

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: 7 September 2022

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 15 September 2022 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 2 June 2022 (enclosed).

For Decision

1. SCT Annual Report and Accounts for the year ended 31 March 2022. *Report enclosed*.

For Information

- 2. Investment Performance Update Three Months to 30 June 2022. Report enclosed.
- 3. Management Accounts Three Months to 30 June 2022. Report enclosed.
- 4. Capital Works Bridging Loan Scheme Update. Report enclosed.

The following items contain **CONFIDENTIAL** information

For Decision

- 5. Shetland Arts Development Agency. Report enclosed.
- 6. Relationship Scotland Shetland. Report enclosed.

For Information

- 7. Service Performance of Funded Organisations Year Ended 31 March 2022. *Report enclosed*.
- 8. Deeds Executed. Report enclosed.
- 9. Update from Chairs of Advisory Committees.
- 10. Update from Subsidiary Companies.



REPORT

To: Shetland Charitable Trust 15 September 2022

From: Chief Executive Report: CT2209024

Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2022

1. Introduction

1.1 The purpose of this report is to present the Annual Report and Accounts for the year to 31 March 2022 for approval. These are attached as Appendix A.

2. Commentary

- 2.1 Shetland Charitable Trust (the Trust) has seen a decrease in funds of £7.3 million this financial year, mainly due to no investment growth over the year. The Trust's net asset position now stands at £449.5 million (2021: £456.8 million).
- 2.2 Total incoming resources were £3.6 million (2021: £4.3 million) and total resources expended were £11.3 million (2021: £10.5 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 £9.5 million (2021: £8.9 million). The additional expenditure was due to an increase in disbursements and contingency funding 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 decreased this year. There was decrease of £0.4m, following the exceptional gain on investment assets of £148.2 million the previous year. Inflationary pressures and geo-political tensions affected the returns on investments in 2021/22. Investment management costs for the year were £1,723,000 (2021: £1,571,000). This rise is due to the strong market performance in the first six months of the year, before the decline in the final six months.
- 2.5 The value of programme related investments (the Trust's local investments) remained at £12.4m with no local investment or disposals in the year.

- 2.6 Shetland Heat Energy and Power Ltd (SHEAP) hope to make a gift aid payment in respect of their profits for 2021/22. This will be formally recognised in the accounts for 2022/23.
- 2.7 RSM UK Audit LLP (RSM) have written a report, shown in Appendix B, which summarises the work of the auditors. RSM presented this report to the Audit and Governance Advisory Committee on Thursday 25 August 2022.
- 2.8 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 £7.3 million outflow (2021: 141.4 million inflow). The Trust continues to maintain a strong cash balance and has net assets (reserves) at 31 March 2022 of £449.5 million (2021: £456.8 million).

4. Recommendations

- 4.1 Trustees are asked to:
 - a) approve the Annual Report and Accounts for the year to 31 March 2022 attached as Appendix A;
 - b) authorise the Chair and the Chair of Audit & Governance Advisory Committee to sign the accounts;
 - c) authorise the Chair to sign the Letter of Representation reproduced as Appendix C, and
 - d) note the summary report from RSM UK Audit LLP, the Trust's auditors, attached as Appendix B.

Reference: TA2 Report Number: CT2209024

Shetland Charitable Trust

Trustees' report and consolidated financial statements Charity number SC027025 For the year ended 31 March 2022

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Chair's Introduction

During the last few months of the year, we have gradually emerged from the restrictions imposed by necessity due to the Covid pandemic. Meeting up again in person has been a great pleasure; but like many organisations, we see the future as a mixture of face-face and online attendance depending on individual circumstances and preference.

Margaret Roberts stood down from the Chair of the Investment Advisory Committee in June 2021, to be replaced by Robert Leask. She subsequently also relinquished her position as vice-Chair of the Trust, with Robert Leask stepping up to this role as well. I wish to thank Margaret for her work in these two posts, in which she has filled efficiently and effectively. She continues as a Trustee.

