



Shetland Charitable Trust

Shetland Charitable Trust

Trustees' report and consolidated
financial statements

Charity number SC027025

31 March 2009

For more information, please visit our website at:
www.shetlandcharitabletrust.co.uk

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Chair's introduction

The year ended with the share market, which is our biggest single area of investment, at a low ebb. Conversely, the bond market has held up well and our local investments, notably Shetland Leasing and Property Limited, are earning improving profits.

The uncertain investment outlook, with no consensus among forecasters about the likely trends, has caused us to begin a review with the biggest bodies funded by the Trust to seek reductions in future spending. The anticipated savings, together with a likely reduction in the cost of the Christmas Grant Scheme, should take a large step towards bringing spending closer to the sustainable level. The review will ultimately cover every part of the Trust's spending.

Another working group is reviewing the governance of the Trust, particularly the composition of the Trustee body, to meet a request from the Office of the Scottish Charities Regulator and to ensure compliance with the Scottish Charities Act. This group is expected to report during the coming year.

The Trust continues to examine the possibility of investing, in partnership with Scottish and Southern Energy, in a large wind farm in central Shetland. The financial estimates regarding this prospect continue to be positive, but can only be finally arrived at once a consent to build has been achieved. The consent application will be submitted early in the new financial year. The costs to the determination of the application are expected to be contained within the original budget estimate.

After a period of more than 18 months without a General Manager, Ann Black took up the post in January 2009 and is making an energetic start. We look forward to her contribution and to the activities of the Trust being examined by a fresh eye. During the interregnum our staff, led by Jeff Goddard doubling as Acting General Manager as well as Financial Controller, coped willingly and efficiently with all that was demanded of them. I extend our gratitude and thanks to them all.



WH Manson
Chair
Shetland Charitable Trust
3 November 2009

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

William Henry Manson, Mangaster, Sullom – Chair
James Herculeson Henry, 17 Murrayston Lerwick – Vice Chair
Leslie Angus, 12 Lovers Loan, Lerwick
Laura Florence Baisley, 2 Effstigarth Herra Mid Yell
James Budge, Bigton Farm, Bigton
Alexander Jamieson Cluness, 5 Twageos Road, Lerwick
Alastair Thomas James Cooper, Linga, Mossbank
Adam Thomas Doull, Islesburgh, Sullom
Allison George Leslie Duncan, 1 Hillock, Dunrossness
Elizabeth Laureen Fullerton, Valdur, Bridge End, Burra
Florence Barbara Grains, Hoove, Whiteness
Iris Jean Hawkins, 48 Sycamore Avenue, Scalloway
Robert Simpson Henderson, Maraberg, Cullivoe, Yell
Andrew James Hughson, Brunthamarsland House, Girlsta
Caroline Helen Janette Miller, Heogan, Bressay
Richard Chadsey Nickerson, Ringan, Bigton
Valerie Margaret Lillias Nicolson, Midgarth, Twagoes Road, Lerwick
Frank Andrew Robertson, Columbus, Selivoe, Bridge of Walls
Gary Robinson, 17 Burnside, Lerwick
Joseph Gilbert Simpson, Brucefield, Symbister, Whalsay
John Hamilton Scott, Keldabister Banks, Bressay
Cecil Laing Smith, 1 Westerloch Crescent, Lerwick
Jonathon Witney Garriock Wills, Sundside, Bressay
Allan Sinclair Wishart, Seafiel Lodge, Lower Sound, Lerwick (resigned 5 August 2009)

Chief Executive Morgan Goodlad (resigned 31 December 2008)

General Manager Ann Black (appointed 1 January 2009)

Financial Controller Jeff Goddard

Bankers Bank of Scotland
117 Commercial Street
Lerwick
ZE1 0DL

Auditors KPMG LLP
37 Albyn Place
Aberdeen
AB10 1JB

Trustees' Report *(continued)*

Solicitors	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	
Investment Managers	Insight Investment Management (Global) Limited 33 Old Broad Street, London, EC2N 1HZ	
	Record Currency Management Limited Morgan House Madeira Walk Windsor Berkshire SL4 1EP	Barclays Global Investors Limited Murray House Royal Mint Court London EC3N 4HH
Custodian And Investment Monitor	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT	
Investment Consultant	Hymans Robertson LLP 20 Waterloo Street Glasgow G2 6DB	

Trustees' Report *(continued)*

Section 2: Structure, Governance and Management

Governing Document

The Shetland Islands Council Charitable Trust was established by a Deed of Trust on 10 September 1997, and registered in the Books of Council and Session on 24 September 1997. It replaced an earlier trust, which was also called Shetland Islands Council Charitable Trust (established 1976) now known as SICCT 1976 (Scottish Registered Charity SC016192). The Trust Deed appoints Trustees, states the charitable purposes of the Trust and also sets out the powers of the Trustees. This Trust has since been re-named Shetland Charitable Trust.

Charitable Status

Charitable status was originally conferred on the Trust by H M Inspector of Taxes, based on the terms of the Trust Deed. Granting of tax reliefs is now the responsibility of HM Revenue and Customs (in succession to the Inland Revenue), and charitable status confers exemption from payment of most taxes. Regulation of charities in Scotland is now the responsibility of the Office of the Scottish Charity Regulator (OSCR), created on 24 April 2006. The registered charity number is SC027025. Both these regulators require to be satisfied as to the Trust's charitable activities and, with regard to OSCR, public benefit generated.

Trustees – Appointment, Induction and Training

Following the resignation of Allan Wishart on 5 August 2009, the Trust has twenty-three Trustees, namely, twenty-one of the Councillors of Shetland Islands Council as individuals, the Lord Lieutenant of Shetland and the Head Teacher of the Anderson High School. All are appointed as Trustees *ex officio*. The Trust Deed indicates which individuals are deemed to appropriately represent the interests of the beneficiaries of the Trust, by virtue of their positions within the community. A list of names and addresses of Trustees can be found on page 2.

Trustee training is provided as appropriate. New Trustees receive induction training. From time to time, Trustees receive reports on their roles and responsibilities, in line with developing guidance from OSCR.

Management and Administration

The Trust is managed and administered by a team of nine directly employed staff. The General Manager's role is to ensure that the charitable activities carried out by the Trust are carried out in furtherance of its purposes, value for money and complement the needs and aspirations of the community, all in accordance with the Trust Deed and the law. The Financial Controller is responsible for the effective management of the Trust's liquid resources. This includes ensuring that charitable status is retained and putting in place effective investment policies. Some specialist services are purchased from Shetland Islands Council, and other providers, under various service level agreements.

The Trust's procedures are governed by a set of Administrative Regulations. This public document has been updated to reflect the changes in administration, and is available on request from the Trust's office.

Complementary Services

Shetland Charitable Trust is an independent and unique organisation. Although it aligns itself with the work undertaken by Shetland Islands Council under its statutory obligations, there is no financial relationship between the two parties (except contractually in connection with some specific joint projects). The Trust attempts to complement the work of Shetland Islands Council by remaining aware of the overall direction, strategy and service needs required for this community. To that end, the two bodies have historically shared a Chief Executive, which has helped to ensure that the Council and the Trust complement each other's work and retain a common strategic direction. That position changed when the current Chief Executive resigned on 31 December 2008, and the post was deleted.

Trustees' Report *(continued)*

Subsidiary Companies

The activities of the three wholly owned subsidiary companies of the Trust are reviewed in Section 5. The Trust as the only member nominates all the directors as follows:

Shetland Leasing & Property Developments Limited (SLAP)	James Henry – Chair (appointed 26 March 2009) William Manson – Chair (resigned 26 March 2009) William Manson – Vice Chair (appointed 26 March 2009) James Henry – Vice Chair (resigned 26 March 2009) Alexander Cluness Allison Duncan Iris Hawkins Caroline Miller Allan Wishart (resigned 5 August 2009) Robert Henderson (appointed 22 September 2009) Adam Doull (appointed 22 September 2009)
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The same directors were appointed to serve on the board of SLAP's subsidiary company, SLAP (Trading) Limited.

Shetland Heat Energy & Power Limited (SHEAP)	Gary Robinson – Chair Richard Nickerson – Vice Chair James Henry Allison Duncan Allan Wishart (resigned 5 August 2009) Robert Henderson (appointed 22 September 2009)
C. T. Shetland (F. M.) Limited	Florence Grains Iris Hawkins William Manson James Henry

Viking Energy Limited

The Trust owns 90% of the issued share capital of Viking Energy Limited, and the activities of that company are discussed in Section 5. The Trust has nominated directors as follows:

William Manson – Chair
Alastair Cooper
Allan Wishart (resigned 5 August 2009)
Caroline Miller (appointed 22 September 2009)

Risk Management

A Working Group of Trustees was set up in July 2006 to review the adequacy of the Trust's risk management arrangements. Over time, Trustees consider that the risks which require to be actively managed have moved from being of a strategic nature, to being more operational in nature. That is not to say that the Trust does not face significant strategic risks, but the Trustees feel that the steps taken to mitigate against those risks are suitable and reasonable.

