36,800	35,900
Who Cares? Scotland	34,500	34,500	35,100
OPEN	32,100	32,100	31,300
The Swan Trust	29,000	29,000	28,300
Alzheimer Scotland	23,000	23,000	-
Dogs Against Drugs	21,000	21,000	20,500
Clan Cancer Support	20,300	20,300	20,100
Shetland Community Connections	17,700	17,700	15,000
Shetland Befriending Scheme 16+	13,300	13,300	13,000
NSPCC Scotland	4,000	-	4,000
British Red Cross	-	-	23,900
Sandwick Social & Economic Dev. SCIO	-	-	15,600
<b>Sub Total Organisations</b>	<b>8,677,600</b>	<b>9,198,600</b>	<b>8,569,400</b>

	2023/24 budget £	Actual spend to 31 March 2024 £	Actual spend to 31 March 2023 £
<b><u>Capital Grant Scheme</u></b>			
Capital Grant Scheme	6,800,000	-	-
Shetland Amenity Trust	-	-	825,000
Shetland Arts Development Agency	-	-	770,770
Shetland Recreational Trust	-	2,226,000	272,659
Voluntary Action Shetland	-	-	192,140
<b>Sub Total Capital Grant Fund</b>	<b>6,800,000</b>	<b>2,226,000</b>	<b>2,060,569</b>

	2023/24 budget £	Actual spend to 31 March 2024 £	Actual spend to 31 March 2023 £
<b><u>Contingency Fund</u></b>			
COPE Limited	-	-	-
Shetland Amenity Trust	-	-	-
Shetland Arts Development Agency	-	-	209,826
Shetland Recreational Trust	-	-	458,825
<b>Sub Total Contingency Fund</b>	<b>-</b>	<b>-</b>	<b>668,651</b>

<b>Schemes</b>	<b>2023/24 budget</b>	<b>Actual spend to 31 March 2024</b>	<b>Actual spend to 31 March 2023</b>
	£	£	£
Small Grant Scheme	100,000	38,149	51,024
<b>Sub Total Schemes</b>	<b>100,000</b>	<b>38,149</b>	<b>51,024</b>
Surplus Grants Refunded	-	(17,556)	(358,788)
<b>Sub-total charitable expenditure</b>	<b>15,577,600</b>	<b>11,445,193</b>	<b>10,990,856</b>
Trust Administration, including governance costs	917,000	687,230	585,902
<b>Total</b>	<b>16,494,600</b>	<b>12,132,423</b>	<b>11,576,758</b>

Total charitable expenditure and administration costs are shown before adjustment for pension adjustments under FRS 102 totalling £3,000.

## **Section 5: Financial Review**

### **Financial Policies**

The policy of the Board is to invest the reserves of the Trust to generate income to support charitable expenditure and to maintain the real value of the reserves in the long term. The current value (as at 31 March 2024) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £431 million (2023 - £377 million).

The Trust relies chiefly on funds generated by investments on the world's markets. Overall, there was an increase in value of investments with £61.3 million in returns generated during the fiscal year. In 2023/24, around £0.5 million income was derived from investments in Shetland.

The Trust Deed does not require the Trust to distinguish between revenue and capital (income or expenditure), and all of the Trust's funds are unrestricted. These two things together mean that although the general funds and pension reserve are shown as being in deficit in the financial statements, there are no practical consequences flowing from this.

The Trust seek to minimise risk through diversification within its investments and take advice, as appropriate, in determining the mix of asset types. Trustees are free to determine how to apply their Unrestricted Reserves in a manner consistent with the Trust objectives and in line with its Financial Plan.

### **Review of Spending**

During 2023/24 the Trust spent £13.6 million (2023 - £13.1 million) on grant making, support costs and expenditure on raising funds, in line with the approved budget for the year. Grant making expenditure for the year was £11.4 million (2023 - £11.0 million). The maximum budget to support charitable activities for 2024/25 has been set at £11.5 million.

### **Investment Review**

The Trust's capital is invested by the Board externally with four fund managers and locally in three subsidiary companies. The Trust also receives rental income from the land at the Sullom Voe terminal.

#### Externally Managed Investments

The market value of the Trust's external investments is £430.8 million (2023 - £377.2 million). A breakdown of the Trust's external investments is detailed below:

Manager	Mandate	Market Value 2024 (£m)	Market Value 2023 (£m)
Baillie Gifford	Active Equities	196.1	163.1
BlackRock	Passive Equities	111.0	94.0
Schroders	UK Property	73.5	74.7
Insight	Diversified Growth	50.2	45.4
Total		430.8	377.2

The growth in value of the investments as well as dividend income received, generated a profit of £61.3 million over the year (2023 – loss of £48.3 million). This equates to a return of 17.5% (2023 – minus 10.5%).

The first half of the fiscal year saw relative stability in performance of external investments, compared with the volatility of the previous fiscal year. In contrast the second half of fiscal year has witnessed significant improvement. Global equities, passive equities and diversified growth funds have all posted double digit returns over the fiscal year. Buoyed by receding recession worries in developed markets, growth stocks outperformed value stocks.

Property markets within the UK has been extremely challenging. Monetary policy and wider microeconomic backdrop is in the driving seat of market performance, and this is expected to continue through 2024.

The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.

The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	17.5	12.9	4.6
3 Years	1.7	8.0	(6.3)
5 Years	10.6	8.2	2.4

The return over the last 12 months has exceeded the composite benchmark and Financial Plan Return. Similarly with a longer term lens, the Trust's external investments have exceeded the composite benchmark return and have met the Financial Plan target return over a five year period.

### Local Investments

Shetland Heat Energy and Power Limited (SHEAP) is a wholly owned subsidiary of the Trust, set up to operate the Lerwick District Heating Scheme. SHEAP has over 1,200 customers receiving heat and the company generated income of around £3.0 million in 2023/24. SHEAP recorded a profit in 2023/24, however no gift aid payment is proposed to be made to the Trust.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. Viking Energy Shetland LLP is a 90% owned subsidiary of SCT Renewables Limited and the Trust has invested £10.0 million as at 31 March 2024. It is a partner in the Viking Energy project, which is a wind farm project in central Shetland.

C.T. Shetland (T.M.) Limited does not trade. The purpose of the company is to register and own certification trademarks, for example, the knitwear trademark known as *The Shetland Lady*.

### Decisions about Investments

When the Board make decisions about investing the Trust's capital, the law requires them to seek appropriate advice and act as reasonably prudently as commercial investors would. An investor is concerned with various criteria when investing money; these include rate of return (dividends / income / rent / interest earned), capital growth, and the level of risk. This applies whether the investments are on

a Stock Exchange, or when they involve local assets. Investment, wherever it is made, involves using Trust funds wisely to produce income and to increase the value of those funds. To do this properly the Trust has to act commercially. It cannot "act charitably" towards its investments.

The Trust's Investment Plan 2020–25 was agreed in 2019 and is based on 75% in shares, 15% in property and 10% in a diversified portfolio of assets. The Plan was originally approved in 2016 and reviewed in 2018/19 and 2021/22. The Plan seeks to maintain diversification whilst increasing average returns in the long term.

## **Section 6: Plans For The Future**

The Trust is currently implementing the final year of its strategy for 2020 to 2025. The Strategy sets out the Trust's ambition, objectives and priorities for the period. The Strategy and the associated Investment, Financial and Disbursement Plans for the period were approved in September 2019.

The Trust began the process of reviewing its current strategy in the autumn of 2023, supported by external strategy consultants, and developing a new strategy for a five-year period from 2025 to 2030. This process is now complete with the new strategy document presented to Trustees in February 2024 which was subsequently approved.

The new strategy has built on the learning from the previous five years. It focuses on improving the overall quality of life in Shetland through our goals:

1. Community Wellbeing
2. Individual Wellbeing
3. Everyone Matters
4. Generational Fairness
5. Enabling Strong and Resilient Organisations

Underpinned by our Guiding Principles of;

- Equality, Inclusion, and Accessibility
- Sustainability
- Outcome-led
- Collaboration

A new investment strategy is due to be presented to the Trust in September 2024. In July 2024, the Trust opened up its new Large Grant Scheme to applications for a maximum of five years funding. The updated Small Grant Scheme and the new Innovation Fund will follow later in 2024.

Progress on Capital Grant Scheme has been slower than anticipated, and it is intended to review this scheme to ascertain how best the funds can be utilised going forward.

**R M Leask**  
*Chair*

12 September 2024

## **Statement of Trustees' responsibilities in respect of the Trustees' annual report and the financial statements**

Under charity law, the Trustees are responsible for preparing a Trustees' Annual Report and financial statements for each financial year which show a true and fair view of the state of affairs of the group and the charity and of the group's and the charity's excess of income over expenditure for that period. The Trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

In preparing these financial statements, generally accepted accounting practice entails that the Trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the charity or to cease operations, or have no realistic alternative but to do so.

The Trustees are required to act in accordance with the trust deed and the rules of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the Trustees to ensure that, where any statements of accounts are prepared by them under the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 (as amended), those statements of accounts comply with the requirements of regulations under that Act. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF SHETLAND CHARITABLE TRUST**

### **Opinion**

We have audited the financial statements of Shetland Charitable Trust (the 'charity') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated Balance Sheet, the Trust Balance Sheet, the Consolidated Cash Flow Statement 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 group's and of the parent company's affairs as at 31 March 2024 and of the group's and the charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 group's or 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 directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

### **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<sup>1</sup>; 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 12, 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 group's and 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 group or 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 group audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory framework, that the group and charity operates in and how the group and 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.

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) and the charity's governing document. 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.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and employment legislation. We performed audit procedures to inquire of management whether the group is in compliance with these law and regulations and inspected minutes and the risk register for monitoring of controls in place. We corroborated a sample of the payroll transactions and evaluated the compliance with associated employment and tax legislation.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed 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 and challenging judgments and estimates.

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.

RSM UK Audit LLP  
Statutory Auditor  
Chartered Accountants  
St Olaf's Hall  
Church Road  
Lerwick  
Shetland  
ZE1 0FD

12 September 2024

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

## Consolidated statement of financial activities

for the year ended 31 March 2024

	Note	Unrestricted funds		2024 Total £000	2023 Total £000
		General funds £000	Expendable endowment £000		
<b>Income and endowments from</b>					
Other trading activities	6	2,987	-	2,987	2,580
Investments		3,619	-	3,619	2,995
Donations		216	-	216	
Rental income		523	-	523	508
Other income		-	-	-	-
		7,345	-	7,345	6,083
<b>Expenditure on</b>					
Expenditure on raising funds	6	(2,842)	-	(2,842)	(2,416)
Investment Management		-	(1,448)	(1,448)	(1,411)
Charitable activities	2	(12,135)	-	(12,135)	(11,676)
		(14,977)	(1,448)	(16,425)	(15,503)
Net profits on investments	11	-	61,306	61,306	(48,282)
		(7,632)	59,858	52,226	(57,702)
<b>Net income/(expenditure)</b>					
Gross transfers between funds	11,12	7,786	(7,786)	-	-
<b>Other recognised gains and losses</b>					
Actuarial (losses)/gains in defined benefit pension scheme	15	(78)	-	(78)	1,687
Non-controlling interest share of net income/ expenditure		-	-	-	-
		76	52,072	52,148	(56,015)
<b>Net movement in funds attributable to the charity</b>					
Fund balances brought forward attributable to the charity	11,12	197	393,589	393,786	449,801
		273	445,661	445,934	393,786
<b>Fund balances carried forward attributable to the charity</b>					
Non-controlling interest share of net income/ expenditure		(1)	-	(1)	(2)
Other changes in non-controlling interests		-	-	-	-
Fund balances brought forward attributable to non-controlling interest		814	-	814	816
		813	-	813	814
<b>Fund balances carried forward attributable to non- controlling interests</b>					
<b>Total group funds carried forward</b>	11, 12	<u>1,086</u>	<u>445,661</u>	<u>446,747</u>	<u>394,600</u>