Robbie Leask has also had to withdraw from Chair of the Audit and Governance Committee; Ryan Leith has taken on the role. Robbie then retired as a Trustee. We thank him for his major contribution to maintaining the high standard of the Trust's affairs.

Also leaving as Trustees are Jolene Garriock and Alan Ockendon (with effect from June 2022). Thanks to both for their support and expertise during their time as Trustees.

Recruitment for new Trustees has been very successful, with four new folk joining us, to bring us up to our full complement of twelve Trustees.

Our investments continue to be buffeted by external events; the Ukraine crisis and the economic turmoil which followed has knocked back the large gains achieved in the first half of the year to leave us approximately where the year started. Nevertheless, over a five-year timescale, the funds have grown in line with the targets originally set. During the year, we successfully moved a significant block of our funds into an ethical portfolio.

The Main Grant Scheme has disbursed £8.3 million to more organisations (twenty-six awards) than formerly, with a number of these grants being potentially for up to four years. For the coming year a further four new organisations will get funding with a budget increase to £8.6 million. The Covid contingency fund has paid out some £600,000; more will likely be disbursed during the current year.

The Trust has initiated a Capital Grant Scheme to help the large funded bodies with essential repair and maintenance work, with a budget of £12 million over the next three years.

The new Small Grant Scheme has been introduced with sums up to £5000 on offer to small organisations. Seventeen organisations received around £50,000 between them.

The staff continued to mostly work remotely through the year, coming in to the office on occasion as necessary. Refurbishment of the Trust office has been completed. As ever, I pay tribute to the exemplary work of our Chief Executive and her staff. Their efficiency, meticulous attention to detail, and cheerfulness are the bedrock on which the success of the Trust depends.

A B Cooper Chair

15 September 2022

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

A B Cooper, Chair R C Leask (Resigned 11 February 2022)

M I Roberts, Vice Chair (Vice Chair until 2 June 2022) R C Leith

R M Leask, Vice Chair (Vice Chair from 2 June 2022) A J Ockendon (Resigned 13 June 2022)

I R Napier S M Gray (Appointed 14 June 2022)

J Garriock (Resigned 13 June 2022) E J Adamson (Appointed 14 June 2022)

Y Hopkins A P Ferguson (Appointed 14 June 2022)

E Miller R J Stevenson (Appointed 14 June 2022)

K Harrison

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

Solicitors -

Governance Turcan Connell Commercial Dentons

and Charity LawPrinces ExchangeQuartermile One

1 Earl Grey Street 15 Lauriston Place

Edinburgh Edinburgh EH3 9EE EH3 9EP

Investment Managers

Insight Investment Management (Global) Limited

ers 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

Section 1: Reference and Administrative Details (continued)

Investment Baillie Gifford & Co
Managers Calton Square

1 Greenside Row Edinburgh

EH1 3AN

Custodian The Northern Trust Company

50 Bank Street Canary Wharf London E14 5NT

Investment The Northern Trust Company

Monitor 50 Bank Street

Canary Wharf London E14 5NT

Section 2: Structure, Governance and Management

Governing Document

The current Shetland Charitable Trust (the Trust) was established by a Deed of Trust registered in the Books of Council and Session on 27 September 2012 and updated in 2017, and again in 2019.

The Trust Deed and its schedules:

- appoint Trustees;
- state the charitable purposes of the Trust; and
- set out the powers of the Trustees.

Charitable Status

The Trust appears in the Scottish Charity Register, number SC027025, maintained by the Office of the Scottish Charity Regulator (OSCR). In addition, any tax relief received by the Trust is overseen by HM Revenue and Customs (HMRC). The Trust has to demonstrate to these regulators, that its activities remain charitable and generate public benefit.

Board of Trustees

The Trust has up to twelve appointed Trustees.