Trustees ranked their risks in order of severity of impact and frequency of occurrence. Priority is given to tackling the issues which have a high likelihood of occurring and a major impact on service delivery should they occur. The Working Group identified 33 potential risks, which may impact on the business of the Trust. An Action Plan was drawn up and progress reports are prepared to ensure that Trustees remain confident that systems are in place to mitigate against the risks identified.

A further Working Group of Trustees met in the summer of 2008 to perform a second in depth review of the adequacy of the Trust's risk management arrangements.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Trustees' Report *(continued)*

Section 3: Objectives and Activities

Objects of Trust (extracted from the Trust Deed)

The Trustees shall hold the Trust Fund at their sole discretion to make grants or loans with or without interest out of the income or capital of the Trust Fund for any purpose which in the opinion of the Trustees are solely in the interests of the area administered by the local or other governmental authority for the time being of the Shetland Islands or of the inhabitants of the said area (hereinafter referred to as "the community") and provided that any such grant or loan is for charitable purposes: declaring that without prejudice to the generality of the foregoing such grants or loans may be made for the following purposes:

- (a) In carrying out developments on or in connection with the said area calculated to promote the welfare of the community;
- (b) in encouraging and assisting the holding of meetings of members of the community for purposes of recreation, instruction or education;
- (c) in improving, maintaining and encouraging the improvement and maintenance of means of communication in the said area, and in particular by (i) building or improving or maintaining ports, harbours, piers, roads, bridges and aerodromes; (ii) hiring or chartering or purchasing and operating any boat, ship, vessel, aeroplane or any kind of land, sea or air vehicle; (iii) laying or maintaining telephone and telegraph wires or cables, whether on land or under the sea; and (iv) installing and operating stations for wireless and television;
- (d) in promoting directly or indirectly the development of any industry or industries among the community for its benefit in any manner in which the Trustees consider desirable;
- (e) in promoting directly or indirectly the development of agriculture among the community for its benefit;
- (f) in encouraging the education of the community by such means as the Trustees may consider desirable;
- (g) in improving the medical service to the community by such means as the Trustees may consider desirable;
- (h) in the preservation and improvement of the said area in the manner which in the opinion of the Trustees is most conducive to promoting the said area for the benefit of the community and of the Nation;
- (i) in the founding, endowing and equipping of schools, colleges, institutions, laboratories, experimental station, libraries, sports centres, welfare centres or technical education centres for the community;
- (j) in encouraging the study and practice of any useful branch of human knowledge by the provision of buildings, equipment or otherwise as the Trustees may consider desirable;
- (k) in the doing of all such other things as are incidental to any of the foregoing purposes:
 declaring further that no act of the Trustees shall be deemed to be ultra vires by reason only that individuals or bodies who do not form part of the community may or will benefit indirectly by such act.

Priorities

In their corporate plan, Trustees have identified a number of priorities, which link to the objects. Priority will be given to supporting projects and activities which:

1. contribute to a balanced provision of public services within Shetland [*all objects*]
2. support services to people in need [*object (a), (g), (i)*]
3. support services for the elderly [*object (a),(i)*]
4. support services for children and young people [*object (a), (b), (f), (i)*]
5. contribute to maintaining and developing Shetland's environment [*object (a), (h)*]
6. contribute to diversifying Shetland's economic base [*object (a), (c), (d), (i)*]
7. contribute to the removal of the so-called "dependency culture" [*object (a), (b), (c), (d), (f), (i), (j)*]
8. support employment in rural areas [*object (c), (d),(e), (i), (j)*]

The Trust's corporate plan is a public document and is available from the Trust's offices.

Trustees' Report *(continued)*

Shetland Islands Council

In furtherance of its charitable activities narrated in the Trust Deed, the Trust endeavours to "top up" public services, in line with the community's needs, which are complementary to those provided by national and local taxation.

The Trust wishes to ensure that the charitable activities it carries out are appropriate and complementary to those activities carried out by Shetland Islands Council. This is done through dialogue with the Chief Executive, the Council's Head of Finance and our Service Co-ordinators (see below).

Rather than employ people who are experts in particular fields, the Trust seeks advice from senior managers in the Council as to what activities it might carry out for the public benefit of the inhabitants of Shetland. These managers are referred to as Service Co-ordinators and their role is to determine:

- the strategic service framework within which any bid for funding from the Trust should be considered;
- an appropriate level and standard of service to be provided and express that in a Service Statement or Service Level Agreement (as appropriate);
- the appropriate cost at which to buy that service with due regard to comparable information and funding from other sources; and
- an appropriate monitoring and evaluation framework to ensure that services are being delivered to the required standard.

This ensures that the two organisations follow the same strategic direction and avoids any duplication of effort in assessing if projects or activities are suitable for funding. The Service Co-ordinators provide professional advice, with the final decision to support a project or activity, lying with the Trustees.

Grant Making Policy

At the moment, the Trust could be described as a strategic funding body as, in the main, it provides funding for other organisations to carry out activities on its behalf and only undertakes a small amount of "direct" activity in the Shetland community. The Trust can only give grants where a benefit to the Shetland community is clearly demonstrable.

Funded Bodies – Performance Monitoring

The Trust has moved away from the idea of "deficit" funding the running costs of organisations to being more specific about the activities which they are providing in the community for the grant assistance provided. This change is reflected in the application process, which requires the organisations to give details of what activities they provide in the community, who they benefit and what difference they make to life in Shetland. The Trust's staff monitor the actual performance of the funded bodies against those described in the relevant application form, and report exceptions to Trustees. Trustees have received presentations from all of the funded bodies who have received funding of £50,000 or more over the last four years, and it is proposed to repeat this over the next four years. These processes are significant steps towards an overall performance monitoring process which will enable Trustees and beneficiaries (the Shetland community) to assess the overall contribution to the Shetland community of activities funded by and directly provided by the Trust.

Trustees' Report *(continued)*

Financial Objectives

Trustees agreed in 2002 to move the Trust's financial planning onto a triennial basis (from the annual basis used previously), in an attempt to smooth out the effect of fluctuations in the Trust's income (principally derived from the world's markets). Significant reductions were made in charitable and administrative expenditure in the three year period to 31 March 2006. The three year period to 31 March 2009 was largely spent in consolidating the financial position of the Trust.

Turning to the current three year period ending on 31 March 2012, Trustees have agreed that expenditure needs to be reduced by a further £1 million pa to comply with the Trust's long term strategy of 'self sustainability', ie only spending the (average) growth in the fund after inflation, and so preserving the real value of the capital sum.

Trustees were very concerned following the terrible falls in the world's stock markets in the autumn of 2008, but decided not to disturb the current three year financial objectives described above.

Budgets

Each year the Trustees adopt a budget for the incoming financial year. Details of the initial budget approved by Trustees are given in column 1 of the tables on pages 10 and 11. Some variations are approved during the year, and these are shown in Column 2 of the tables. The Trustees usually debate the annual budget in public. Most charitable disbursements are also considered in public. The main exceptions are grants to specific individuals, where the names and addresses are kept confidential, in order to preserve the privacy and dignity of the grantees.

Minutes

The public minutes of all meetings of the Trustees, together with the relevant reports, may be inspected during office hours, at the Trust's office at 22-24 North Road, Lerwick. The public minutes are also available electronically through the trust's website, www.shetlandcharitabletrust.co.uk.

Section 4: Achievements and Performance

Service Plan

Trustees have approved a Service Plan, which sets out a description of what the Trust does for the people in this community, to help to improve their quality of life. The Service Plan is presented as three elements, as follows:

- looking after the Trust, by protecting the assets and keeping proper accounts (this is mostly achieved by Trustee monitoring and the operation of an appropriate system of Internal Controls);
- investing funds wisely, to earn money but also to maintain the Trust's capital value (investment performance for the year is reviewed in Section 5);
- providing funding for additional services to the people of Shetland, beyond that which you would normally expect to receive from statutory agencies (see below).