## Trust statement of financial activities

for the year ended 31 March 2024

	Note	Unrestricted funds		2024 Total £000	2023 Total £000
		General funds £000	Expendable endowment £000		
<b>Income and endowments from</b>					
Income from investments		3,619	-	3,619	2,995
Other investment income (Gift Aid receipts from subsidiary undertakings)		-	-	-	25
Rental income		523	-	523	508
Other income		216	-	216	-
<b>Total income and endowments</b>		<b>4,358</b>	<b>-</b>	<b>4,358</b>	<b>3,528</b>
<b>Expenditure on:</b>					
Expenditure on raising funds		-	(1,448)	(1,448)	(1,411)
Provision made against equity investment	6	(12)	-	(12)	(14)
<b>Charitable activities</b>	2	<b>(12,135)</b>	<b>-</b>	<b>(12,135)</b>	<b>(11,676)</b>
<b>Total expenditure</b>		<b>(12,147)</b>	<b>(1,448)</b>	<b>(13,595)</b>	<b>(13,101)</b>
Profit / (Loss) on investment assets	11	-	61,306	61,306	(48,282)
<b>Net income/(expenditure)</b>		<b>(7,789)</b>	<b>59,858</b>	<b>52,069</b>	<b>(57,855)</b>
Gross transfers between funds	11, 12	7,786	(7,786)	-	-
<b>Other recognised gains/(losses)</b>					
Actuarial gains/(losses) in defined benefit pension scheme	15	(78)	-	(78)	1,687
<b>Net movement in funds</b>		<b>(81)</b>	<b>52,072</b>	<b>51,991</b>	<b>(56,168)</b>
Total funds brought forward	11, 12	(307)	393,589	393,282	449,450
<b>Fund balances carried forward</b>		<b>(388)</b>	<b>445,661</b>	<b>445,273</b>	<b>393,282</b>

All funds are unrestricted income funds. The incoming resources and resulting net movement in funds all arose from continuing operations. All gains and losses recognised in the year are included above.

The notes on pages 21 to 38 form a part of the financial statements.

## Consolidated balance sheet

as at 31 March 2024

	Note	2024 £000	2024 £000	2023 £000	2023 £000
<b>Fixed assets</b>					
Tangible assets	4		4,852		4,817
Investments	5	430,837		377,158	
Programme-related investments	6	6,639		6,634	
			<u>437,476</u>		<u>383,792</u>
<b>Total fixed assets</b>			<u>442,328</u>		<u>388,609</u>
<b>Current assets</b>					
Stocks		77		37	
Debtors	7	2,097		1,777	
Cash at bank and in hand	8	9,102		9,446	
			<u>11,276</u>	<u>11,260</u>	
<b>Creditors: amounts falling due within one year</b>	9	<b>(6,157)</b>		<b>(4,712)</b>	
<b>Net current assets</b>			<u>5,119</u>		<u>6,548</u>
<b>Total assets less current liabilities</b>			<u>447,447</u>		<u>395,157</u>
<b>Provisions for liabilities and charges</b>	10		<b>(312)</b>		<b>(250)</b>
<b>Net assets excluding pension liability</b>			<u>447,135</u>		<u>394,907</u>
Pension liability	15		<b>(388)</b>		<b>(307)</b>
<b>Net assets including pension liability</b>			<u>446,747</u>		<u>394,600</u>
<b>Represented by:</b>					
Expendable endowment	11		445,661		393,589
Unrestricted income funds:	12				
General funds			-		-
Trading funds			661		504
			<u>661</u>		<u>504</u>
Unrestricted income funds excluding pension reserve			661		504
Pension reserve	15		<b>(388)</b>		<b>(307)</b>
			<u>273</u>		<u>197</u>
<b>Total unrestricted income funds</b>	12		<b>273</b>		<b>197</b>
Group funds attributable to the Charity			445,934		393,786
Non-controlling interest			813		814
			<u>446,747</u>		<u>394,600</u>
<b>Total group funds</b>			<u>446,747</u>		<u>394,600</u>

These financial statements were approved by the Trustees on 12 September 2024 and were signed on their behalf by:

**R M Leask**  
Chair

**R C Leith**  
Trustee

The notes on pages 21 to 38 form a part of these financial statements.

## Trust balance sheet

as at 31 March 2024

	Note	2024 £000	2024 £000	2023 £000	2023 £000
<b>Fixed assets</b>					
Tangible assets	4		23		23
Investments	5	430,837		377,157	
Programme-related investments	6	12,327		12,339	
			<u>443,164</u>		<u>389,496</u>
<b>Total fixed assets</b>			<b>443,164</b>		<b>389,519</b>
<b>Current assets</b>					
Debtors	7	1,184		1,038	
Cash at bank and in hand	8	6,171		6,347	
			<u>7,355</u>	<u>7,385</u>	
<b>Total current assets</b>		<b>7,355</b>		<b>7,385</b>	
<b>Creditors: amounts falling due within one year</b>	9	<b>(4,881)</b>		<b>(3,324)</b>	
			<u>2,474</u>		<u>4,061</u>
<b>Net Current Assets</b>			<b>2,474</b>		<b>4,061</b>
<b>Total assets less current liabilities</b>			<b>445,661</b>		<b>393,580</b>
<b>Provision for liabilities and charges</b>	10		-		9
			<u>445,661</u>		<u>393,589</u>
<b>Net assets excluding pension liability</b>			<b>445,661</b>		<b>393,589</b>
Pension liability	15		(388)		(307)
			<u>445,273</u>		<u>393,282</u>
<b>Net assets including pension liability</b>			<b>445,273</b>		<b>393,282</b>
<b>Represented by:</b>					
Expendable endowment	11		445,661		393,589
Unrestricted income funds:					
General funds	12		-		-
Pension reserve	15		(388)		(307)
			<u>388</u>		<u>307</u>
<b>Total unrestricted income funds</b>	12		<b>(388)</b>		<b>(307)</b>
			<u>445,273</u>		<u>393,282</u>
<b>Total Trust funds</b>			<b>445,273</b>		<b>393,282</b>

These financial statements were approved by the Trustees on 12 September 2024 and were signed on their behalf by:

**R M Leask**  
Chair

**R C Leith**  
Trustee

The notes on pages 21 to 38 form a part of these financial statements.

## Consolidated cash flow statement

for the year ended 31 March 2024

<b>Cash flows from operating activities</b>	<i>Note</i>	<b>2024</b>	2023
		<b>£000</b>	£000
Net outgoing resources before other recognised gains and losses		<b>52,225</b>	(57,702)
<i>Adjustments for:</i>			
Investment income and interest receivable		<b>(3,619)</b>	(2,995)
Less rental income		<b>(523)</b>	(508)
Depreciation and impairment of tangible fixed assets	4	<b>245</b>	235
Loss on fixed assets	4	<b>12</b>	15
Movement in pension liability, excluding actuarial gains and losses	15	<b>3</b>	99
(Gains)/Losses on investment assets	5	<b>(61,306)</b>	48,282
(Increase)/Decrease in stock		<b>(40)</b>	(15)
(Increase)/Decrease in debtors	7	<b>(160)</b>	(10)
(Decrease)/Increase in creditors	9	<b>1,446</b>	2,512
Increase in provisions	10	<b>62</b>	47
		<hr/>	<hr/>
<b>Net cash flow from operating activities</b>		<b>(11,655)</b>	(10,040)
		<hr/>	<hr/>
<b>Cash flow from investment activities</b>			
Purchase of managed funds investments	5	<b>(15,725)</b>	(7,572)
Purchase of tangible fixed assets	4	<b>(292)</b>	(317)
Sale of managed funds investments	5	<b>9,677</b>	10,539
Realised (losses)/gains on managed fund investments	5	<b>7,984</b>	9,092
Net movement in cash flows attributable to managed fund Investments	5	<b>5,691</b>	(2,917)
Investments:			
Movement in Programme related investment	6	<b>(5)</b>	4
Investment income and interest received		<b>3,619</b>	2,995
Rental income		<b>523</b>	508
Movement in capital works bridging loans	7	<b>(161)</b>	129
		<hr/>	<hr/>
<b>Net cash flow from investing activities</b>		<b>11,311</b>	12,461
		<hr/>	<hr/>
<b>Cash flow from financing activities</b>			
Investment income and interest received		-	-
		<hr/>	<hr/>
<b>Net cash flow from financing activities</b>		-	-
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>(344)</b>	2,421
<b>Cash and cash equivalents at 1 April</b>	8	<b>9,446</b>	7,025
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 March</b>	8	<b>9,102</b>	9,446
		<hr/> <hr/>	<hr/> <hr/>

## Notes to the financial statements

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Trust's financial statements.

#### 1.1 Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, as modified by the revaluation of investments and in accordance with the provisions of the Trust Deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Statement of Recommended Practice Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (as amended for accounting periods on or after 1 January 2019).

The financial statements are prepared in sterling, which is the functional currency of the group and charity. Monetary amounts in these financial statements are rounded to the nearest £1,000. Shetland Charitable Trust meets the definition of a public entity under FRS 102. The financial statements have been prepared in compliance with FRS 102. Assets and liabilities are initially recognised at historic cost or transaction value unless otherwise stated in the relevant accounting policy note.

Shetland Charitable Trust has three 100% owned subsidiary companies which are trading. The Trust and its subsidiaries are considered qualifying entities under FRS 102 paragraphs 1.8 to 1.12. The following exemptions are available:

- No separate Trust Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time;
- The disclosures required by FRS 102.11 Basic Financial Instruments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the Trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 18. The charity's business activities, together with the factors likely to affect its future development, performance and position are set out in the Trustee's Report on pages 2 to 11. The financial position of the charity, its cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 16 to 20. In addition, pages 5 and 6 of the Trustees report include the charity's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The charity has considerable financial resources together with long-term investments with a number of fund managers across different geographic areas and industries. As a consequence, the Trustees believe that the charity is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.2 Basis of consolidation

These financial statements consolidate the assets and liabilities of the charity and its subsidiaries, Shetland Heat Energy and Power Limited, SCT Renewables Limited (formerly known as Viking Energy Limited) and Viking Energy Shetland LLP, on a line by line basis. The income and expenditure of these subsidiaries are also consolidated on a line by line basis, where appropriate.

In accordance with FRS 102, Gift Aid payments are accounted for in the subsidiary undertakings in the year in which an irrevocable commitment to make a payment has been made.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Basis of consolidation (continued)

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Any non-controlling interest in subsidiaries is recognised at the non-controlling interest's share of the net assets at acquisition date adjusted for their share of losses to date.

#### 1.3 Fund accounting

All funds of the Trust are unrestricted, to be used in accordance with the charitable objectives of the Trust at the discretion of the Trustees. The expendable endowment represents the long-term investment funds of the Trust. The unrestricted income funds include the Trust's general funds, which represent the annual operating funds of the Trust, and the trading funds.

The trading funds represent the accumulated results of Shetland Heat Energy and Power Limited, SCT Renewables Limited and Viking Energy Shetland LLP, adjusted to remove Gift Aid payments to the Trust by those companies.

#### 1.4 Income and endowments from other trading activities and rental income

Turnover in Shetland Heat Energy and Power Limited represents the amounts (excluding value added tax) derived from the supply of hot water for heating systems and arises entirely in the United Kingdom.