Trustee vacancies are advertised and individuals are recruited through an open and transparent process. A Selection Panel, whose work is overseen by the Audit and Governance Advisory Committee, undertakes this process. The Panel's recommendations are then presented to the full Board of Trustees (the Board) for approval.

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

The Board meets at least four times each year to set and oversee the delivery of the Trust's strategy. A list of the Trustees are detailed on page 2 of this report.

A number of advisory committees support the work of the Trust throughout the year. They oversee the work of the Trust and make recommendations to the Board.

Section 2: Structure, Governance and Management (continued)

Audit and Governance Advisory Committee

The Audit and Governance Advisory Committee oversees the systems of internal controls on financial and governance matters, recruitment of Trustees and risk management. It also reviews the draft annual financial statements and considers reports from the Trust's external auditors.

General Purposes Advisory Committee

The General Purposes Advisory Committee oversees the Trust's Strategic and Disbursement Plans. It monitors the service performance of organisations that the Trust provides grant assistance to. It also considers the Trust's public relations and media activities.

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 has been updated to reflect the changes in administration and is available through the Trust's website, 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:

Shetland Heat Energy Wendy Grant – Chair

and Power Limited James Armitage (Resigned 27 August 2021)

(SHEAP) Derek Leask
SC181964 William Spence
Colin Clark
Neil Fraser

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

C. T. Shetland (T.M.) Limited
SC072648

Jolene Garriock (Resigned 13 June 2022)
M I Roberts (Appointed 14 June 2022)

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

SCT Renewables Limited Ian Napier SC256581

Section 2: Structure, Governance and Management (continued)

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 2021/22 on 10 February 2022. 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.

Section 3: Objectives and Activities (continued)

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 £18.8 million has been set for the year to 31 March 2023 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 2022, 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 assists with the cost of providing leisure and sports facilities at locations throughout Shetland.
- Shetland Amenity Trust The grant provides core and project funding to support Shetland's Heritage and Culture.

Section 4: Achievements and Performance (continued)

- Shetland Arts Development Agency The grant goes towards meeting some of the core and project costs of promoting, developing and delivering activities in the fields of dance, drama, theatre, film, literature, music, crafts and visual arts.
- Rural Care Model The funding is used to add value to the community care provided in Shetland, to a level of service over and above that which would normally be provided by a local authority.
- Ability Shetland The grant provides project funding to support a new post of Disability Sports
 Development Coordinator, with the aim of growing participation in physical activity and sport for
 people with disabilities.
- Shetland Befriending Scheme CYP The scheme provides young people with an opportunity
 to form a trusting relationship with an adult, to promote the young person's welfare and personal
 development.
- Shetland Islands Citizens Advice Bureau The grant provides core funding towards
 delivering a general information and advice service and the provision of a new service targeting
 those hardest to reach.
- COPE Ltd The grant contributes to the core costs of the organisation to allow it to provide focused placements, training, support and employment opportunities to adults with learning and/or physical disabilities.
- **Shetland Link Up** The grant funds the core costs of the organisation enabling it to provide an informal meeting place to support people who are affected by mental health problems.
- 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.
- Royal Voluntary Service The grant funds much of the core costs of providing a range of community projects for elderly and disabled people in Shetland.
- **The Swan Trust** The grant provides core funding to support the costs associated with maintaining, operating and promoting the Swan sailing vessel.
- **Gaada** The grant provides core funding towards a visual culture within Shetland that is dynamic and representative of the diverse demographics of communities and individuals that exist across the isles.
- **Shetland Women's Aid** The grant provides core funding towards services to advance and continue to work towards ending domestic abuse and other Gender Based Violence in our community.
- **Shetland Rape Crisis** The grant provides core funding towards services to relieve the distress and promote the welfare of anyone affected by any form of sexual violence or exploitation.
- British Red Cross The grant provides core funding towards a Shetland Community Support Service.
- Shetland Care Attendant Scheme and Voluntary Action Shetland The grant provides core funding towards services to relieve the stress on the person or family caring for physically or mentally disabled or elderly persons.
- Shetland Befriending Scheme 16+ The grant contributes to the core costs of providing a Befriending Service for those aged 16 and over.
- Mind Your Head The grant provides core funding towards services to relieve those in need by reason of mental ill-health.
- **Dogs Against Drugs** The grant provides core funding to support their Drugs Education Programme delivered in schools to raise awareness of drugs misuse.
- **Alzheimer Scotland** The grant provides funding to help safeguard their wide range of activities, as their fundraising opportunities recover from the impact of COVID 19.
- Relationships Scotland The grant provides funding towards a Family Connections Project.
 This project will establish a child contact service to support children to maintain relationships with the parent they no longer live with, or with other extended family members with whom they no longer have contact.
- **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.