During the year to 31 March 2009, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

- | | |
|-------------------------------|---|
| • Citizens Advice Bureau | • Shetland Arts |
| • COPE Ltd | • Shetland Befriending Scheme |
| • Couple Counselling Shetland | • Shetland Churches Council Trust |
| • Disability Shetland | • Festivals: Fiddle and Accordion |
| • Festivals: Folk Festival | • Shetland Council of Social Service (now called Voluntary Action Shetland) |
| • Shetland Link-up | • Shetland Recreational Trust |
| • Shetland Amenity Trust | • Shetland Youth Information Service |
| • Shetland Art Therapy | • The Swan |

The Trust has agreed a change to the funding arrangements for these organisations whereby, in future, it will enable organisations which it funds to hold small reserves, for unforeseen items and to help with cash flow issues, rather than them having to return all unspent balances to the Trust. This change took effect from 1 April 2007.

Trustees' Report *(continued)*

During the year, the Trust worked with the organisations funded to develop a system of service performance reporting. Trustees considered a progress report on service performance in December 2008, which set out, in detail, how the Trust's money makes a difference to people and communities. In the main, Trustees were satisfied that most organisations were performing satisfactorily against their stated targets, and there were no significant areas of concern. The Trust also supports a range of charitable projects and schemes, as set out below:

- Christmas Grant to Pensioners and Disabled Households
- Development Grant Aid Scheme
- Community Support Grant Aid Scheme
- Arts Grant Aid Scheme
- Sheltered Housing Heating
- Senior Citizen's Clubs
- Employment of Disabled
- Equalisation of Residential Care Charges
- Shetland Field Studies Service
- Local Charitable Organisations
- Social Assistance Grants
- Bus Services Elderly and Disabled

The Trust has held a dialogue with HM Revenue and Customs over the Christmas Grants. The Trust has modified the Scheme from 2009 and onwards to better target the grants towards those in financial need. The Trustees intend to minimise in negotiation with HM Revenue and Customs the possible extent of any tax bill eventually levied.

Over the years the Trust has invested in a range of community facilities and equipment and has in place a planned maintenance programme to ensure that the buildings, equipment and other assets are well maintained and in good condition. The facilities and assets include:

- leisure centres in Unst, Yell, Brae, Aith, Whalsay, Scalloway and Sandwick
- the Clickimin Complex in Lerwick
- rural care centres in Unst, Yell, Whalsay, Brae, Walls and Levenwick
- the Garrison Theatre in Lerwick
- the New Museum and Archives in Lerwick
- Market House, the Voluntary Resource Centre in Lerwick
- Various offices and other buildings for local charities
- The Swan, heritage sailing vessel

Trustees made a number of one-off contributions during the year. Trustees had previously agreed to a contribution of up to £600,000 towards the CAT Scanner Appeal, a fund-raising appeal organised by a number of local volunteers. The balance (£194,505) of this grant has been paid out. Work is continuing on a programme of upgrading the Fire Safety arrangements in the six rural care homes owned by the Trust. Final instalments were paid in respect of the construction of Market House and the New Museum and Archives.

The detail of how much money is spent on these charitable programmes is shown in tabular format on pages 10 and 11. The tables show five columns, the original budget, changes to the budget agreed by Trustees during the year, actual spend during the year and any variances at the year end.

Financial Performance

In 2008/09, Trustees set a three year financial policy for the years up to 31 March 2012. This policy requires Trustees to reduce expenditure by £1 million per annum by 31 March 2012. This policy was set before the spectacular falls in share values last autumn. The markets showed some recovery by 31 March 2009 from the low point at the beginning of that month. The recovery has continued in the current financial year, but is still below where the Trust needs to be if the long term strategy of self-sustainability is to be met. Trustees are continuing to take a three year view and have not changed the target for savings. It remains to be seen what recovery the markets make over this period.

Details of the activities and performance of the Trust's subsidiary companies are provided in Section 5 of this report. In summary, SLAP and SHEAP have performed well in 2008/09 and have generated profits for the Shetland Charitable Trust group ahead of expectations. The rentals from the land at the Sullom Voe terminal also made a useful contribution, if below expectation for the year.

Trustees' Report *(continued)*

The Trust continues to review its own management and administration costs. These have fallen from over £900,000 in 2002/03 to around £600,000 in 2008/09. The introduction of service level agreements with the Shetland Islands Council for the provision of agreed, specific, expert work, as negotiated by the Trust's independent management, instead of the previous system of accepting Council recharges is a key contributor to this fall. The Trust staffing has reduced from 11 in 2005/06 to eight in 2007/08, but has now risen to nine with the appointment of a new General Manager. Salary costs have risen slightly as a consequence of this appointment.

Charitable Expenditure

Year to 31 March 2009

	Original budget £	Vire / enhance £	Current budget £	Actual spend £	Variance £
Charitable Organisations					
Shetland Amenity Trust	1,056,299	-	1,056,299	1,056,300	(1)
Shetland Arts Development Agency	754,513	15,000	769,513	769,514	(1)
Shetland Field Studies Service	35,097	-	35,097	27,199	7,898
Shetland Recreational Trust	2,925,004	106,900	3,031,904	3,031,904	-
Shetland Youth Information Service	183,840	-	183,840	183,840	-
COPE Limited	145,034	-	145,034	145,034	-
Citizens Advice Bureau	130,015	15,135	145,150	145,150	-
Voluntary Services Resource Centre	152,631	-	152,631	152,631	-
Shetland Churches Council Trust	-	53,669	53,669	53,669	-
SCSS – Children's Befriending Scheme	54,571	-	54,571	54,571	-
SCSS – New Shetlander	1,566	-	1,566	1,566	-
Disability Shetland Recreation Club	12,933	-	12,933	12,933	-
Women's Royal Voluntary Service	54,515	-	54,515	54,515	-
The Swan Trust	47,900	-	47,900	47,900	-
Shetland Link Up	47,669	-	47,669	47,669	-
Shetland Link Up – Art Therapy	25,555	-	25,555	25,555	-
Relate Shetland	12,000	-	12,000	12,000	-
Cost of Change (Trusts)	-	50,000	50,000	25,244	24,756
Sub total: Charitable Organisations	5,639,142	240,704	5,879,846	5,847,194	32,652

	Original budget £	Vire / enhance £	Current budget £	Actual spend £	Variance £
Projects					
Independence at Home Scheme	-	74,466	74,466	24,993	49,473
Community Alarm Scheme	97,000	23,865	120,865	119,956	909
Christmas Grant Scheme	1,125,500	-	1,125,500	1,655,096	(529,596)
Equalisation of Charges	3,129,656	-	3,129,656	3,129,656	-
Community Development Grants	21,836	(4,051)	17,785	17,785	-
Community Support Grants	63,060	6,159	69,219	69,219	-
Festival Grants	28,800	-	28,800	28,800	-
Arts Grant Scheme	40,575	(2,108)	38,467	21,687	16,780
Social Assistance Grants	53,060	2,000	55,060	32,874	22,186
Senior Citizens Clubs	24,480	-	24,480	21,292	3,188
Buses for Elderly and Disabled	49,000	-	49,000	48,000	1,000
Local Charitable Organisations	10,000	-	10,000	9,860	140
Sheltered Housing Heating	25,500	-	25,500	25,500	-
Employment of Disabled	10,850	-	10,850	7,197	3,653
Springfield Running costs	2,000	-	2,000	2,853	(853)
Contingency	20,000	(20,000)	-	-	-
Charitable Gift – Caravan	-	-	-	7,888	(7,888)
Sub total: Projects	4,701,317	80,331	4,781,648	5,222,656	(441,008)

Trustees' Report *(continued)*

	Original budget £	Vire / enhance £	Current budget £	Actual spend £	Variance £
Property Advice and Maintenance					
Shetland Amenity Trust	277,130	-	277,130	277,130	-
Shetland Arts (including Weisdale Mill)	63,000	-	63,000	45,445	17,555
Shetland Recreational Trust	605,712	-	605,712	605,712	-
Market House	8,000	-	8,000	25,433	(17,433)
Swan Trust	20,500	-	20,500	20,500	-
Rural Care Homes Fire Safety	-	450,000	450,000	251,766	198,234
Rural Care Homes Building Mgt Systems	-	7,000	7,000	10,862	(3,862)
Springfield Chalet	1,500	-	1,500	1,113	387
Maintenance 22-24 North Road	22,000	-	22,000	8,196	13,804
Contingency	25,000	-	25,000	409	24,591
Sub total: Property Advice & Maintenance	1,022,842	457,000	1,479,842	1,246,566	233,276
Total of Programme	11,363,301	778,035	12,141,336	12,316,416	(175,080)
Capital Expenditure Projects (slippage from Previous years)					
CATS Scanner	-	-	-	194,505	-
Market House	-	-	-	9,829	-
New Museum and Archives	-	-	-	81,615	-
	-	-	-	285,949	-
Less: Charitable grants repaid	-	-	-	(92,031)	-
Overall total				12,510,334	

Section 5: Financial Review

Growth and Unrestricted Funds

The 1976 Trust's main source of capital in its early days was from quarterly payments made to it under the terms of a legal agreement between the then Zetland County Council, and the operators of the Sullom Voe Oil Terminal. This agreement was popularly known as the Disturbance Agreement, and the sums paid to the Trust were generally known as the Disturbance Receipts. Disturbance Receipts continued to form a significant proportion of new funds for the existing Trust until the agreement ended in August 2000. Over the years, the Disturbance Receipts amounted to just over £81 million. The Trust now relies chiefly on funds generated by investments on the world's Stock Exchanges. In 2008/09, around £4 million income was derived from investments in Shetland, valued at around £25 million, in SLAP, the land at Sullom Voe Terminal and the District Heating Scheme infrastructure.