Turnover in SCT Renewables Limited represents miscellaneous income only as the company is not yet trading fully. Turnover in Viking Energy Shetland LLP represents miscellaneous income only as the company is not yet trading fully.

##### *Investments*

Dividends are included within incoming resources when they are receivable. Loan interest is included in the statement of financial activities on an accruals basis.

#### 1.5 Expenditure

Charitable expenditure is recognised when it is payable. The Trust has given commitments to certain charitable bodies to provide ongoing revenue funding and to finance various capital projects. In view of the long-term nature of these commitments which are subject to review, combined with the uncertainty as to the amounts involved, these commitments are accounted for only when irreversible decisions on funding are communicated to the charitable bodies.

Support costs are directly attributable to the Trust's charitable activities and are recorded within the "charitable activities" section of resources expended in the statement of financial activities.

##### *Cost of generating funds*

The cost of generating funds represents fund managers' fees.

##### *Governance costs*

Governance costs comprise the costs associated with the Trust's compliance with charity regulation and good practice and include related professional fees.

#### 1.6 Basic financial instruments

##### *Trade and other debtors/creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Basic financial instruments (continued)

##### *Investments in preference and ordinary shares*

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

#### 1.7 Grants

Capital based grants received by the Trust's subsidiary undertakings are included within accruals and deferred income on the balance sheet and credited to activities for generating funds over the estimated useful economic lives of the assets to which they relate.

#### 1.8 Investments

Managed fund investments are stated at market value. Realised and unrealised gains and losses arising on these investments are taken to the expendable endowment and are included within other recognised gains and losses in the statement of financial activities. Where investments are transferred between investment managers, an amount equal to the unrealised gains or losses on the investments as at the time of transfer is taken to the expendable endowment.

Investments in subsidiary undertakings are stated at cost less provisions. Any provisions made against these investments are charged to the expendable endowment.

#### 1.9 Tangible fixed assets and depreciation

All expenditure incurred on tangible fixed assets is capitalised irrespective of its value (i.e. there is no minimum level above which assets purchased are capitalised). Tangible fixed assets are capitalised at cost.

Depreciation is charged to the expendable endowment to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Buildings	-	7 to 10 years
Fixtures and fittings	-	3 to 5 years
Plant and machinery	-	10 years
District Heating Infrastructure	-	30 years

The asset value of the Sullom Voe site is now fully depreciated.

Where the recoverable amount of a tangible fixed asset is found to be below its net book value, the asset is written down to its recoverable amount and the loss on impairment is charged to the relevant resources expended category in the statement of financial activities.

#### 1.10 Investment properties

The Trust holds no investment properties.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.11 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2011 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2011 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. There is no similar exemption for VAT.

Tax on the profit or loss of subsidiaries for the year comprises current and deferred tax. Tax is recognised in the statement of financial activities except to the extent that it relates to items recognised directly in equity or other recognised gains and losses, in which case it is recognised directly in equity or other recognised gains and losses.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### 1.12 Employee benefits

##### *Defined benefit plans*

The Trust participates in the Local Government Pension Scheme administered by Shetland Islands Council. This scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust in an independently administered fund.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Trust's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Trust determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Trust's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Trust recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Employee benefits (continued)

##### Defined benefit plans

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other recognised gains and losses in the period in which it occurs.

#### 1.13 Stock

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

#### 1.14 Cash and cash equivalents

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year.

## 2 Cost of activities in furtherance of the charity's objects

### Charitable activities

The group's charitable expenditure, which mainly comprises grants payable in respect of the year, is summarised below:

<b>General funds</b>	<b>2024</b> <b>£000</b>	2023 £000
Payments to charitable organisations	11,425	11,299
Schemes	38	51
Charitable grants repaid	(18)	(359)
	<hr/>	<hr/>
Total charitable grants	11,445	10,991
Support costs, including governance costs (below)	687	586
Pension adjustments	3	99
	<hr/>	<hr/>
Total charitable expenditure – general funds	12,135	11,676
	<hr/>	<hr/>
<b>Expendable endowment</b>		
Depreciation	-	-
	<hr/>	<hr/>
<b>Total resources expended on charitable activities</b>	<b>12,135</b>	<b>11,676</b>
	<hr/> <hr/>	<hr/> <hr/>

Further details of the group's charitable expenditure are included in Section 4 of the Trustees' Report.

### Support costs

Support costs for the year of £531,230 (2023: £462,643) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £317,712 (2023: £336,674) in respect of staff costs (see note 3), of which nil (2023: £nil) was charged to subsidiaries.

## Notes (continued)

### 2 Cost of activities in furtherance of the charity's objects (continued)

#### Governance costs

Governance costs totalling £156,000 (2023: £126,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £38,000 (2023: £36,000) representing an appropriate apportionment of salary costs based on the proportion of the Chief Executives time spent on governance, together with Trustees' expenses (note 3), and audit fees (note 2) of £26,052 (2023: £46,026).

	<b>Group and charity</b>	
	<b>Total 2024 £000</b>	<b>Total 2023 £000</b>
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	<b>38</b>	36
Other costs	<b>92</b>	44
External auditor's remuneration:		
Audit of these financial statements	<b>26</b>	46
Audit of subsidiary undertakings (excluded from charitable governance costs)	<b>18</b>	17
Other services: taxation in relation to subsidiary undertakings	<b>5</b>	5
<b>Total governance costs</b>	<b>179</b>	148

### 3 Staff numbers and costs

The group had an average of fifteen employees during the year (2023: sixteen). The aggregate payroll cost of these employees was as follows:

	<b>2024 £000</b>	2023 £000
Wages and salaries	<b>740</b>	700
Social security costs	<b>81</b>	74
Pension costs	<b>102</b>	100
	<b>923</b>	874

Employee costs totalling nil (2023: £nil) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Eleven employees worked wholly or mainly on Shetland Heat Energy and Powers Limited's activities during the year. One employee worked part-time on SCT Renewables Limited's activities during the year.

One employee (2023: two) received emoluments totalling between £90,000 and £99,999, and one employee (2023: none) emoluments totalling between £100,000 and £109,999.

Retirement benefits are accruing to these members of staff under a defined benefit pension scheme; contributions in 2023/24 totalled £7,182.

Included above are the emoluments paid to key management personnel comprising three employees totalling £250,601 (2023: three employees totalling £256,376) and £32,129 (2023: £32,887) in social security costs and £43,630 (2023: £39,310) in pension contributions. Key management personnel's remuneration is set by reference to the Local Authority salary bands.

Expenses totalling £nil (2023: £nil) were reimbursed or paid on behalf of Trustees during the year.

## Notes (continued)

### 4 Tangible fixed assets

Group	Land and buildings £000	District heating scheme infrastructure £000	Other plant, machinery and AUC £000	Total £000
<b>Cost or valuation</b>				
At beginning of year	11,411	5,396	1,833	18,640
Additions	-	251	41	292
Disposals	-	-	(12)	(12)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	11,411	5,647	1,862	18,920
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	11,388	1,155	1,281	13,824
Eliminated on Disposals	-	-	(12)	(12)
Charge for year	-	185	71	256
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	11,388	1,340	1,340	14,068
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>	23	4,307	522	4,852
<b>At 31 March 2024</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2023	23	4,242	552	4,817
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Land and buildings primarily consist of the site at Sullom Voe, plus the six rural care homes, previously operated by Shetland Welfare Trust, and donated to the Trust in 2007. The rural care homes had been previously funded by the Trust and the capital grant conditions applied to the funding to Shetland Welfare Trust required any building owned by Shetland Welfare Trust to be transferred to the Trust when Shetland Welfare Trust ceased to operate (effectively 1 April 2006). These are specialised buildings in rural locations in Shetland without comparators, which mean that it is not possible to establish a meaningful valuation for them in their present use. The Trustees therefore capitalised them at original cost, in line with the Trust's accounting policy for tangible fixed assets, which they believed to be a reasonable indication of their value at the date they were donated. The buildings continue to be used as care homes, in furtherance of the Trust's charitable objects, and as such are not held for investment purposes.

The net book value of other tangible fixed assets relates to plant and machinery, fixtures and fittings held by Shetland Heat Energy and Power Limited.

## Notes (continued)

### 4 Tangible fixed assets (continued)

#### Charity

	Land and buildings £000	Donated Assets £000	Total £000
<b>Cost</b>			
At beginning and end of year	2,252	9,159	11,411
	=====	=====	=====
<b>Depreciation</b>			
At beginning of year	2,252	9,136	11,388
Charge for year	-	-	-
	-----	-----	-----
At end of year	2,252	9,136	11,388
	-----	-----	-----
<b>Net book value</b>			
At 31 March 2023	-	23	23
	=====	=====	=====
At 31 March 2022	-	23	23
	=====	=====	=====

### 5 Managed funds

Group and Charity	2024 Market Value £000	2024 Cost £000	2023 Market Value £000	2023 Cost £000
Equities	307,073	159,420	257,085	162,770
Diversified Investment Fund units	50,222	42,401	45,361	42,402
Property units	73,397	71,826	68,839	62,391
	-----	-----	-----	-----
	430,692	273,647	371,285	267,563
	-----	-----	-----	-----
Total investments	430,692	273,647	371,285	267,563
Cash on deposit and in hand	145	145	5,873	5,873
	-----	-----	-----	-----
	430,837	273,792	377,158	273,436
	=====	=====	=====	=====

## Notes (continued)

### 5 Managed funds (continued)

	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation of market value of investments</b>		
Market value at beginning of year	377,157	434,581
Investments purchased	15,726	7,572
Investments sold	(9,677)	(10,539)
Total unrealised gains on managed fund investments	53,322	(57,374)
Movement in investment managers' cash balances, accrued income and expenses	(5,691)	2,917
	430,837	377,157
	430,837	377,157

As at 31 March 2024, the Trust's funds other than programme-related investments are managed by Insight Investment Management, BlackRock Global Investors, Baillie Gifford & Co. and Schroders Property Managers. The split of the portfolio between the investment managers is as follows:

	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2023</b>
	<b>Market</b>	<b>Cost</b>	<b>Market</b>	<b>Cost</b>
	<b>value</b>	<b>£000</b>	<b>value</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Insight Investment Management	50,222	42,402	45,361	42,402
BlackRock Global Investors	111,007	98,091	94,042	98,092
Baillie Gifford	196,119	61,382	163,097	64,731
Schroders Property Managers	73,489	71,917	74,658	68,210
	430,837	273,792	377,158	273,435
	430,837	273,792	377,158	273,435

### 6 Programme-related investments

	<b>Group</b>		<b>Charity</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Equity (below)	6,639	6,634	12,327	12,339
	6,639	6,634	12,327	12,339
	6,639	6,634	12,327	12,339

**Notes** *(continued)*

**6 Programme-related investments** *(continued)*

<b>Equity – Group</b>	<b>Shares in subsidiary undertakings £000</b>
<b>Cost</b>	
At beginning of year	7,970
	<hr/>
Cost at end of year	7,970
	<hr/>
<b>Provisions</b>	
At beginning of year	(1,336)
Provided in year	5
	<hr/>
Provisions at end of year	(1,331)
	<hr/>
<b>Net book value</b>	
<b>At 31 March 2024</b>	<b>6,639</b>
	<hr/> <hr/>
At 31 March 2023	6,634
	<hr/> <hr/>

<b>Equity – Charity</b>	<b>Investments in subsidiary undertakings £000</b>
<b>Cost</b>	
At beginning of year	15,041
	<hr/>
Cost at end of year	15,041
	<hr/>
<b>Provisions</b>	
At beginning of year	2,702
Provided in year	12
	<hr/>
Provisions at end of year	2,714
	<hr/>
<b>Net book value</b>	
<b>At 31 March 2024</b>	<b>12,327</b>
	<hr/> <hr/>
At 31 March 2023	12,339
	<hr/> <hr/>