Section 4: Achievements and Performance (continued)

- OPEN Project The grant provides core funding to support their services. They deliver four main activities - Peer Education, Peer Mentoring, Emotional Wellbeing and Resilience Project and OPEN Up (a drop in youth café). Working with young people aged 16 to 25 who are among the most vulnerable and hard to reach.
- **Moving On** The grant provides core funding to support their services. They assist those in need by reason of ill-health, disability, or other disadvantage by developing a service to support people to overcome barriers to employment.

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 September 2021, 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

	budget £	Actual spend to 31 March 2022	Actual spend to 31 March 2021
Main Grant Scheme Awards	~	~	~
Shetland Amenity Trust	1,171,600	1,171,600	1,142,988
Shetland Arts Development Agency	650,000	650,000	603,522
Shetland Recreational Trust	3,147,200	3,147,200	2,972,802
Support to Rural Care Model	1,986,200	1,986,200	1,986,188
Ability Shetland	40,000	40,000	12,641
Shetland Befriending Scheme CYP	53,000	53,000	54,418
Shetland Islands Citizens Advice Bureau	209,400	209,400	132,265
COPE Ltd	225,000	225,000	154,967
Shetland Link Up	55,700	55,700	47,994
Voluntary Action Shetland (VAS)	179,400	179,400	144,361
Royal Voluntary Service	62,600	62,600	46,985
Shetland Samaritans	-	-	4,000
The Swan Trust	28,300	28,300	-
Gaada	50,000	50,000	-
Shetland Women's Aid	100,000	100,000	-
Shetland Rape Crisis	32,200	32,200	-
British Red Cross	24,800	24,800	-
Shetland Care Attendant Scheme and VAS	74,300	74,300	-
Shetland Befriending Scheme 16+	12,700	12,700	-
Mind Your Head	75,000	75,000	-
Dogs Against Drugs	20,000	20,000	-
Alzheimer Scotland	22,900	22,900	-
Relationship Scotland - Shetland	29,800	14,900	-
NSPCC Scotland	4,000	4,000	-
OPEN Project	31,200	31,200	-
Moving On	35,000	35,000	-
Sub Total Organisations	8,320,300	8,305,400	7,303,131

Section 4: Achievements and Performance (continued)