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

Reserves Policy

The aim of the Trustees 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 2009) of the Trust's reserves that are invested to generate income (ie not the 'Donated Properties') is around £170 million, which covers expenditure for around 15 years.

Trustees will seek to control risk through proper diversification and will take advice, as appropriate, in determining the mix of asset types in its investments.

None of the Trust's funds are for restricted purposes. Trustees are free to determine how to apply their Unrestricted Reserves in a manner consistent with the Trust objectives and in line with its Budget Strategy.

Investment Performance

The Trust's capital has been invested by the Trustees in three main areas:

Trustees' Report *(continued)*

- Shares and other securities quoted on the world's Stock Exchanges
- Cash on deposit
- Subsidiary companies

Stock Exchanges

As at 31 March 2009, four fund managers managed the Trust's Stock Exchanges portfolio. Barclays Global Investors manage around £92 million invested in equities (shares), Insight Investment manage around £50 million in bonds and commercial property, and Record Currency Management manage around £2 million in currency.

This review covers the year to 31 March 2009, which contained the extraordinary downturn in the markets in the autumn of 2008. Trustees reviewed the investment strategy and decided to sit tight and not crystallise paper losses. Fortunately the Trust had built up cash reserves before the worst of the falls, which has avoided the need for precipitate reaction. A low point was reached at the beginning of March 2009. Since then around half the losses have been recovered. There are mixed signals on the short to medium term economic prospects, and Trustees and their advisers will review matters regularly. The markets were down in 2008/09 and the Trust experienced a negative return of 19%.

Representatives from the Trust's fund managers visit Shetland yearly in May and report to a meeting of the Trustees. In addition, a Trustee, normally the Chairman, accompanies the Financial Controller on monitoring visits. These take place yearly in November.

A separate firm, Northern Trust, is retained by the Trust to provide custody services, performance appraisal and analysis of the fund managers' handling of the portfolio. A representative of this company visits Shetland at least once a year, and reports to the Trustees at the May meeting attended by the fund managers.

The Trust uses Hymans Robertson as Investment Consultants. Hymans Robertson provide data and advice to help Trustees on strategic investment strategy (asset allocation) decisions, and on Fund Manager selection.

Cash on Deposit

The Trust has entered into a Service Level Agreement with Shetland Islands Council whereby the Trust has access to the money markets at a level which it may not have been able to achieve on its own. Surplus cash has achieved at least base rate by this mechanism.

Subsidiary Companies

Shetland Leasing and Property Developments Limited (SLAP) is a wholly owned subsidiary of the Trust, purchasing, developing and letting various properties throughout Shetland. SLAP gift aids its profits to the Trust. The Board has agreed a gift aid payment of just over £4.25 million to Shetland Charitable Trust in the financial year 2008/09. This mechanism means that neither body pays tax on these profits.

The Board of SLAP has decided, with the agreement of the Trust, that SLAP should concentrate on its core activities of leasing and property development. Disinvestment from direct investment in local businesses is effectively complete. The property portfolio is valued at over £15 million and it generated rental income of over £2.5 million in 2008/09. The Directors believe that this represents a very satisfactory 'commercial' rate of return.

SLAP (Trading) Limited is a wholly owned subsidiary of SLAP and was formed to undertake hire purchase and loan finance. A decision was taken in 2002 not to undertake any new hire purchase agreements, and with the existing agreements coming to an end, the company has become dormant, and is expected to be wound up shortly.

Shetland Heat Energy and Power Limited, a wholly owned subsidiary of the Trust, was set up to operate the Lerwick District Heating Scheme. After two start-up years which were loss-making (partly due to difficulties at the Council's incinerator, the principal source of heat for the scheme). The company has made profits, before the various returns to the Trust, for the eighth successive year. Investments in the District Heating Scheme Infrastructure made by the Trust since 1 April 2002 can be regarded as fully 'commercial'. A gift aid payment of £254,901 was made to the Trust in the financial year 2008/09. SHEAP has almost 1,000 customers receiving heat.

Trustees' Report *(continued)*

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*.

Viking Energy Limited has entered into a 50:50 partnership with SSE Viking Ltd., a subsidiary of Scottish and Southern Energy plc. The partnership is a legal entity in its own right and is called Viking Energy Partnership, VEP. VEP has been investigating the technical, environmental and financial possibilities/consequences of developing a large windfarm in central Shetland. VEP lodged an application in May 2009 with the Scottish Government Energy Consents Unit for a 150 turbine (540MW) windfarm. The Trustees have set a budget of up to £3 million for this exploratory, investigative phase.

Trustees are not committed to go ahead with construction and operation of the windfarm, and will face further important decisions should consent be granted.

Decisions about Investments

When the Trustees 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 just how safe the money is. It is easier to take hard decisions when the investments are on a Stock Exchange, but less so when they involve local concerns. Investment, wherever it is made, involves using Trust funds wisely so as 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. Trustees reviewed their long term investment strategy in 2008.

Current Financial Position

As described in Section 3 above, the Trust agreed in 2002 that in future Trustees would update its financial policy and set new budget strategies on a triennial basis. Trustees have set a financial policy for the three years 2009/10 to 2011/12, of savings of at least £1 million per annum over that period.

Section 6: Plans For The Future

Trustees

After a meeting in November 2008 with Office of the Scottish Charities Regulator (OSCR), Trustees have been asked to review the governance arrangements of the Trust. OSCR had concerns that the current structure and arrangements made it difficult to evidence independence and compliance with section 66 of the 2005 Act.

Trustees were asked to submit an action plan to OSCR by 1 July 2009, and it was agreed at the Trustees' meeting on 19 February 2009 to establish a Governance Review Group. The Governance Review Group has worked hard to prepare proposals to present to the full board of Trustees on the future governance of the Trust. Given the complex nature of this task, it has taken longer than initially anticipated to undertake this work, though draft proposals have now been drawn up. This work is ongoing and OSCR is being kept informed on progress.

Financial Position

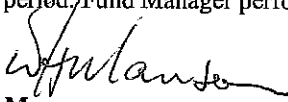
The three year plan covers the period until 31 March 2012, and expenditure needs to reduce by at least £1 million per annum by then if Trustees are to achieve their objective of financial self-sustainability. A Review Group has been set up to look at all the activities the Trust funds. The group has already identified areas where expenditure can be reduced with minimal impact on services.

Funded Bodies

Trustees are likely to examine the performance monitoring process that the Trust currently uses and seek to develop it further. It has proved useful in the past for Trustees to receive presentations on activities and issues from the funded bodies, and Trustees may wish to repeat this process. A working group has been appointed to undertake a review of the bodies funded by the Trust, with a view to identifying possible savings.

Investment Strategy and Fund Manager Performance

Trustees reviewed Investment Strategy in 2008, and instructed officers to implement various changes over a two year period. Fund Manager performance is reviewed by Trustees annually in May.


WH Manson
Chair

3 November 2009

Statement of trustees' responsibilities in respect of the Trustees' report and the financial statements

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the 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 excess of income over expenditure for that period.

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;
- • prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue its activities.

The trustees are required to act in accordance with the Trust Deed 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group 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.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditors' report to the trustees of Shetland Charitable Trust

We have audited the group and charity financial statements ("the financial statements") of Shetland Charitable Trust for the year ended 31 March 2009 which comprise the Consolidated and Trust statement of financial activities, the Consolidated and Trust balance sheets, the Consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of trustees and auditors

The trustees' responsibilities for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities on page 14.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the regulations made under that section of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion


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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the charity's affairs as at 31 March 2009 and of the group's incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.