## Notes (continued)

### 6 Programme-related investments (continued)

As stated in note 1, these consolidated financial statements include the results of the charity's wholly owned trading subsidiaries, Shetland Heat Energy and Power Limited (SHEAP) and SCT Renewables Limited (SCT R) and also those of Viking Energy Shetland LLP (VES), over which the Trust has a controlling interest of 90%. The trading results of these companies are summarised below:

	2024 SHEAP £000	2024 SCT R £000	2024 VES £000	2024 Total £000	2023 Total £000
<b>Turnover</b>	<b>3,001</b>	-	-	<b>3,001</b>	2,580
Cost of sales	(1,319)	-	-	(1,319)	(1,268)
<b>Gross profit</b>	<b>1,682</b>	-	-	<b>1,682</b>	1,312
Administration expenses	(1,477)	(5)	(13)	(1,495)	(1,086)
Depreciation on investment properties	-	-	-	-	-
Provision made against equity investment	-	(12)	-	(12)	(14)
<b>Operating profit/(loss)</b>	<b>205</b>	<b>(17)</b>	<b>(13)</b>	<b>175</b>	212
Gain on disposal of investment properties	-	-	-	-	-
Interest receivable and similar income	9	-	-	9	-
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>214</b>	<b>(17)</b>	<b>(13)</b>	<b>184</b>	212
Tax on profit/(loss) on ordinary activities	(56)	-	-	(56)	(62)
<b>Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year</b>	<b>158</b>	<b>(17)</b>	<b>(13)</b>	<b>128</b>	150
Gift Aid payment to Shetland Charitable Trust	-	-	-	-	-
<b>Retained (loss)/profit for the year after Gift Aid payment</b>	<b>158</b>	<b>(17)</b>	<b>(13)</b>	<b>128</b>	150

Consistent with the current guidance, the Directors now consider the Gift Aid payment to be akin to a distribution rather than an expense, and as a result have now presented it outside of the profit and loss account as an adjustment to profit taken to retained earnings.

## Notes (continued)

### 6 Programme-related investments (continued)

The expenditure of the companies, as recorded in the consolidated statement of financial activities, is analysed as follows:

	<b>2024</b>	2023
	<b>Total</b>	Total
	<b>£000</b>	£000
Cost of sales	1,319	1,268
Administration expenses	1,476	1,086
Tax charge on profit on ordinary activities	56	62
Interest receivable and similar income	(9)	-
	<u>2,842</u>	<u>2,416</u>

The assets and liabilities of the subsidiaries before consolidation were:

	<b>2024</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>	2023
	<b>SHEAP</b>	<b>SCT R</b>	<b>VES</b>	<b>Total</b>	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
Tangible fixed assets	4,829	-	-	4,829	4,794
Investments	-	7,318	6,650	13,968	13,981
Current assets	2,419	14	1,488	3,921	3,875
Current liabilities	(1,264)	(6)	(6)	(1,276)	(1,389)
Provisions for liabilities and charges	(312)	-	-	(312)	(258)
	<u>5,672</u>	<u>7,326</u>	<u>8,132</u>	<u>21,130</u>	<u>21,003</u>
Total net assets	<u>5,672</u>	<u>7,326</u>	<u>8,132</u>	<u>21,130</u>	21,003
Called up share capital	1,000	10,052	8,132	19,184	19,197
Profit and loss account	1,728	(2,726)	-	(998)	(1,398)
Capital contribution reserve	2,944	-	-	2,944	3,078
Revaluation reserve	-	-	-	-	126
	<u>5,672</u>	<u>7,326</u>	<u>8,132</u>	<u>21,130</u>	<u>21,003</u>
Total reserves	<u>5,672</u>	<u>7,326</u>	<u>8,132</u>	<u>21,130</u>	21,003

Further details of the subsidiary companies and of their tax charge for the year are included in their financial statements, copies of which may be obtained from Companies House.

## Notes (continued)

### 7 Debtors

	Group		Charity	
	2024 £000	2023 £000	2024 £000	2023 £000
Trade debtors	691	605	-	-
Prepayments and accrued income	303	196	146	161
Other debtor	66	100	1	1
Programme-related loans	1,037	876	1,037	876
	<u>2,097</u>	<u>1,777</u>	<u>1,184</u>	<u>1,038</u>

### 8 Cash and cash equivalents

	Group		Charity	
	2024 £000	2023 £000	2024 £000	2023 £000
Cash at bank and in hand	9,102	9,446	6,171	6,347
	<u>9,102</u>	<u>9,446</u>	<u>6,171</u>	<u>6,347</u>

### 9 Creditors: amounts falling due within one year

	Group		Charity	
	2024 £000	2023 £000	2024 £000	2023 £000
Trade creditors	1,236	1,288	72	70
Other tax and social security	15	13	-	-
Other creditors and accruals	4,906	3,411	4,809	3,254
	<u>6,157</u>	<u>4,712</u>	<u>4,881</u>	<u>3,324</u>

### 10 Provisions for liabilities and charges

	Group		Charity	
	2024 £000	2023 £000	2024 £000	2023 £000
At beginning of year	(214)	(161)	9	0
Credit for year	(65)	(53)	(9)	9
At end of year	<u>(279)</u>	<u>(214)</u>	<u>(0)</u>	<u>9</u>

In addition, a provision of £33,242 (2023: £35,549) was made in respect of Capital Grants.

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £278,631 (2023: £222,622) is analysed as follows:

## Notes (continued)

### 10 Provisions for liabilities and charges (continued)

Group	Assets		Liabilities		Net	
	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000
Accelerated capital allowances	-	-	279	223	279	223
Net tax (assets) / liabilities	-	-	279	223	279	223

### 11 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	393,589	393,589
Outgoing resources	(1,448)	(1,448)
Gain/(Loss) in the year	61,306	61,306
Transfers	(7,786)	(7,786)
At end of year	<b>445,661</b>	<b>445,661</b>

### 12 Unrestricted income funds

Group	General funds £000	Trading funds £000	Pension reserve £000	Revaluation reserve £000	Total unrestricted income funds £000
At beginning of year	-	504	(307)	-	197
Net movement in funds	(7,786)	157	(3)	-	(7,632)
Transfers	7,786	-	-	-	7,786
Actuarial loss	-	-	(78)	-	(78)
At end of year	-	<b>661</b>	<b>(388)</b>	-	<b>273</b>

Charity	General funds £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year	-	(307)	(307)
Net incoming resources before other recognised gains and losses	(7,786)	(3)	(7,789)
Transfers	7,786	-	7,786
Actuarial loss	-	(78)	(78)
At end of year	-	<b>(388)</b>	<b>(388)</b>

## Notes (continued)

The group trading funds balance now represents the accumulated surplus on the Trust's subsidiary company undertakings, while the group and charity general fund balances have been brought into alignment. A transfer has been made to the General Fund from the Endowment Fund to eliminate the non-pension related deficit accumulated on the General Fund.

### 13 Operating leases

#### Group

Non-cancellable operating lease rentals are payable as follows:

	<b>2024</b>	2023
	<b>£000</b>	£000
Less than one year	<b>25</b>	20
Between one and five years	<b>75</b>	72
More than five years	<b>180</b>	197
	<hr/> <b>280</b> <hr/>	<hr/> 289 <hr/>

During the year £27,482 was recognised as an expense in the consolidated statement of financial activities in respect of operating leases (2023: £18,016).

### 14 Subsequent Events

There were no subsequent events post the balance sheet date and prior to the date of signing these accounts that would have a material impact on the results reported or the financial position of the group.

### 15 Pension scheme

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. The information disclosed below is in respect of the Trust's share of the assets and liabilities throughout the periods shown.

The latest full actuarial valuation was carried out at 31 March 2023 and was updated for FRS 102 purposes to 31 March 2024 by a qualified independent actuary.

	<b>2024</b>	2023
	<b>£000</b>	£000
Net pension liability defined benefit obligation	<b>(4,343)</b>	(3,781)
Fair value of plan assets	<b>4,069</b>	3,586
	<hr/> <b>(274)</b> <hr/>	<hr/> (195) <hr/>
Unfunded defined benefit obligations	<b>(114)</b>	(112)
	<hr/> <b>(388)</b> <hr/>	<hr/> (307) <hr/>

## Notes (continued)

### 15 Pension scheme (continued)

Movements in present value of defined benefit obligation:

	<b>2024</b>	2023
	<b>£000</b>	£000
At 1 April	<b>3,893</b>	5,588
Current service cost	<b>50</b>	106
Interest cost	<b>182</b>	150
Actuarial losses/(gains)	<b>523</b>	(1,803)
Contributions by members	<b>18</b>	19
Benefits paid	<b>(209)</b>	(167)
	<hr/>	<hr/>
At 31 March	<b>4,457</b>	3,893
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets:

	<b>2024</b>	2023
	<b>£000</b>	£000
At 1 April	<b>3,586</b>	3,693
Expected return on plan assets	<b>168</b>	98
Actuarial gains/(losses)	<b>445</b>	(116)
Contributions by employer	<b>61</b>	59
Contributions by members	<b>18</b>	19
Benefits paid	<b>(209)</b>	(167)
	<hr/>	<hr/>
At 31 March	<b>4,069</b>	3,586
	<hr/> <hr/>	<hr/> <hr/>

Expenditure recognised in the statement of financial activities:

	<b>2024</b>	2023
	<b>£000</b>	£000
Current service cost	<b>(50)</b>	(106)
Interest cost	<b>(14)</b>	(52)
	<hr/>	<hr/>
Total	<b>(64)</b>	(158)
	<hr/> <hr/>	<hr/> <hr/>

The expenditure is recognised in the following line items in the statement of financial activities:

	<b>2024</b>	2023
	<b>£000</b>	£000
Charitable activities – support costs	<b>(64)</b>	(158)
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 15 Pension scheme (continued)

The total amount recognised in the other recognised gains and losses section of the statement of financial activities are as follows:

	<b>2024</b>	2023
	<b>£000</b>	£000
Actuarial gains/(losses)	<b>(523)</b>	1,803
Return on assets attributed to the Charity excluding interest income	<b>445</b>	(116)
	<u><b>(78)</b></u>	<u>1,687</u>

The fair value of the plan assets and the return on those assets were as follows:

	<b>2024</b>	2023
	<b>Fair value</b>	Fair value
	<b>£000</b>	£000
Equities	<b>3,174</b>	3,084
Bonds	<b>488</b>	107
Property	<b>366</b>	359
Cash	<b>41</b>	36
	<u><b>4,069</b></u>	<u>3,586</u>
Actual return on plan assets	<u><b>613</b></u>	<u>(18)</u>

The expected rates of return on plan assets are determined by reference to the historical actual returns on the fund as provided by the administering authority and index returns where necessary.

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	<b>2024</b>	2023
	<b>%</b>	%
Discount rate	<b>4.80</b>	4.75
Future salary increases	<b>2.80</b>	3.05
Inflation / pension increase rate	<b>2.80</b>	2.95

In valuing the liabilities of the pension fund at 31 March 2024, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 21.3 years (male), 23.4 years (female).

Future retiree upon reaching 65: 23.4 years (male), 25.7 years (female).

The Trust expects to contribute approximately £49,000 (2024: £52,000) to its defined benefit plans in the next financial year to 31 March 2025.