	2021/22 budget	Actual spend to 31 March 2022	Actual spend to 31 March 2021
EOI Main Grant Scheme			
Ability Shetland	-	-	34,594
Advocacy Shetland	-	-	35,000
British Red Cross	-	-	27,064
Shetland Islands Citizens Advice Bureau	-	-	40,897
COPE Ltd	-	-	70,000
Gaada Mind Your Lload	-	-	49,400
Mind Your Head	-	-	61,240
Royal Voluntary Service Shetland Care Attendant Scheme & VAS	-	-	10,000
	-	-	39,708
Shetland Link Up	-	-	7,623
Shetland Rape Crisis Shetland Women's Aid	-	-	28,467
The Swan Trust	-	-	70,000
	-	-	14,000
Shetland Befriending Scheme 16+	-	-	7,000
Voluntary Action Shetland		-	35,000
Sub Total EOI Main Grant Scheme	-	-	529,993
	2021/22 budget	Actual spend to 31 March 2022	Actual spend to 31 March 2021
Contingency Fund	£	£	£
COPE Limited	100,000		-
Shetland Amenity Trust	300,000	_	_
Shetland Arts Development Agency	300,000	125,000	_
Shetland Recreational Trust	600,000	489,518	-
Sub Total Contingency Fund	1,300,000	614,518	-
	2021/22	Actual spend to	Actual spend to
	budget	31 March 2022	31 March 2021
<u>Schemes</u>	£	£	£
Small Grant Scheme	100,000	51,819	-
Sub Total Schemes	100,000	51,189	
One Off Approved Grant			
Shetland Health Board Endowment Fund MRI Scanner Appeal	-	-	500,000
Surplus Grants Refunded	-	(99,480)	(651)
Sub-total charitable expenditure	9,720,300	8,872,257	8,332,473
Trust Administration, including governance costs	650,000	476,346	485,030
Total	10,370,300	9,348,603	8,817,503
			<u></u> -

Total charitable expenditure and administration costs are shown before adjustment for pension adjustments under FRS 102 totalling £121,000.

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 2022) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £435 million (2021 - £442 million).

The Trust relies chiefly on funds generated by investments on the world's markets. Overall, there was a zero return generated in 2021/22. This includes growth in value of the investments as well as dividend income received. In 2021/22, 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 2021/22 the Trust spent £11.3 million (2021 - £10.5 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 £8.9 million (2021 - £8.3 million). The agreed budget to support grant applications for 2022/23 is £16.4 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 £435.2 million (2021 – £441.8 million). Over the year, £25.9 million was disinvested by the Trust from Baillie Gifford with £15.7 million and £10.2 million invested with Insight and Schroders respectively. A breakdown of the Trust's external investments is detailed below:

Manager	Mandate	Market Value 2022 (£m)	Market Value 2021 (£m)
Baillie Gifford	Active Equities	212.8	261.2
BlackRock	Passive Equities	97.6	94.0
Schroders	UK Property	75.9	55.1
Insight	Diversified Growth	48.3	31.5
 Total		434.6	441.8

The growth in value of the investments as well as dividend income received, generated a return on nil over the year (2021 - £150 million). This equates to a return of 0.0% (2021 - 50%).

Section 5: Financial Review (continued)

Over the twelve-month period to March 2022, equity markets fluctuated considerably. With strong growth in the first seven months and increasingly rapid declines in the final five months of the year. Overall, equity market produced a positive return over the period. However, growth stocks, showed a negative return over the year as both inflationary pressures and political tensions have weighed heavily on this sector.

Property returns have bounced back from the "distress" in the market following Brexit and the Covid 19 crisis, and was the strongest performing asset class over the year.

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	0.0	11.0	(11.0)
3 Years	16.3	9.3	7.0
5 Years	14.2	7.8	6.4

The return over the last 12 months is below the benchmark and Financial Plan Return. However, the Trust's external investments have exceeded the benchmark return and have met the Financial Plan assumed return over longer periods.

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 1200 customers receiving heat and the company generated income of around £3.0 million in 2021/22. SHEAP recorded a small profit in 2021/22, and a gift aid payment may be made to the Trust during 2022/23.

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 2022. It is a partner in the Viking Energy project which is investigating 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 its strategy for 2020 to 2025. The Strategy 2020-2025, sets out the Trust's ambition, objectives and priorities for the period. The Strategy and the associated Financial, Disbursement and Investment Plans for the period were approved in September 2019.

In July 2020, the Trust has opened up its Main Grant Scheme to new applications for a maximum of four years funding. In addition, in December 2020 the Trust opened up a new Small Grant Scheme for smaller organisations. Both Schemes will continue be open for applications for funding for the remainder of the strategy period.

During 2022/23, the Trust will operate a new Capital Grant Scheme with the aim of maintaining Shetland's community assets operated by the three large Trusts and Voluntary Action Shetland. The Trust has committed up to £12.0 million over three years to the Scheme.