KPMG LLP
Chartered Accountants
Registered Auditor
Eligible to act as an auditor in terms of section 25 of the Companies Act 1989

25 November 2009

Consolidated statement of financial activities
for the year ended 31 March 2009

	Note	Unrestricted funds		2009	2008
		General funds £000	Expendable endowment £000	Total £000	Total £000
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary income	2	8,153	-	8,153	-
Activities for generating funds – trading subsidiaries		4,029	-	4,029	2,451
Investment income		4,360	-	4,360	8,684
<i>Other incoming resources</i>					
Rental income		1,337	-	1,337	1,644
Other income		268	-	268	390
Total incoming resources		18,147	-	18,147	13,169
Resources expended					
<i>Cost of generating funds</i>					
Expenditure of trading subsidiaries	7	(1,330)	-	(1,330)	(980)
Investment management costs		(386)	-	(386)	(1,216)
Bad debt provision		-	-	-	(621)
<i>Charitable activities</i>	3	(13,019)	(1,266)	(14,285)	(13,311)
<i>Governance costs</i>	3	(74)	-	(74)	(69)
Total resources expended		(14,809)	(1,266)	(16,075)	(16,197)
Net (outgoing) incoming resources before other recognised gains and losses		3,338	(1,266)	2,072	(3,028)
Other recognised gains and losses					
Losses on managed fund investments		-	(44,721)	(44,721)	(24,532)
Revaluation of tangible fixed assets		-	-	-	26
Actuarial (losses) gains in defined benefit pension scheme		(429)	-	(429)	232
Net movement in funds		2,909	(45,987)	(43,078)	(27,302)
Fund balances brought forward		(19,125)	238,631	219,506	246,808
Fund balances carried forward		(16,216)	192,644	176,428	219,506

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.


Trust statement of financial activities
for the year ended 31 March 2009

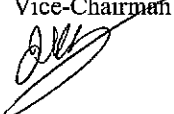
	Note	Unrestricted funds		2009 Total £000	2008 Total £000
		General funds £000	Expendable endowment £000		
Incoming resources					
<i>Incoming resources from generated funds</i>					
Voluntary Income	2	8,153	-	8,153	-
Investment income		4,360		4,360	8,684
Gift aid payment from subsidiary undertakings	7	4,508	-	4,508	3,098
<i>Other incoming resources</i>					
Rental income		1,337	-	1,337	1,644
Other income		268	-	268	390
Total incoming resources		18,626	-	18,626	13,816
Resources expended					
<i>Cost of generating funds</i>					
Investment management costs		(386)	-	(386)	(1,216)
Provision (made) released against equity investment		-	(303)	(303)	588
Bad debt provision		-	-	-	(621)
<i>Charitable activities</i>	3	(13,019)	(1,266)	(14,285)	(13,311)
<i>Governance costs</i>	3	(74)	-	(74)	(69)
<i>Other resources expended</i>					
Interest payable on loan from subsidiary		(1,529)	-	(1,529)	(2,157)
Total resources expended		(15,008)	(1,569)	(16,577)	(16,786)
Net incoming (outgoing) resources before other recognised gains and losses		3,618	(1,569)	2,049	(2,970)
Other recognised gains and losses					
Losses on managed fund investments		-	(44,721)	(44,721)	(24,532)
Actuarial (losses) gains in defined benefit pension scheme		(429)	-	(429)	232
Net movement in funds		3,189	(46,290)	(43,101)	(27,270)
Total funds brought forward		15	219,408	219,423	246,693
Fund balances carried forward		3,204	173,118	176,322	219,423

Consolidated balance sheet
at 31 March 2009

	<i>Note</i>	2009		2008	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	5		27,653		23,015
Investments:					
Investments	6	143,045		193,005	
Programme-related investments	7	6,789		7,152	
			<u>149,834</u>		<u>200,157</u>
Total fixed assets			<u>177,487</u>		<u>223,172</u>
Current assets					
Stocks		26		40	
Debtors	9	1,872		2,803	
Investments		12		3	
Cash at bank and in hand		7,073		6,268	
			<u>8,983</u>		<u>9,114</u>
Creditors: amounts falling due within one year	10	(7,814)		(10,878)	
			<u>1,169</u>		<u>(1,764)</u>
Net current assets (liabilities)			<u>1,169</u>		<u>(1,764)</u>
Total assets less current liabilities			<u>178,656</u>		<u>221,408</u>
Provisions for liabilities and charges	12		(1,466)		(1,578)
			<u>177,190</u>		<u>219,830</u>
Net assets excluding pension liability			<u>177,190</u>		<u>219,830</u>
Pension liability	15		(762)		(324)
			<u>176,428</u>		<u>219,506</u>
Net assets including pension liability			<u>176,428</u>		<u>219,506</u>
Represented by:					
Expendable endowment	13		192,644		238,631
Unrestricted income funds:					
General funds	14		(5,597)		(6,244)
Trading funds	14		(9,883)		(12,583)
Revaluation reserve			26		26
			<u>(15,454)</u>		<u>(18,801)</u>
Unrestricted income funds excluding pension liability			(15,454)		(18,801)
Pension reserve	14		(762)		(324)
			<u>(16,216)</u>		<u>(19,125)</u>
Total unrestricted income funds			<u>(16,216)</u>		<u>(19,125)</u>
Total charity funds			<u>176,428</u>		<u>219,506</u>

These financial statements were approved by the trustees on 3 November 2009 and were signed on their behalf by:


WH Manson
Chairman

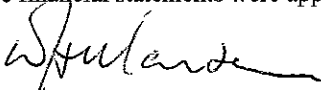
JH Henry
Vice-Chairman


Trust balance sheet

at 31 March 2009

	Note	2009 £000	2008 £000
Fixed assets			
Tangible assets	5	12,209	11,742
Investments:			
Investments	6	143,045	193,005
Programme-related investments	7	52,266	52,888
		<u>195,311</u>	<u>245,893</u>
Total fixed assets		207,520	257,635
Current assets			
Debtors	9	1,348	2,059
Investments		9	3
Cash at bank and in hand		5,305	2,642
		<u>6,662</u>	<u>4,704</u>
Total current assets		6,662	4,704
Creditors: amounts falling due within one year	10	(1,598)	(4,592)
		<u>5,064</u>	<u>112</u>
Net current assets		5,064	112
Total assets less current liabilities		212,584	257,747
Creditors: amounts falling due outwith one year	11	(35,500)	(38,000)
		<u>177,084</u>	<u>219,747</u>
Net assets excluding pension liability		177,084	219,747
Pension liability	15	(762)	(324)
		<u>176,322</u>	<u>219,423</u>
Net assets including pension liability		176,322	219,423
Represented by:			
Expendable endowment	13	173,118	219,408
Unrestricted income funds			
General funds	14	3,966	339
Pension reserve	14	(762)	(324)
		<u>3,204</u>	<u>15</u>
Total unrestricted income funds		3,204	15
		<u><u>176,322</u></u>	<u><u>219,423</u></u>

These financial statements were approved by the trustees on 3 November 2009 and were signed on their behalf by:



WH Manson
Chairman

JH Henry
Vice-Chairman



Consolidated cash flow statement
for the year ended 31 March 2009

	2009		2008	
	£000	£000	£000	£000
Net cash outflow from operating activities		(3,956)		(10,071)
Returns on investment and servicing of finance				
Investment income and interest received		4,390		8,400
Capital expenditure and financial investment				
Purchase of managed funds investments	(274,558)		(267,680)	
Purchase of tangible fixed assets	(5,021)		(504)	
Sale of managed funds investments	283,975		265,199	
Sale of tangible fixed assets	-		263	
Loans repaid	326		(1,217)	
Net cash inflow (outflow) from capital expenditure and financial investment		4,722		(3,939)
Management of liquid resources				
Net movement on in cash flows attributable to managed fund investments		(9,417)		2,481
Funds (deposited) withdrawn from short term deposit (net)		5,066		3,716
Increase in cash in the year		805		587

Notes to the consolidated cash flow statement
for the year ended 31 March 2009

Reconciliation of net incoming (outgoing) resources to net cash outflow from operating activities	2009	2008
	£000	£000
Net incoming (outgoing) resources	2,072	(3,028)
Investment income and interest receivable	(4,360)	(8,684)
Depreciation written off and impairment of tangible fixed assets	1,266	1,256
Movement in pension liability	9	13
Decrease (increase) in stock	14	(16)
Donated assets receivable	(973)	-
Decrease (increase) in debtors	931	(350)
Increase (decrease) in creditors	(3,064)	520
(Decrease) increase in provisions	149	218
	<hr/>	<hr/>
Net cash outflow from operating activities	(3,956)	(10,071)
	<hr/> <hr/>	<hr/> <hr/>
 Reconciliation of net cash flow to movement in net funds		
Increase in cash in the year	805	587
Cash outflow (inflow) from increase (decrease) in liquid resources	(5,066)	(3,716)
	<hr/>	<hr/>
Change in net funds resulting from cash flows	(4,261)	(3,129)
Net funds at the start of the year	13,057	16,186
	<hr/>	<hr/>
Net funds at the end of the year	8,796	13,057
	<hr/> <hr/>	<hr/> <hr/>
Net funds comprise:		
Cash in hand held by investment managers	1,711	6,786
Temporary deposits	12	3
Cash at bank and in hand	7,073	6,268
	<hr/>	<hr/>
	8,796	13,057
	<hr/> <hr/>	<hr/> <hr/>

Notes

(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. The amendment to FRS 17 'Retirement benefits' has been adopted in these financial statements for the first time and the disclosures it requires have been presented for both the current and comparative period. The amendment to FRS 17 also requires that quoted securities are valued at their current bid-price rather than their mid-market value. No adjustment has been applied to the comparative figures as the Trustees considered the effect of this change not to be material to the financial statements.