## Notes (continued)

### 16 Related parties

In the year to 31 March 2024 the SCT Renewables Limited invested £Nil (2023: £Nil) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

In the normal course of business, some of the Trustees are appointed as directors or as Trustees of other organisations and charitable bodies within the Shetland Islands, including those which the Trust may from time to time transact with, either through routine business or in the provision of charitable grants. These relationships are not considered to be related party transactions as in no instance is the level of mutual Trustees such as to provide direct or indirect control, or to place the Trustees in a position where they are able to provide influence over the financial and operating policies of the other organisations.

There are no outstanding amounts owed to/by related parties.

### 17 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

The preparation of the financial statements requires Trustees and directors of the subsidiary companies to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

#### *Critical accounting judgements in applying the Company's accounting policies*

The Trustees believe that major judgements are applied around depreciation and pension valuation assumptions.

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. In valuing the liabilities of the pension fund and the Trust's share of the scheme assets at 31 March 2024, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2024 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

The directors of Shetland Heat Energy and Power Limited believe that the major judgements applied are around the PPE, depreciation rates and bad debt provision. The company exercises judgement to determine useful lives and residual values of property, plant and equipment. The assets are depreciated down to their residual values over their estimated useful lives. The company exercises judgement in levels of bad debt provisions required based on its knowledge of customers and past experience.

STRICTLY PRIVATE & CONFIDENTIAL



# Audit findings report

Issued to:

Shetland Charitable Trust

Year ended 31 March 2024

4 September 2024



# Contents

<b>Executive summary</b>	<b>3</b>
<b>Risk identified in the audit plan</b>	<b>4</b>
<b>Other risks noted during audit</b>	<b>7</b>
<b>Qualitative aspects of accounting</b>	<b>8</b>
<b>Recommendations on controls</b>	<b>9</b>
<b>Appendix</b>	<b>10</b>



# Executive summary

## Status and overview of the audit

Our audit [progressed as planned and the work is substantially complete, subject to the successful resolution of outstanding matters, noted below, we anticipate an unmodified audit opinion on the group's financial statements in line with agreed timetable.

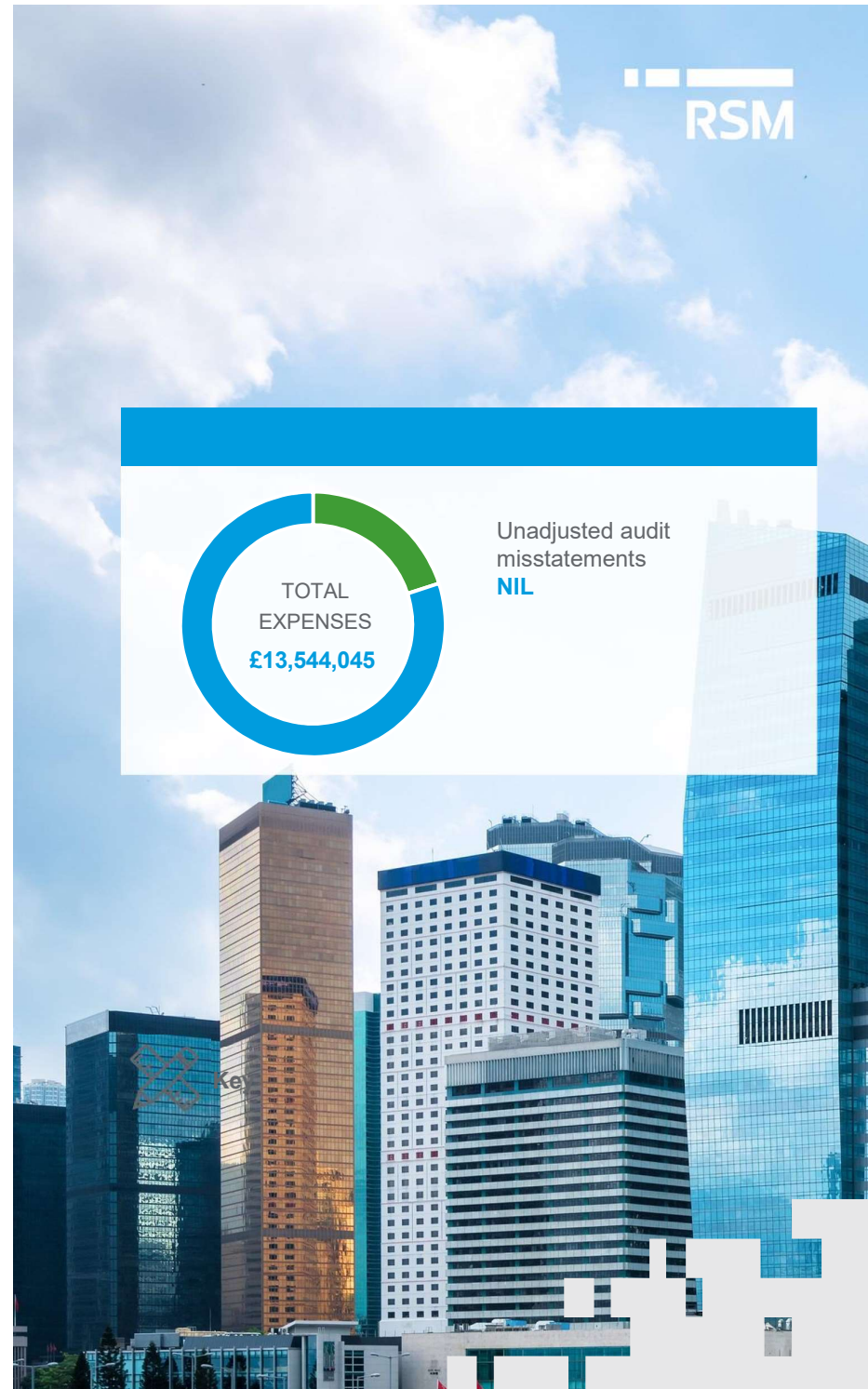
- Northern Trust year-end report (requested and chased – should be here before meeting) – [Now received](#)
- Management accounts to 30 June 2024 once prepared. [Now received](#)
- Final clearance and update on proposed strategy and impact of current negotiations – [Discussed with management team and AGAC](#)
- [Following review of post year end, it was noted FIBO repayment of £500k is to be delayed. Initial information received showed insufficient funds to make any repayment – see other audit risks section.](#)

## Final materiality

Materiality has changed since we presented our audit plan. Changes were made to materiality to reflect final year end results. As a result, materiality has changed from £335k to £359k.

## Unadjusted misstatements

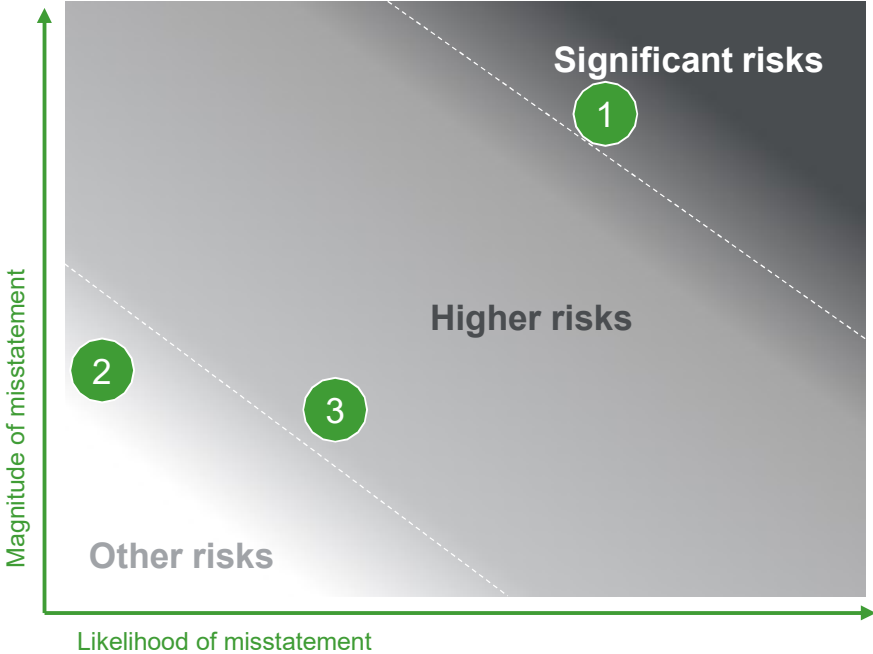
- There are no unadjusted misstatements noted



# Key audit risk findings

(See Appendix for risk description and planned work)

We have set out below details of those areas that we considered to be the key audit risks arising when we presented our audit plan. There have been no changes to the risks identified.



### Audit risks summary

Risk item	Risk identified	Change in risk
1	Management override of controls*	▶
2	Investment valuation	▶
3	Pension scheme	▶

\* = Significant risk due to risk of fraud, as required by auditing standards

# Audit risks

Risk	Findings
<p><b>Management Override</b> <i>(significant)</i></p>	<p>The system notes incorporate key financial processes and associated controls for the main systems relating to the financial statements. Our testing demonstrated that these are working effectively and as expected. Segregation of duties remains appropriate for the size of the organisation.</p> <p>Journals were reviewed on a sample basis using risk based analytical techniques. We have not identified any indications of unusual or inappropriate journals, and all were evidenced by supporting documentation.</p> <p>The accounting estimates disclosed in the financial statements include:            Valuation of defined benefit pension schemes            Provision for bad debts (SHEAP)            Useful economic lives of tangible assets (SHEAP/SCT)            Valuation of investments and potential impairment</p> <p>These estimates are in line with accounting regulations and are deemed appropriate, with no indication of management bias. There were no non-routine or contentious transactions. There were no points that impacted our audit of the financial statements in relation to control deficiencies or instances of fraud in the year.</p> <p>We conclude that there is no evidence of management override.</p>
<p><b>Pension scheme</b> <i>(higher)</i></p>	<p>We have reviewed the pension scheme documentation provided from the actuaries, including key assumptions. The assumptions are appropriate when compared to external benchmark data. The valuation of the pension scheme deficit of £388k is in line with FRS 102 requirements and the financial statement disclosures are consistent with this. We conclude that there are no misstatements in this area.</p>



# Other audit risks

Risk	Findings
<p><b>Investment valuation (other)</b></p>	<p>We completed our planned testing on managed listed investments and note the material fair value gain in the year, which reflects market conditions in the year and specifically at the year end. Our work included agreeing the information to the Northern Trust valuations which confirmed the valuation in the financial statements of £430,837k. Northern Trust were the custodian and investment monitor during the year, overseeing the other investment fund managers.</p> <p>We also obtained confirmations from the individual fund managers which were consistent on a unit basis. As usual, there were differences on the price/valuation due to the varying valuation methods used by the fund managers. In total the investment valuation in the financial statements was £430,837k compared to £432,352k per the individual fund manager confirmations. The Trust has valued investments in the financial statements at fair market value in line with the Northern Trust report. This is on a consistent and prudent basis, and in line with prior periods. We therefore conclude there are no misstatements in this area.</p> <p>SCT hold an investment in SCT Renewables Limited (SCT R). No additional capital was required in the year and there are no indications of impairment. SCT R hold an investment (90%) in Viking Energy Shetland LLP (VES) which holds an interest in the Viking Energy windfarm. During the year the main construction was completed on the windfarm and interconnector as planned. We note that testing is now underway, and it is planned that the connections will go live through 2024. The trust has a preferred return agreement based on windfarm output. The documentation was previously reviewed, and the discounted cash flow previously prepared on the future returns demonstrates that there is no current impairment of the investment.</p> <p>At the year-end, based on the current evidence, we concluded that the investment valuation basis was appropriate. Once the windfarm goes live and returns begin to be received this will be reassessed.</p> <p>SCT also holds an investment (100%) in Shetland Heat Energy and Power Limited (SHEAP). The company made a profit after tax of £158k and continues to have a strong balance sheet, mainly comprising the district heating infrastructure. There are no indications of impairment.</p>



# Other audit risks noted during audit

Risk	Findings
<b>Bridging Loan</b> ( <i>Fair Isle Bird Observatory £500k</i> )	As part of our audit, we reviewed the position with the capital works bridging loan and noted the FIBO has requested more time to pay and supplied some information with more to be received. Management are communicating with the FIIBO and have requested more information. At this stage it is more likely than not that additional funding will be secured, however there remains a risk of partial or full non-payment, which could be material to the income statement. At this stage we concur with management that it is more likely than not funding will be received. Therefore, no adjustment has been made in the accounts for this balance.