A B Cooper Chair

15 September 2022

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 2022 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 the charity's affairs as at 31 March 2022 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: and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and 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 trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have

performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 13 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 documents. 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

15 September 2022

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 2022

Tor the year critical or interior 2022		General funds	stricted funds Expendable endowment	2022 Total	2021 Total
luccione and and an arrange frame	Note	£000	£000	£000	£000
Income and endowments from Other trading activities Investments Rental income	6	3,003 3,085 507	- -	3,003 3,085 507	2,503 3,397 664
Other income		2	-	2	2
Total income and endowments		6,597	-	6,597	6,566
Expenditure on Expenditure on raising funds Investment Management	6	(2,865)	(1,723)	(2,865) (1,723)	(2,376) (1,571)
Charitable activities	2	(9,470)	(75)	(9,545)	(8,959)
Total expenditure		(12,335)	(1,798)	(14,133)	(12,906)
Net losses on investments	12	-	(384)	(384)	148,182
Net income/(expenditure)		(5,738)	(2,182)	(7,920)	141,842
Gross transfers between funds	13,12	5,771	(5,771)	-	-
Other recognised gains and losses Actuarial (losses)/gains in defined benefit pension scheme	17	726	-	726	(786)
Non-controlling interest share of net income/ expenditure		-	-	-	-
Net movement in funds attributable to the charity		759	(7,953)	(7,194)	141,056
Fund balances brought forward attributable to the charity	13, 12	(2,303)	459,298	456,995	315,939
Fund balances carried forward attributable to the charity	13,12	(1,544)	451,345	449,801	456,995
Non-controlling interest share of net income/ expenditure		(1)	-	(1)	(1)
Other changes in non-controlling interests		-	-	-	-
Fund balances brought forward attributable to non-controlling interest		817	-	817	818
Fund balances carried forward attributable to non- controlling interests		816	-	816	817
Total group funds carried forward	13, 12	(728)	<u>451,345</u>	<u>450,617</u>	<u>457,812</u>
. Can group rained barriou for ward	10, 12	<u>(120)</u>	<u> 10 1,070</u>	100,011	101,012

Trust statement of financial activities

for the year ended 31 March 2022

70. a.o year emaea emanar 2022		Uni	restricted funds		
	Note	General funds £000	Expendable endowment £000	2022 Total £000	2021 Total £000
Income and endowments from Income from investments Other investment income (Gift Aid receipts from	71010	3,085		3,085	3,397 190
subsidiary undertakings) Rental income Other income		507 2	- -	507 2	664
Total income and endowments		3,594		3,594	4,253
Expenditure on: Expenditure on raising funds Provision made against equity investment	6	- (16)	(1,723)	(1,723) (16)	(1,571) (12)
Charitable activities	2	(9,470)	(75)	(9,545)	(8,959)
Total expenditure		(9,486)	(1,798)	(11,284)	(10,542)
Loss on investment assets	12	-	(384)	(384)	148,182
Net income/(expenditure)		(5,892)	(2,182)	(8,074)	141,893
Gross transfers between funds	13,12	5,771	(5,771)	-	-
Other recognised gains/(losses) Actuarial gains/(losses) in defined benefit pension scheme	17	726	-	726	(786)
Net movement in funds		605	(7,953)	(7,348)	141,107
Total funds brought forward	13,12	(2,500)	459,298	456,798	315,691
Fund balances carried forward		(1,895)	451,345	449,450	456,798

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 22 to 39 form a part of the financial statements.