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 applicable accounting standards and 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" issued in March 2005.

Basis of consolidation

These financial statements consolidate the assets and liabilities of the charity and its wholly-owned subsidiaries, Shetland Leasing and Property Developments Limited and Shetland Heat Energy and Power Limited, on a line by line basis. The income and expenditure of these subsidiaries are also consolidated on a line by line basis where appropriate, with sufficient information being provided in note 6 to these financial statements to ensure that the non-consolidated results of the Trust and its subsidiaries are transparent.

The results of the Trust's other subsidiary undertakings are not consolidated as the Trustees consider them to be immaterial in aggregate to the Trust itself.

In accordance with FRS 21 *Events after the balance sheet date*, gift aid payments are accounted for in the year payments are actually made.

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 Leasing and Property Developments Limited and Shetland Heat Energy and Power Limited adjusted to remove interest payable by the Trust to those companies and gift aid payments made to the Trust by those companies.

Incoming resources

Activities for generating funds

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

Turnover in Shetland Leasing and Property Development Limited comprises rental income from the leasing of investment properties, the leasing of an aeroplane and the chartering of a vessel and arises entirely in the United Kingdom. Rental income from the operating lease of investment properties is recognised on a straight line basis over the period of the lease. Certain of the group's property developments and lease agreements provide for a notional rate of interest to be charged on development costs for the purpose of calculating the rental due. Such notional interest is not reflected in these financial statements, but will effectively be credited to the statement of financial activities over the lives of the relevant assets as a component of rental income.

Notes (continued)

1 Accounting policies (continued)

Rental income included within accruals and deferred income in the balance sheet is credited to incoming resources over the period of the lease to which it relates.

Investment income

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

Donated assets

Tangible fixed assets donated to the Trust are accounted for as incoming resources within the expendable endowment at valuation or cost. The assets are depreciated in accordance with the Trust's depreciation policy.

Resources expended

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.

Grants

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

Investments

Managed funds 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.

Tangible fixed assets and depreciation

All expenditure incurred on tangible fixed assets is capitalised irrespective of its value (ie there is no minimum level above which assets purchased are capitalised). Tangible fixed assets are capitalised at cost, with the exception of investment properties.

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
Vessel and aircraft	-	10 years or 20 years

Notes (continued)

1 Accounting policies (continued)

The asset value of the Sullom Voe site is being depreciated over its estimated remaining economic life of ten years commencing 1 April 2003, and the district heating scheme infrastructure is depreciated over a period of 30 years commencing on 1 April 2004. The depreciation is charged to the expendable endowment. No depreciation is provided in respect of freehold land.

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.

Investment properties

In accordance with Statement of Standard Accounting Practice No. 19 *Investment properties* (including properties held under leases with more than 20 years' unexpired lease term) are not depreciated or amortised but are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Where a deficit arising on revaluation is expected to be permanent, the deficit is charged to resources expended in the period of revaluation. Reversals of deficits previously treated as permanent are credited to net incoming resources to the extent that the carrying value remains below cost.

Taxation

The Trust is recognised by HM Revenue & Customs as a charity for the purposes of Section 505(1) Income and Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979. It is exempt from corporation tax on its charitable activities.

The charge or credit for taxation is based on the results of the consolidated subsidiary companies for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The charge or credit is taken to expenditure of trading subsidiaries within the statement of financial activities. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Pension costs

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.

The pension scheme assets are measured using market values. For quoted securities the mid-market price is taken as market value. The pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. Current service costs are recorded within resources expended. The net return obtained on scheme assets is recorded as investment income. Actuarial gains and losses are recognised immediately in other recognised gains and losses within the statement of financial activities.

Stock

Stocks are valued at the lower of cost and net realisable value.

Cash and liquid resources

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.

Notes (continued)

3. Cost of activities in furtherance of the charity's objects (continued)

	Group and charity	
	Total	Total
	2009	2008
	£	£
Allocation of staff and support costs, including trustees' allowance and expenses (see note 4)	30	30
Other costs	14	14
External auditors' remuneration:		
Audit of these financial statements	30	25
Audit of subsidiary undertakings (excluded from charitable governance costs)	32	36
Other services: taxation in relation to subsidiary undertakings	15	16
Total governance costs	74	69

4 Staff numbers and costs

The group had an average of nine employees during the year (2008: nine). The aggregate payroll costs of these employees was as follows:

	2009	2008
	£000	£000
Wages and salaries	211	206
Social security costs	17	16
Pension costs	28	36
	256	258

One employee (2008: one employee) received emoluments totalling between £60,000 and £69,999. Retirement benefits are accruing to this member of staff under a defined benefit pension scheme. No other employees received emoluments totalling in excess of £60,000 in either the current or previous financial year.

Two trustees, the chair and the vice-chair, received trustees' allowances totalling £7,500 (2008: £7,500) from the group during the year. Expenses totalling £1,837 (2008: £1,433) were reimbursed to 13 trustees (2008: 17 trustees) during the year.

Notes (continued)

2 Incoming resources from generated funds – voluntary income

	Group 2009 £000	Charity 2009 £000	Group 2008 £000	Charity 2008 £000
Gifts and donations	7,180	7,180	-	-
Value of donated fixed assets (see note 5)	973	973	-	-
	<u>8,153</u>	<u>8,153</u>	<u>-</u>	<u>-</u>

3 Cost of activities in furtherance of the charity's objects

Charitable expenditure

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

General funds	2009 £000	2008 £000
Payments to charitable organisations	5,847	5,722
Project expenditure	5,223	4,763
Property advice and maintenance	1,247	1,190
Capital expenditure projects	286	-
Charitable Grants Repaid	(92)	-
	<u>12,511</u>	<u>11,675</u>
Total charitable grants	12,511	11,675
Support costs	508	415
	<u>13,019</u>	<u>12,090</u>
Expendable endowment		
Depreciation – see note 4	1,266	1,221
	<u>14,285</u>	<u>13,311</u>
Total resources expended on charitable activities	14,285	13,311

Included within project expenditure are the Trust's Christmas grants to pensioners and Social Assistance grants, both of which are payable to individuals. All other grants are payable to organisations. 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 £508,000 (2008: £415,000) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £256,000 (2008: £258,000) in respect of staff costs (see note 4).

Governance costs

Governance costs totalling £74,000 (2008: £69,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £30,000 (2008: £30,000) representing an appropriate apportionment of salary costs together with trustees' expenses (see note 4) and audit fees of £30,000 (2008: £25,000).

Notes (continued)

5 Tangible fixed assets

Group	Land and buildings	District heating scheme infrastructure	Investment properties	Vessel and aircraft	Other	Total
<i>Cost or valuation</i>	£000	£000	£000	£000	£000	£000
At beginning of year	24,461	14,968	10,402	865	513	51,209
Additions	973	760	1,920		2,341	5,994
At end of year	25,434	15,728	12,322	865	2,854	57,203
<i>Depreciation</i>						
At beginning of year	16,503	11,184	-	254	253	28,194
Charge for year	1,084	182		34	56	1,356
At end of year	17,587	11,366	-	288	309	29,550
<i>Net book value</i>						
At 31 March 2009	7,847	4,362	12,322	577	2,545	27,653
At 31 March 2008	7,958	3,784	10,402	611	260	23,015

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 have been previously funded by the Trust and the capital grant conditions applied to 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 means 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 land and buildings addition for the year was the Garrison Theatre. Ownership of this building passed to the Trust on the winding up of the Islesburgh Trust. This building continues to be used as a theatre, in furtherance of the Trust's charitable objects, and as such is not held for investment purposes.