# Qualitative aspects of accounting

## Management judgements and accounting estimates

The following areas are considered to be the principal management judgements and estimates. The graphic below visually represents the impact (lower or higher) on the financial statements of a change in management's estimate. In overview, a reasonably possible change in estimate that has a low impact means that such a change will have limited impact on the financial statements.

Areas of judgement / estimate	Low impact	High impact
Valuation of Investments	■	
Useful economic lives of tangible assets (SHEAP)	■	
Provision of bad debts	■	
Pension Scheme		■



# Recommendations on controls

There were no recommendations on internal controls which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all internal control matters or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.



## Control recommendation



Assessment  
key

Significant control  
recommendation\*

Other control recommendation

No control points noted

No control points noted

*\* = these represent a risk of material misstatement to the financial results*

Appendix

# Financial statement disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Charities SORP and FRS102.

A list of disclosure points were sent to Finance Managers and appropriate updates made to the Financial Statements. There are no significant points to bring to your attention regarding any omissions or further amendments.



# Other matters to be reported

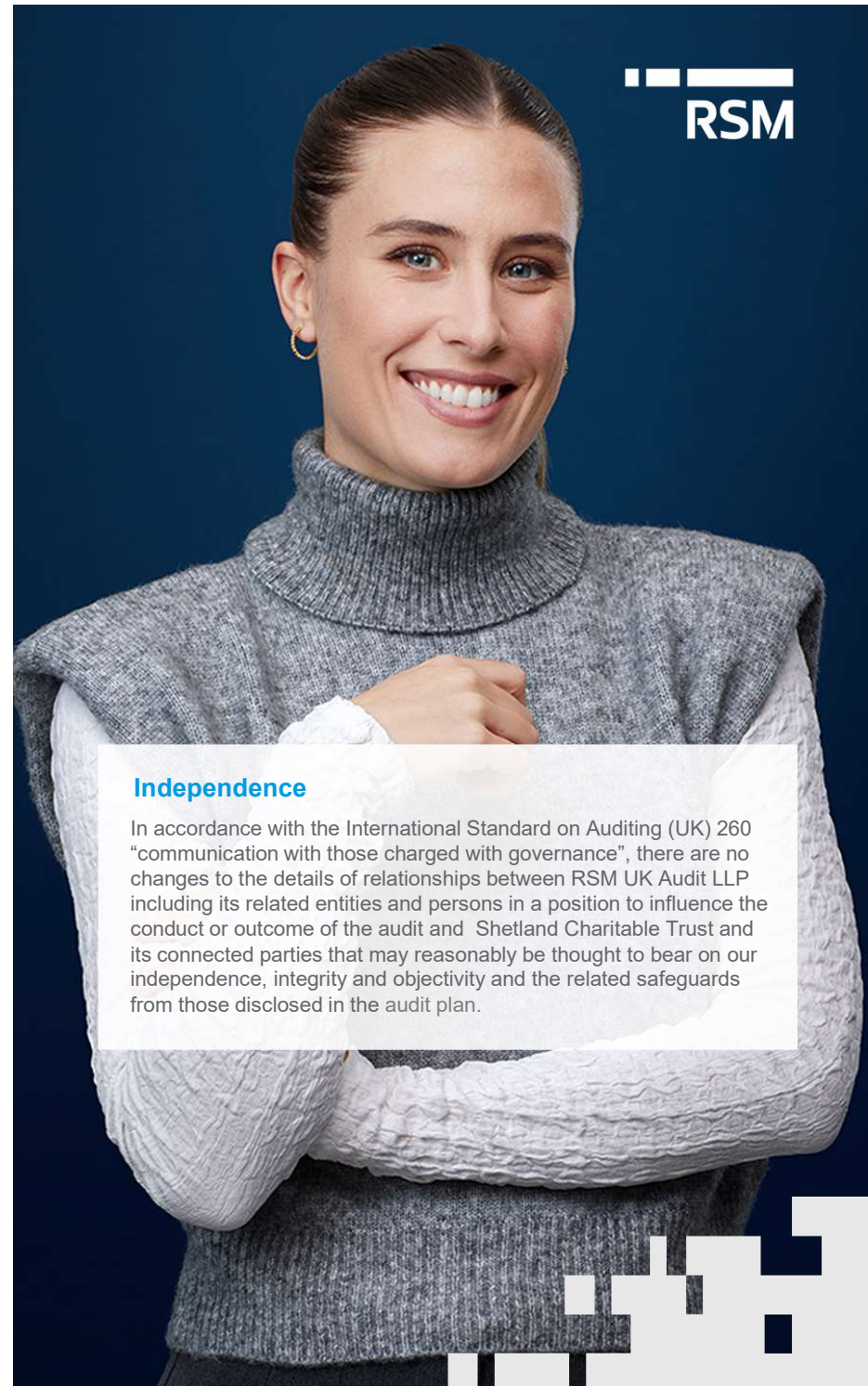
## Representations requested

In addition to those representation which we request on all audit assignments (<http://www.rsmuk.com/standard-representations>) we will be seeking specific representations from the Board on the following matters:

- In respect of items held at fair value and investments held at cost less impairment confirmation that the significant assumptions used, and valuation basis are appropriate at the year end and investments are not impaired.

## Audit fees

We have summarised below instances where additional time was required as a result of specific delays and issues. We welcome your thoughts on these and any other considerations to improve the efficiency of the process next year:



### Independence

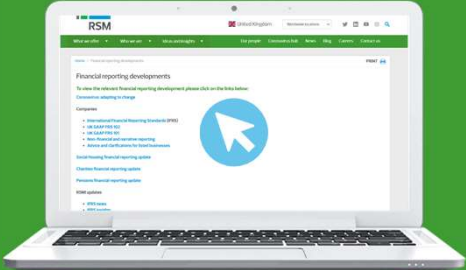
In accordance with the International Standard on Auditing (UK) 260 “communication with those charged with governance”, there are no changes to the details of relationships between RSM UK Audit LLP including its related entities and persons in a position to influence the conduct or outcome of the audit and Shetland Charitable Trust and its connected parties that may reasonably be thought to bear on our independence, integrity and objectivity and the related safeguards from those disclosed in the audit plan.

# Financial reporting updates

## Financial reporting updates

A full list of financial reporting updates can be found by clicking the link below:

[Please click here](#)



## Choose your preferences

Keep up to date on the latest news and legislation changes by signing up to receive our alerts and newsletter.

[Please click here to register](#)



Audit risk summary  
taken from the audit plan

# Audit risk summary

Risk	Description	Response
<p><b>Management override of controls</b></p>	<p>International Standards on Auditing (UK) require that we consider this and hence it is an area that receives heightened focus on every audit conducted under these auditing standards</p>	<p>Per ISA 240, there are three specific areas which an auditor should review in relation to the risk of management override of controls:</p> <p><b>Appropriateness of journal entries</b> We will perform a review of journal transactions. For a risk-based sample of journal entries we will challenge the rationale and reasonableness of transactions posted and will seek corroborative evidence. We will use analytic tools to assist our review of journal entries.</p> <p><b>Review of accounting estimates for bias</b> The principal areas of management judgement and estimation will be reviewed as part of our audit work.</p> <p><b>Understand the rationale for transactions outside the normal course of the client's business</b> Any transaction of a material nature should be picked up as part of analytical review procedures, as there would likely be a variance from either the expected or the prior year balance.</p>
<p><b>Investment valuation</b></p>	<p>There is a risk that the fair value of listed investments will be incorrectly recognised in the financial statements and that disclosures will not accurately reflect movements in the year. There is a risk that programme related investments could be impaired.</p>	<p><b>We will:</b></p> <ul style="list-style-type: none"> <li>• Use substantive analytical review procedures to ensure that listed investment values and any changes are consistent with market movements and that investments are stated correctly in accordance with the accounting policy and agree to the third-party reports supplied by the Investment Managers.</li> <li>• Discuss with you the strategy and future plans for programme related investments and review management's assessment of impairment. Indicators of impairment will be reviewed and discussed.</li> </ul>



# Audit risk summary (continued)

Risk	Description	Response
<p><b>Pension scheme</b></p>	<p>The Trust participates in the Shetland Islands Council defined benefit pension scheme. Given the present market conditions and potential adjustments to assumptions, the valuation of the pension scheme liability is significant.</p> <p>The latest valuation for the scheme will impact assets and liabilities in the financial statements. FRS 102 has detailed financial reporting disclosures that must be included in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the assumptions used in assessing the reasonableness of the pension scheme asset/liability in conjunction with management and their advisers.</li> <li>Consider the accounts disclosures to determine if they meet the disclosure requirements of FRS 102</li> <li>Discuss the Actuary's report with management and any correspondence with pension specialists.</li> </ul>



**RSM UK Audit LLP**

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

United Kingdom

T +44 (0)1595 743 520

[rsmuk.com](http://rsmuk.com)

Our report is prepared solely for the confidential use of Shetland Charitable Trust and solely for the purpose of explaining the scope and timing of the audit, and to highlight the significant risks and other audit areas that we will be focusing our audit work upon. This forms part of the ongoing communications we are required to make under the International Standard on Auditing (UK) 260 – Communication with those charged with governance.

For the avoidance of doubt, the auditor is not required to design audit procedures for the specific purpose of identifying matters of governance interest, nor does the audit relieve management or those charged with governance of their responsibilities. Throughout this document the terms partner and principal are interchangeable.

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Corporate Finance LLP, RSM UK Legal LLP, RSM UK Restructuring Advisory LLP, RSM UK Risk Assurance Services LLP, RSM UK Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP and RSM UK Creditor Solutions LLP are limited liability partnerships registered in England and Wales, with registered numbers OC325347, OC402439, OC325349, OC389499, OC325348, OC325350, OC397475 and OC390886 respectively. RSM UK Employer Services Limited, RSM UK Tax and Accounting Limited and RSM UK Management Limited are registered in England and Wales with numbers 6463594, 6677561 and 3077999 respectively. All other limited companies and limited liability partnerships are registered at 6th Floor, 25 Farringdon Street, London, EC4A 4AB. The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.