The investment properties were valued on an open market value for existing use basis as at 31 March 2008 by professionally qualified valuers. These valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual Practice Statements.

The net book value of other tangible fixed assets is analysed as follows:

	2009	2008
	£000	£000
Plant and machinery, fixtures and fittings held by Shetland Heat Energy and Power Limited	291	258
Assets under construction held by Shetland Leasing and Property Development Limited	2,254	2

Notes (continued)

5 Tangible fixed assets (continued)

Charity	Land and buildings £000	Donated Assets £000	District heating scheme infra- structure £000	Total £000
<i>Cost</i>				
At beginning of year	16,275	8,186	14,968	39,429
Additions	-	973	760	1,733
At end of year	16,275	9,159	15,728	41,162
<i>Depreciation</i>				
At beginning of year	14,865	1,638	11,184	27,687
Charge for year	170	914	182	1,266
At end of year	15,035	2,552	11,366	28,953
<i>Net book value</i>				
At 31 March 2009	1,240	6,607	4,362	12,209
At 31 March 2008	1,410	6,548	3,784	11,742

6 Managed funds

Group and Charity	2009 Market Value £000	2009 Cost £000	2008 Market Value £000	2008 Cost £000
Listed investments:				
British Government securities	25,615	26,252	27,174	26,564
Other UK fixed interest	17,654	20,091	14,898	15,713
Overseas fixed interest	2,619	2,639	4,807	3,828
	45,888	48,982	46,879	46,105
UK equities	44,914	61,964	90,865	101,007
Overseas equities	46,384	59,514	41,198	41,977
Property units	4,122	5,887	7,463	5,887
	95,420	127,365	139,526	148,871
Total investments	141,308	176,347	186,405	194,976
Cash on deposit and in hand	1,737	1,711	6,600	6,786
	143,045	178,058	193,005	201,762

Notes (continued)

6 Managed funds (continued)

	2009	2008
	£000	£000
<i>Reconciliation of market value of investments</i>		
Market value at beginning of year	193,005	214,962
Investments purchased	274,558	267,680
Investments sold	(283,975)	(265,199)
Losses on managed fund investments	(35,468)	(24,532)
Movement in investment managers' cash balances	(5,075)	94
	143,045	193,005
Market value at end of year	143,045	193,005

As at 31 March 2009, the Trust's funds other than programme-related investments are managed by Insight Investment Management, Barclays Global Investors, Capital International and Record Currency Management Limited. The split of the portfolio between the investment managers is as follows:

	2009	2009	2008	2008
	Market	Cost	Market	Cost
	value	£000	value	£000
	£000	£000	£000	£000
Insight Investment Management	49,563	52,354	52,712	50,547
Barclays Global Investors	91,637	121,817	-	-
Capital International	50	50	137,781	148,702
Record Currency Management	1,795	3,837	2,512	2,512
	143,045	178,058	193,005	201,761
	143,045	178,058	193,005	201,761

7 Programme-related investments

	Group		Charity	
	2009	2008	2009	2008
	£000	£000	£000	£000
Equity - see below	5,490	5,527	50,976	51,279
Loans - see note 8	1,299	1,625	1,290	1,609
	6,789	7,152	52,266	52,888
	6,789	7,152	52,266	52,888

Notes (continued)

7 Programme-related investments (continued)

Equity - Group	Shares in subsidiary undertakings £000	Unlisted investments £000	Total £000
<i>Cost</i>			
At beginning of year	6,252	1,126	7,378
Disposals	(251)	(500)	(751)
	<hr/>	<hr/>	<hr/>
Cost at end of year	6,001	626	6,627
	<hr/>	<hr/>	<hr/>
<i>Provisions</i>			
At beginning of year	750	1,101	1,851
Provided in year	36	-	36
Disposals	(251)	(500)	(751)
	<hr/>	<hr/>	<hr/>
Provisions at end of year	535	601	1,136
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2009	5,466	25	5,491
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2008	5,502	25	5,527
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Equity - Charity			Shares in subsidiary undertakings £000
<i>Cost</i>			
At beginning of year			70,501
			<hr/>
			70,501
			<hr/>
<i>Provisions</i>			
At beginning of year			19,222
Increase in year			303
			<hr/>
At end of year			19,525
			<hr/>
<i>Net book value</i>			
At 31 March 2009			50,976
			<hr/> <hr/>
At 31 March 2008			51,279
			<hr/> <hr/>

Notes (continued)

7 Programme-related investments (continued)

The group's investments in subsidiary undertakings include its shareholdings in the following subsidiaries, the results of which are not included in these consolidated financial statements:

<i>Name</i>	<i>Nature of business</i>	<i>% owned</i>	<i>Direct/indirect ownership</i>
SLAP (Trading) Limited	Leasing and hire purchase	100	Indirect
Viking Energy Limited	Non-trading	90	Direct

SLAP (Trading) Limited and Viking Energy Limited have not been consolidated as the Trustees consider them to be immaterial in aggregate to the Trust itself. The shares in SLAP (Trading) Limited are directly owned by Shetland Leasing and Property Developments Limited.

The following is a summary of the audited accounts of SLAP (Trading) Limited.

	Year end date	(Loss) profit for the financial year £000	Aggregate capital and reserves £000
SLAP (Trading) Limited	31 March 2009	(6)	5,464

Viking Energy Limited did not trade as at 31 March 2009 and only commenced activities in August 2009.

As stated in note 1, these consolidated financial statements include the results of the charity's wholly owned trading subsidiaries, Shetland Leasing and Property Developments Limited (SLAP) and Shetland Heat Energy and Power Limited (SHEAP). The trading results of these companies are summarised below:

	2009 SLAP £000	2009 SHEAP £000	2009 Total £000	2008 Total £000
Turnover	2,477	1,394	3,871	2,088
Cost of sales	(152)	(601)	(753)	(598)
Gross profit (loss)	2,325	793	3118	1,490
Administration expenses	(163)	(526)	(689)	(454)
Gift aid payment to Shetland Charitable Trust	(4,253)	(255)	(4,508)	(3,098)
Other operating income	102	6	108	105
Operating (loss) profit	(1,989)	18	(1,971)	(1,957)
Reversal of investment property valuation deficit				288
Gain on disposal of investment properties				-
Interest receivable and similar income	1,565	15	1,580	2,415
Interest payable and similar charges				-
Profit (loss) on ordinary activities before taxation	(424)	33	(391)	746
Tax on profit (loss) on ordinary activities	121	(9)	112	(217)
Profit (loss) on ordinary activities after taxation being profit (loss) for the financial year	(303)	24	(279)	529

Notes (continued)

7 Programme-related investments (continued)

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

	2009 Total £000	2008 Total £000
Cost of sales	753	598
Administration expenses	689	454
Reversal of investment property valuation deficit	-	(286)
Tax charge (credit) on profit on ordinary activities	(112)	214
	1,330	980
	1,330	980

Included within the companies' profit (loss) for the year is a total of £4,507,494 (2008: £3,097,911) paid to the Trust by way of gift aid which has been eliminated within the consolidated statement of financial activities.

The assets and liabilities of the subsidiaries were:

	2009 SLAP £000	2009 SHEAP £000	2009 Total £000	2008 Total £000
Tangible fixed assets	20,643	291	20,934	16,798
Current assets	37,164	708	37,872	42,448
Current liabilities	(5,802)	(341)	(6,143)	(6,087)
Creditors greater than one year	(1,530)	(52)	(1,582)	(1,799)
	50,475	606	51,081	51,360
	50,475	606	51,081	51,360
Called up share capital	70,000	500	70,500	70,500
Profit and loss account	(19,551)	106	(19,445)	(19,166)
Revaluation reserve	26	-	26	26
	50,475	606	51,081	51,360
	50,475	606	51,081	51,360

Further details of the subsidiary companies and of their tax charge (credit) for the year are included in their financial statements, copies of which may be obtained from Companies House, 37 Castle Terrace, Edinburgh.

8 Programme-related investments – Loans

	2009 £000	2008 £000
Group		
Agricultural Ten Year Loan Scheme	1,361	1,669
Agricultural Bridging Loan Scheme	-	17
Provisions for doubtful debts	(71)	(77)
	1,290	1,609
Local loans granted by Shetland Leasing and Property Developments Limited (net of provisions)	9	16
	1,299	1,625
	1,299	1,625

Notes (continued)

8 Programme-related investments – Loans (continued)

Charity	2009 £000	2008 £000
Agricultural Ten Year Loan Scheme	1,361	1,669
Agricultural Bridging Loan Scheme	-	17
Provisions for doubtful debts	(71)	(77)
	1,290	1,609
	1,290	1,609

9 Debtors

	Group		Charity	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade debtors	478	763	-	-
Amounts owing from subsidiary undertaking	-	-	42	22
Prepayments and accrued income	1,282	1,688	1,218	1,686
Other debtors:				
Loan repayments due	15	30	15	30
VAT recoverable	26	21	5	21
Tax recoverable	-	-	-	-
Sundry debtors	71	301	68	300
	1,872	2,803	1,348	2,059
	1,872	2,803	1,348	2,059

10 Creditors: amounts falling due within one year

	Group		Charity	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade creditors	92	91	-	-
Rents in advance	76	63	-	-
Amounts owed to SICCT 1976	-	2,903	-	2,903
Amount owed to subsidiary undertakings	5,450	5,450	-	-
Other tax and social security	490	308	478	-
Other creditors and accruals	1,706	2,063	1,120	1,689
	7,814	10,878	1,598	4,592
	7,814	10,878	1,598	4,592

11 Creditors: amounts falling due after more than one year

Charity	2009 £000	2008 £000
Loan from subsidiary undertaking	35,500	38,000
	35,500	38,000
	35,500	38,000

The loan of £35,500,000 (2008: £38,000,000) from Shetland Leasing and Property Developments Limited represents an unsecured loan which is repayable between 2009 and 2012. It bears interest at a rate of 0.25% over base rate.

Notes *(continued)*

12 Provisions for liabilities and charges

Group	Deferred taxation £000
At beginning of year	1,578
Credit for the year	(114)
Charge relating to a prior year	2
	1,466
At end of year	1,466

The deferred tax liability arising within the Trust's subsidiary companies at the year end of £1,466,000 (2008: £1,5780,000) is analysed as follows:

	2009 £000	2008 £000
Accelerated capital allowances	324	342
Other timing differences: Gift aid	1,072	1,184
Other timing differences	70	52
	1,466	1,578
	1,466	1,578

13 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	238,631	219,408
Incoming resources	-	-
Outgoing resources	(1,266)	(1,569)
Losses in the year	(44,721)	(44,721)
	192,644	173,118
At end of year	192,644	173,118

Notes *(continued)*

14 Unrestricted income funds

Group	General funds £000	Trading funds £000	Revaluation reserve £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year	(6,244)	(12,583)	26	(324)	(19,125)
Net movement in funds	647	2,700	-	(438)	2,909
At end of year	<u>(5,597)</u>	<u>(9,883)</u>	<u>26</u>	<u>(762)</u>	<u>(16,216)</u>

Charity	General funds £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year	339	(324)	15
Net incoming resources before other recognised gains and losses	3,618	-	3,618
Actuarial losses	-	(429)	(429)
Transfer to (from) pension reserve	9	(9)	-
At end of year	<u>3,966</u>	<u>(762)</u>	<u>3,204</u>

The deficit balance on the trading funds of £9,883,000 (2008: £12,583,000) represents the accumulated results of Shetland Leasing and Property Developments Limited and Shetland Heat Energy and Power Limited, adjusted to remove the interest payable by the charity to those companies, and also the net gift aid payments made to the charity by those companies. The deficit balance on the consolidated general funds excluding pension reserve of £5,597,000 (2008: £6,244,000) represents the balance on the Trust's own general funds adjusted for those interest and gift aid payments. The balance on the Trust's own unrestricted funds at the year end, excluding pension deficit of £762,000 (2008: £324,000) was a surplus of £3,966,000 (2008: £339,000).

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 2008 and was updated for FRS 17 purposes to 31 March 2009 by a qualified independent actuary.

	2009 £000	2008 £000
Present value of funded defined benefit obligations	(1,514)	(1,457)
Fair value of plan assets	866	1,254
	<u>(648)</u>	<u>(203)</u>
Present value of unfunded defined benefit obligations	(114)	(121)
Net (liability)	<u>(762)</u>	<u>(324)</u>

Notes *(continued)*

15 Pension scheme *(continued)*

Movements in present value of defined benefit obligation:

	2009 £000	2008 £000
At 1 April	1,578	1,846
Current service cost	48	64
Interest cost	110	101
Actuarial losses / (gains)	(89)	(427)
Contributions by members	21	20
Benefits paid	(40)	(26)
	1,628	1,578
At 31 March	1,628	1,578

Movements in fair value of plan assets:

	2009 £000	2008 £000
At 1 April	1,254	1,303
Expected return on plan assets	93	100
Actuarial gains / (losses)	(518)	(195)
Contributions by employer	56	52
Contributions by members	21	20
Benefits paid	(40)	(26)
	866	1,254
At 31 March	866	1,254

Expense recognised in the statement of financial activities:

	2009 £000	2008 £000
Current service cost	(48)	(64)
Interest on defined benefit pension plan obligation	(110)	(101)
Expected return on defined benefit pension plan assets	93	100
	(65)	(65)
Total	(65)	(65)

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

	2009 £000	2008 £000
Charitable activities – support costs	(65)	(65)
	(65)	(65)

The total amount recognised in the other recognised gains and losses section of the statement of financial activities is a loss £429,000 (2008: gain of £232,000).

Notes *(continued)*

15 Pension scheme *(continued)*

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

	2009 Fair value £000	2008 Fair value £000
Equities	684	1,050
Corporate bonds	78	73
Property	52	59
Cash	52	72
	866	1,254
	866	1,254
 Actual return on plan assets	(322)	(95)
	(322)	(95)

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:

	2009 %	2008 %
Discount rate	6.9	6.9
Expected rate of return on plan assets	6.6	7.3
Future salary increases	4.6	5.1
Inflation / pension increase rate	3.1	3.6
	3.1	3.6
	3.1	3.6

In valuing the liabilities of the pension fund at 31 March 2009, 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: 20.7 years (male), 23.8 years (female).

Future retiree upon reaching 65: 22.0 years (male), 25.0 years (female).

History of plans

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Present value of scheme liabilities	(1,628)	(1,578)	(1,846)	(1,851)	(1,439)
Fair value of scheme assets	866	1,254	1,303	1,151	1,253
	(762)	(324)	(543)	(700)	(186)
	(762)	(324)	(543)	(700)	(186)

Notes (continued)

15 Pension scheme (continued)

Experience adjustments

	2009 £000/%	2008 £000/%	2007 £000/%	2006 £000/%	2005 £000/%
Experience adjustments on scheme liabilities [as a percentage of scheme liabilities]	(86) / 9.6	3 / 0.2	(35) / (1.9)	(279) / (15)	(2) / (0.1)
Experience adjustments on scheme assets [as a percentage of scheme assets]	(518) / (59.8)	(195) / (15.6)	12 / 0.9	149 / 12.9	32 / 2.6

The Trust expects to contribute approximately £54,000 to its defined benefit plans in the next financial year to 31 March 2010.

16 Related parties

In the normal course of business, some of the Trustees of the Trust naturally 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.

The Trustees of the Trust are also the trustees of SICCT 1976, as a body. SICCT 1976 was the forerunner organisation to the Trust, however, all charitable activity has essentially transferred to the Trust and the trustees of SICCT 1976 have applied to the Office of the Scottish Charity Regulator for consent to transfer the remaining assets of SICCT 1976 to the Trust and to wind up SICCT 1976 as at 31 March 2009. Consent was granted on 29 August 2009. As at 31 March 2009, SICCT 1976 has no activities, assets or liabilities. The Trust received payment of £3.023 million (2008: £13,000) from SICCT 1976 during the year, with an amount owing to SICCT 1976 at 31 March 2009 of £nil (2008: £2.903 million).

As disclosed in Note 6, the Trust does not consolidate the activities of SLAP (Trading) Limited within these financial statements as the trustees do not consider the results material to that of the Trust. SLAP (Trading) Limited is a wholly-owned subsidiary of the Trust's subsidiary undertaking Shetland Leasing and Property Development Limited, which is consolidated within these financial statements. WH Manson, JH Henry, AJ Cluness, AGL Duncan, CHJ Miller, IJ Hawkins and AS Wishart are also directors of SLAP (Trading) Limited. At the year end Shetland Leasing and Property Development Limited owed SLAP (Trading) Limited a total amount of £5,450,000 (2008: £5,450,000). This includes a loan of £5,450,000 (2008: £5,450,000) which bears no interest and is repayable in three instalments, commencing in March 2010. The loan is, however, repayable on demand, and given the intention of the directors of SLAP (Trading) Limited to consider the winding up of the company, the loan has been classified as payable within one year as the company is likely to seek repayment as part of this process. This balance is shown within creditors due within one year within the consolidated financial statements of the Trust.