Chief Executive: Ann Black

Registered Charity Number SC027025

RSM UK Audit LLP  
Chartered Accountant  
St Olaf's Hall  
Church Road  
Lerwick  
Shetland  
ZE1 0FD

22-24 North Road  
Lerwick  
Shetland  
ZE1 0NQ

Telephone: 01595 744994

mail@shetlandcharitabletrust.co.uk  
www.shetlandcharitabletrust.co.uk

Date: 12 September 2024

Our Ref: TA2  
Your Ref:

Dear Audit Engagement Partner of Shetland Charitable Trust

### **AUDIT OF FINANCIAL STATEMENTS - 31 MARCH 2024**

This representation letter is provided in connection with your audit of the financial statements of Shetland Charitable Trust for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of my knowledge and belief, and having made appropriate enquiries of other Trustees and officials of the charity and other entities included in the group financial statements:

#### *Financial Statements*

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 11 July 2024, for ensuring that the charity and group maintains adequate accounting records and for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
2. We confirm that the methods, significant assumptions and the data used in making accounting estimates and the related disclosures are appropriate in the context of the applicable financial reporting framework.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
  - a) any advances and credits granted by the charity to trustees director and guarantees of any kind entered into on behalf of the director;
  - b) the identity of the party which controls and (if different) the party which ultimately controls the charity, if any;
  - c) transactions and balances with related parties including:

- the nature of the related party relationship;
  - the amount of the transactions;
  - the amount of outstanding balances and:
    - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
    - details of any guarantees given or received;
  - provisions for uncollectible receivables related to the amount of outstanding balances;
  - the expense recognised during the period in respect of bad or doubtful debts due from related parties; and
  - any other information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements.
- d) key management personnel compensation.
4. Full disclosure is made in the financial statements of:
- a. outstanding capital commitments contracted for at the balance sheet date;
  - b. all contingent liabilities including details of pending litigation and material claims against the charity and group;
  - c. all guarantees or warranties or other financial commitments including those given to or on behalf of other group entities.
5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
6. There have been no events or conditions (e.g. loss or reduction of source of income, loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the charity and group to continue as a going concern. Should such events or conditions occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into the charity and group's cash flow and profit forecasts the board has no plans or intentions that would impact on the ability of the charity and group to continue as a going concern.
7. With regards to our going concern assessment we confirm that our future plans are as follows:
- The charity and group does not currently intend to change the nature, scale or focus of its operations, which are as a holding company. The charity and group has sufficient working capital to continue for at least the next 12 months.
- We confirm that the charity and group has evaluated the feasibility of the matters referred to above and consider the plans to be achievable.
8. We confirm that our going concern assessment covers the period ending 30 September 2025.
9. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.

10. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole. There are no uncorrected misstatements.
11. In respect of investments held at cost less impairment we confirm that the significant assumptions used, and valuation basis are appropriate at the year-end and investments are not impaired.
12. All designated and restricted fund balances are correctly shown in the accounts.

#### *Information Provided*

1. As agreed in the terms of engagement, we have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of board's assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the charity and group's ability to conduct its activities.
7. We have disclosed to you the identity of the charity and group's related parties and all the related party relationships and transactions of which we are aware.
8. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.
9. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.

10. We confirm that we have informed you of all tax avoidance schemes used by the charity and group.

11. We confirm that as far as we are aware:

- no services have been provided to us or its affiliated entities by RSM network firms and their related entities that we have not already informed you of;
- no gifts, hospitality, favours, donations or sponsorship have been exchanged between us or our affiliated entities and RSM network firms and their related entities that we have not already informed you of;
- no employment relationships exist between us or its affiliated entities and partners or employees of RSM network firms and their related entities we have not already informed you of; and
- no other business or personal relationships exist between us or its affiliated entities and RSM network forms and their related entities we have not already informed you of.

#### *Charitable Status*

1. We have not conducted, or permitted to be conducted any activities which call into question the charitable nature of the charity or the group.
2. There have been no communications with OSCR or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any administrative duty.

We acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

To assist the auditor in complying with ISA (UK) 720 The Auditor's Responsibilities Relating to Other Information, we confirm that we have informed you of all the documents that will be communicated to the shareholders with the annual report.

We confirm that we have taken all the steps that we ought to have taken as a director in order to make myself aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we am aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy myself that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 12 September 2024.

Yours faithfully

Signed on behalf of the board of Shetland Charitable Trust

Trustee

Date 12 September 2024

## REPORT

To: Shetland Charitable Trust

Date: 12 September 2024

From: Chief Executive

Report: CT2409021

### Investment Performance Update – Three Months to 30<sup>th</sup> June 2024

#### 1. Introduction

- 1.1 The Trust's external investments are managed on its behalf by fund managers. The purpose of this report is to review investment performance for the three months to 30 June 2024.

#### 2. Market Performance

- 2.1 Markets continued to be defined by lingering inflationary pressures and central bank direction on monetary policy.
- 2.2 Despite a fall in market valuations over April, equity and other risk assets were positive over the period and amid renewed optimism for interest rate cuts over the remainder of 2024 and economic growth prospects.

#### 3. Overall External Fund Performance

- 3.1 This report concentrates on the three months from April 2024 to June 2024. However, as the Trust is a long term investor, the report also considers the performance over one, three and five years.
- 3.2 The Trust has four fund managers with total investments under management at the end of June 2024 of £442.9 million. The funds, type of mandate and market values at the end of June 2024 are as follows:

Manager	Mandate	Market Value Jun 2024 (£m)	% of Reserves
Baillie Gifford	Active Equities	203.5	45.9
BlackRock	Passive Equities	112.0	25.3
Schroders	UK Property	76.3	17.2
Insight	Diversified Growth	51.1	11.6
<b>Total</b>		<b>442.9</b>	<b>100.0</b>

- 3.3 The return on the Trust's external investments over the three month period was 2.6%.

- 3.4 The Trust's Financial Plan 2020-25 assumes a medium term return of 6.5% per annum. This is the return the Trust seeks over the medium term to meet its planned expenditure and to preserve the value of reserves in real terms.
- 3.5 The Trust also agrees a benchmark return for each fund manager to assess their performance against. Detailed below is the overall returns achieved against the combined benchmark:

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	2.6	2.5	0.1
1 Year	15.7	13.8	1.9
3 Years	(1.3)	6.9	(8.2)
5 Years	10.2	7.8	2.4

- 3.6 The returns achieved over the short term have been above composite benchmark, and over one year the returns have exceeded the Financial Plan target return. Similarly with a longer term lens, the Trust's external investments have exceeded the composite benchmark return and have met the Financial Plan target return over a five year period.

#### 4. Fund Manager Performance Baillie Gifford

- 4.1 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. The benchmark for Baillie Gifford is the MSCI All Country World Index.
- 4.2 Detailed below is Baillie Gifford's performance for the last three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/(Under) Performance %
3 Months	3.6	2.8	0.8
1 Year	23.9	20.1	3.8
3 Years	(5.5)	8.6	(14.1)
5 Years	14.8	10.9	3.9

- 4.3 Baillie Gifford returned 3.6% over the three months to 30 June 2024, compared to the broad market return of 2.8%, which was 0.8% above the benchmark return.
- 4.4 Over the three year period, Baillie Gifford have returned minus 15.6%, equivalent to a return of minus 5.5% per annum. However, over the five year period Baillie Gifford have returned 99.6%, equivalent to a return of 14.8% per annum.

## 5. Fund Manager Performance BlackRock

- 5.1 The fund with BlackRock is invested passively in equities, and the product invested in is the iShares MSCI World SRI UCITS EFT. This fund focuses on “socially responsible investment” (SRI).
- 5.2 The benchmark for this fund is the MSCI World SRI Select RFF Index. However, this is not currently available to Northern Trust and therefore it has been agreed that they will continue to use the previous benchmark, which is made up of the All Share indices in each region the funds are invested in.
- 5.3 Detailed below is BlackRock’s performance for the last three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	0.8	2.6	(1.8)
1 Year	14.0	14.8	(0.8)
3 Years	5.9	7.5	(1.6)
5 Years	7.6	7.4	0.2

- 5.3 The mandate with BlackRock over the three months to 30 June 2024 produced a return of 0.8%, which was 1.8% below the benchmark for the period.
- 5.4 Over the last three years, BlackRock have returned 18.9%, equivalent to a return of 5.9% per annum. Over the five year period BlackRock have returned 44.1%, equivalent to a return of 7.6% per annum.

## 6. Fund Manager Performance Schroders

- 6.1 Schroders invests in property via a fund of funds approach where they invest in various different property funds to spread investment risk. The Benchmark for Schroders is the IPD UK All Balanced Fund Index.
- 6.2 Detailed below is Schroders’ performance for the last three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	3.1	1.2	1.9
1 Year	2.7	0.0	2.7
3 Years	3.2	0.6	2.6
5 Years	3.1	1.5	1.6

- 6.3 Over the three months to 30 June 2024 Schroders have returned 3.1%, which was 1.9% above the property benchmark.

- 6.4 Over the last three years, Schroders have returned 10.1%, equivalent to a return of 3.2% per annum. Over the five year period Schroders have returned 16.2%, equivalent to a return of 3.1% per annum.

## 7. Fund Manager Performance Insight

- 7.1 Insight has a diversified growth fund mandate, which invests into various different asset classes to spread risk and smooth returns. The benchmark return for Insight is an annual return of cash plus 4.0% over rolling five year periods.
- 7.2 Detailed below is Insight's performance for the last three months, one year, three years and five years.

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
3 Months	1.7	2.3	(0.6)
1 Year	10.6	9.4	1.2
3 Years	1.5	6.9	(5.4)
5 Years	2.6	5.9	(3.3)

- 7.3 Over the three months to 30 June 2024 Insight have returned 1.7% over the period, which was 0.6% below the benchmark return.
- 7.4 Over the last three years, Insight have returned 4.6%, equivalent to a return of 1.5% per annum. Over the five year period Insight have returned 13.8%, equivalent to a return of 2.6% per annum.

## 8. Financial Implications

- 8.1 The long term investments and their performance are important to the Trust and the achievements of its outcomes and objectives.
- 8.2 The Trust undertook an External Investment Review during 2021 and the recommendations of this review were approved at the Trust meeting held on 16 September 2021 (CT2109021). No changes were made to the Investment Plan 2020–25.
- 8.3 The Investment Plan for the Trust is overseen by the Investment Advisory Committee (IAC), who meet regularly and report to the Board of Trustees. It is recognised that the actual investment performance each year will be different to what is expected. The IAC monitor the medium to long term performance against the Trust's objectives.

## 9. Recommendations

- 9.1 Trustees are asked to note this report.

## REPORT

To: Shetland Charitable Trust

Date: 12 September 2024

From: Chief Executive

Report: CT2409022

### Management Accounts – Three Months to 30 June 2024

#### 1 Introduction

1.1 The purpose of this report is to present Shetland Charitable Trust's (the Trust) Management Accounts for the three months ended 30 June 2024, for noting. These Management Accounts deal with all income and expenditure of the Trust.

#### 2 Management Accounts

2.1 Table 1 below shows the Summary Budget for the Trust for 2024/25 and the results in the three months to 30 June 2024.

**Table 1: Summary Management Accounts 2024/25**

<b>Item</b>	<b>Annual Budget £m</b>	<b>Actual to Jun 2024 £m</b>
Income	2.5	0.9
Disbursements	(9.0)	(4.5)
Management and Administration	(1.0)	(0.2)
Fund Managers Fees	(1.5)	(0.4)
Gain/(Loss) on Investments	28.0	10.8
<b>Total</b>	<b>19.0</b>	<b>6.6</b>

2.2 A more detailed analysis of the figures above is set out in Appendix A.

2.3 In the three months ended 30 June 2024 the Trust made a gain on its investments of £10.8m.

### **3 Financial Implications**

3.1 No direct financial implications flow from this information report.

### **4 Recommendations**

4.1 Trustees are asked to note the Trust's financial position at the three months ended 30 June 2024 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT2409022



# Shetland Charitable Trust

Management Accounts  
3 Months Ended 30 June 2024

**Shetland Charitable Trust  
Income and Expenditure  
Period to 30 June 2024**

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
<b>Income</b>				
Managed fund dividends	0	0	0	0
Managed fund interest	813,711	500,000 *	313,711	2,000,000
Local equity gift aid	0	0	0	0
Rental income	110,731	125,000	-14,269	500,000
Bank interest	0	0	0	0
Miscellaneous income	10,000	0	10,000	0
	<u>934,442</u>	<u>625,000</u>	<u>309,442</u>	<u>2,500,000</u>
<b>Expenditure</b>				
Disbursements	-4,527,126	-4,500,000	-27,126	-9,000,000
Management and administration	-192,042	-246,250	54,208	-985,000
Fund managers	-437,002	-374,250	-62,752	-1,497,000
	<u>-5,156,170</u>	<u>-5,120,500</u>	<u>-35,670</u>	<u>-11,482,000</u>
Gain on investments	10,868,145	7,001,250	3,866,895	28,005,000
<b>Surplus/(Deficit)</b>	<u><b>6,646,417</b></u>	<u><b>2,505,750</b></u>	<u><b>4,140,667</b></u>	<u><b>19,023,000</b></u>

\* Managed Fund Interest is not cash funds received by the Trust. It represents income that the fund managers receive (mainly property rental), that for Accounting purposes the Trust is required to show as income. These funds are reinvested by the fund managers.

**Shetland Charitable Trust**  
**Balance Sheet**  
**Period to 30 June 2024**

	Jun-24	
	£	£
Tangible fixed assets		23,000
Investments		<u>454,751,357</u>
		454,774,357
Trade debtors	24	
Prepayments and Accrued income	182,252	
Other debtors	1,011,701	
Bank	<u>1,283,844</u>	
	2,477,821	
Trade creditors	47,116	
Accruals and Deferred income	4,897,149	
Other creditors	<u>123</u>	
	4,944,388	
Net current assets		<u>-2,466,567</u>
		452,307,790
Pension liability		<u>-388,000</u>
		<u>451,919,790</u>
Opening reserves		445,273,373
Surplus for period		<u>6,646,417</u>
Closing reserves		<u>451,919,790</u>

-

**Shetland Charitable Trust**  
**Rental Income**  
**Period to 30 June 2024**

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
Sullom Voe Site	110,731	124,875	-14,144	499,500
Shetland Golf Course	-	125	-125	500
	110,731	125,000	-14,269	500,000

**Shetland Charitable Trust  
Disbursements  
Period to 30 June 2024**

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
<b><u>Main Grant Scheme</u></b>				
Ability Shetland	16,750	33,500	16,750	33,500
Alzheimer Scotland	23,000	23,000	-	23,000
Clan Cancer Support	20,500	20,500	-	20,500
COPE Limited	121,150	242,300	121,150	242,300
Dogs Against Drugs	21,500	21,500	-	21,500
Gaada	15,000	30,000	15,000	30,000
Mind Your Head	31,750	63,500	31,750	63,500
Moving On	18,850	37,700	18,850	37,700
NSPCC Scotland	-	4,000	4,000	4,000
OPEN Project	16,450	32,900	16,450	32,900
Royal Voluntary Service	33,700	67,400	33,700	67,400
Shetland Amenity Trust	630,850	1,261,700	630,850	1,261,700
Shetland Arts Development Agency	376,200	752,400	376,200	752,400
Shetland Befriending Scheme - 16+	13,600	13,600	-	13,600
Shetland Befriending Scheme - CYP	28,100	56,200	28,100	56,200
Shetland Care Attendants Schme	27,150	54,300	27,150	54,300
Shetland Community Connections	17,700	17,700	-	17,700
Shetland Islands Citizen Advice Bureau	143,000	286,000	143,000	286,000
Shetland Islands Council Rural Care Model	993,100	1,986,200	993,100	1,986,200
Shetland Link Up	29,000	58,000	29,000	58,000
Shetland Recreational Trust	1,694,600	3,389,200	1,694,600	3,389,200
Shetland Women's Aid	52,550	105,100	52,550	105,100
The Compass Centre	24,000	48,000	24,000	48,000
The Swan Trust	14,850	29,700	14,850	29,700
Voluntary Action Shetland - Core	46,550	93,100	46,550	93,100
Voluntary Action Shetland - Market House	50,100	100,200	50,100	100,200
Voluntary Action Shetlnad - Carers Service	18,500	37,000	18,500	37,000
Who Cares? Scotland	17,650	35,300	17,650	35,300
<b><i>Sub Total Main Grant Scheme</i></b>	<b>4,496,150</b>	<b>4,450,000</b>	<b>4,403,850</b>	<b>8,900,000</b>
<b><u>Small Grant Scheme</u></b>	<b>30,976</b>	<b>50,000</b>	<b>19,024.00</b>	<b>100,000</b>
<b><u>Capital Grant Scheme</u></b>	-	-	-	-
<b>Surplus Grants Refunded</b>	-	-	-	-
<b>Total</b>	<b>4,527,126</b>	<b>4,500,000</b>	<b>4,422,874</b>	<b>9,000,000</b>

**Shetland Charitable Trust**  
**Management and Administration Expenditure**  
**Period to 30 June 2024**

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
Basic Pay and Allowances	77,103	100,550	23,447	402,200
Professional Membership Fees	-	125	125	500
Staff recruitment	-	375	375	1,500
Travel and Subsistence	27	1,250	1,223	5,000
Training and Staff Development	554	1,300	746	5,200
<b>Sub Total Staffing Costs</b>	<b>77,685</b>	<b>103,600</b>	<b>25,915</b>	<b>414,400</b>
<b>Operating Costs</b>				
Insurance	3,470	4,125	655	16,500
Administration	988	1,575	587	6,300
Supplies and Services	997	1,563	566	6,250
Bank Charges	29	100	71	400
Professional Fees	2,858	18,750	15,892	75,000
External Audit Fees	6,435	6,375	-60	25,500
Financial advice	41,160	25,000	-16,160	100,000
Trustees Expenses	-	250	250	1,000
Meeting expenses	256	438	181	1,750
Legal Fees	27,606	18,750	-8,856	75,000
Trustee Recruitment Costs	-	375	375	1,500
<b>Sub Total Operating Costs</b>	<b>83,799</b>	<b>77,300</b>	<b>-6,499</b>	<b>309,200</b>
<b>Property Costs</b>				
Energy Costs	28	1,750	1,722	7,000
Water Rates	386	375	-11	1,500
Building Maintenance	8,118	36,250	28,132	145,000
Cleaning	61	450	389	1,800
<b>Sub Total Property Costs</b>	<b>8,594</b>	<b>38,825</b>	<b>30,231</b>	<b>155,300</b>
<b>Bad debt write off</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Bought In Services</b>				
Treasury	5,100	5,100	0	20,400
Payroll	175	175	0	700
Building Maintenance	12,450	12,450	0	49,800
Committee Services	1,875	1,875	0	7,500
Computer Services	1,806	2,500	694	10,000
Peninsula	558	675	117	2,700
Public Relations	-	3,750	3,750	15,000
<b>Sub Total Bought In Services</b>	<b>21,964</b>	<b>26,525</b>	<b>4,561</b>	<b>106,100</b>
<b>Total</b>	<b>192,042</b>	<b>246,250</b>	<b>54,208</b>	<b>985,000</b>

**Shetland Charitable Trust**  
**Investment expenses**  
**Period to 30 June 2024**

	3 Month Actual £	3 Month Budget £	Variance £	Annual Budget £
Management Expenses	38,149	- *	-38,149	-
Northern trust fees	12,370	12,250	-120	49,000
Insight investment fees	56,393	53,750	-2,643	215,000
BlackRock	56,019	52,500 *	-3,519	210,000
Schroders fees	45,752	47,250	1,498	189,000
Baillie Gifford fees	228,320	208,500	-19,820	834,000
	<u>437,002</u>	<u>374,250</u>	<u>-62,752</u>	<u>1,497,000</u>

\* Management Expenses and BlackRock Management Fees are not invoiced. It represents expenditure that the fund managers deduct, that for Accounting purposes the Trust is required to show as expenditure.



## REPORT

To: Shetland Charitable Trust

Date: 12 September 2024

From: Chief Executive

Report: CT2409023

### Capital Works Bridging Loan Scheme

#### 1. Introduction

- 1.1 The purpose of this report is to provide Trustees with an update of the Capital Works Bridging Loan Scheme.

#### 2. Background

- 2.1 On 18 March 2010, Trustees agreed to provide short term bridging finance to community organisations undertaking capital projects. The interest free loans are used to alleviate cash flow problems when waiting for funding from EU, Scottish Government, SRDP, LEADER, ERDF and/or lottery grants to be received. (Min. Ref. CT15/10)
- 2.2 Funding for capital projects is often only released once work has been completed and invoices paid. This can create insurmountable cash flow burdens for some organisations.
- 2.3 A total of £1 million was set as the maximum available at any one time.
- 2.4 At the Trust meeting on 27 February 2020 it was noted that in future, only the projects relating to the current financial year would be reported on rather than including all the historical information.
- 2.5 At the Trust Meeting on 25 November 2021, Trustees agreed to increase the maximum loan capital available at any one time under the Scheme to £1.5 million (CT2111026).

#### 3. Present Position

- 3.1 As at 1 April 2024, there were eight loans outstanding.
- 3.2 In the period 1 April 2024 to 30 June 2024, one organisation was awarded a new loan.

3.3 In the period 1 April 2024 to 30 June 2024, two organisations fully repaid their loan.

3.4 Appendix A lists the outstanding loans as at 30 June 2024.

3.5 Covid-19 had an impact on some of these projects and their timeline for repayment. Organisations are also now experiencing delays as a result of difficulty securing contractors and materials. The Trust is in contact with all organisations to receive updates on repayments.

#### **4. Financial Implications**

4.1 There are no new financial implications arising from this report. However, it should be noted that the provision of interest free loans means that the capital involved is not generating investment returns.

#### **5. Conclusion**

5.1 Six loans brought forward at 1 April 2024 remain active and one loan awarded in the current year is active.

#### **6. Recommendation**

6.1 Trustees are asked to note this report.

Reference: D19

Report Number: CT2409023

## Capital Works Bridging Loan Scheme Update

CT2409023 Appendix A

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid to 31/03/24 £	Due to SCT at 01/04/24 £	Repaid £ 2024/25	Due to SCT at 30/06/24 £	Notes
<b>Loans approved 2019/20</b>								
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	346,710	19,290	10,790	8,500	Receiving monthly repayments of £500.
<b>Loans approved 2021/22</b>								
South Nesting Boating Club (SCIO)	66,000	53,460	53,460	25,393	28,067	-	28,067	Extension requested - Repayment expected December 2024.
Scalloway Community Development Company	669,755	400,000	400,000	350,000	50,000	50,000	-	-
<b>Loans approved 2022/23</b>								
Community Development Company of Nesting	112,117	100,905	100,905	90,905	10,000	10,000	-	-
<b>Loans approved 2023/24</b>								
Fair Isle Bird Observatory Trust	8,000,000	500,000	500,000		500,000	-	500,000	Extension requested to March 2025.
Unst Boating & Swimming Club	280,211	217,000	217,000		217,000	-	217,000	Repayment of £207,000 received July 2024, £10,000 repaid in August 2024 - repaid in full.
Community Development Company of Nesting	97,597	87,837	87,837		87,837	65,878	21,959	Further repayment expected August 2024.
Shetland UHI	138,411	124,570	124,570		124,570	-	124,570	£30,000 repaid July, £94,570 repaid in August 2024 - repaid in full.
<b>Loans approved 2024/25</b>								
Fetlar Community Association	155,000	110,700	110,700			-	110,700	Loan paid out 31.05.2024, repayment expected October 2024.
<b>TOTAL</b>	<b>9,947,191</b>	<b>1,960,472</b>	<b>1,960,472</b>	<b>813,008</b>	<b>1,036,764</b>	<b>136,668</b>	<b>1,010,796</b>	