Consolidated balance sheet

as a	at 31	March	2022

as at 31 March 2022					
		2022	2022	2021	2021
Fixed assets	Note	£000	£000	£000	£000
Tangible assets	4		4,749		4,602
Investments	5	434,581	.,	441,814	.,002
Programme-related investments	6	6,638		6,645	
			441,219		448,459
Total fixed assets			445,968		453,061
Current assets					
Stocks	•	22		47	
Debtors	8	1,896		1,566	
Cash at bank and in hand	9	7,025		8,060	
Total current assets		8,943		9,673	
Creditors: amounts falling due within one year	10	(2,200)		(2,340)	
Net current assets			6,743		7 222
net current assets					7,333
Total assets less current liabilities			452,711		460,394
Provisions for liabilities and charges	11		(199)		(82)
Net assets excluding pension liability			452,512		460,312
Pension liability	17		(1,895)		(2,500)
Net assets including pension liability			450,617		457,812
Net assets including pension hability			430,017		
Represented by:					
Expendable endowment	12		451,345		459,298
Unrestricted income funds:	13	F			
General funds			254		107
Trading funds			351		197
Unrestricted income funds excluding pension			351		197
reserve	40		(4.005)		(0.500)
Pension reserve	13	L	(1,895)		(2,500)
Total unrestricted income funds	13		(1,544)		(2,303)
Group funds attributable to the Charity			449,801		456,995
Non-controlling interest			816		817
Total group funds			450,617		457,812

These financial statements were approved by the trustees on 15 September 2022 and were signed on their behalf by:

A B Cooper R C Leith Chair Trustee

The notes on pages 22 to 39 form a part of these financial statements.

Trust balance sheet

as at 31 March 2022

as at 31 March 2022					
		2022	2022	2021	2021
	Note	£000	£000	£000	£000
Fixed assets					
Tangible assets	4		23		98
Investments	5	434,581		441,814	
Programme-related investments	6	12,353		12,376	
			446,934		454,190
Total fixed assets			446,957		454,288
Current assets					
Debtors	8	1,256		738	
Cash at bank and in hand		4,577		5,261	
Total current assets		5,833		5,999	
		2,222		0,000	
Creditors: amounts falling due within one year	10	(1,445)		(989)	
Net current assets			4,388		5,010
Net Guirent assets					
Net assets excluding pension liability			451,345		459,298
			//\		
Pension liability	17		(1,895)		(2,500)
Net assets including pension liability			449,450		456,798
Represented by:					
Expendable endowment	12		451,345		459,298
Unrestricted income funds:	12		401,040		400,200
General funds	13		_		_
Pension reserve	13		(1,895)		(2,500)
1 01101011 1000110	70	L	(1,000)	<u> </u>	(2,000)
Total unrestricted income funds	13		(1,895)		(2,500)
Total Trust funds			449,450		456,798
Total Tractiumus			440,400		+00,700

These financial statements were approved by the trustees on 15 September 2022 and were signed on their behalf by:

A B Cooper R C Leith Chair Trustee

The notes on pages 22 to 39 form a part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2022

Cash flows from operating activities	Note	2022 £000	2021 £000
Net outgoing resources before other recognised gains and losses Adjustments for:		(7,920)	141,842
Investment income and interest receivable Less rental income Depreciation and impairment of tangible fixed assets Loss on fixed assets Movement in pension liability, excluding actuarial gains and losses	4 17	(3,085) (507) 259 65 121	(3,397) (664) 295 11 66
Gains/(losses) on investment assets (Increase)/Decrease in stock (Increase)/Decrease in debtors (Decrease)/Increase in creditors Increase in provisions	8 10 11	384 25 98 (140) 117	(148,182) (4) (173) 663 30
Net cash flow from operating activities		(10,583)	(9,513)
Cash flow from investment activities Purchase of managed funds investments Purchase of tangible fixed assets Sale of managed funds investments Realised (losses)/gains on managed fund investments Net movement in cash flows attributable to managed fund Investments Investments: Movement in agricultural loans	5 4 5 5 5	(152,313) (471) 90,570 68,444 148	(12,735) (321) 9,733 10,712 (630)
Investment income and interest received Rental income Issue of capital works bridging loans Repayment of capital works bridging loans		3,085 507 (894) 465	3,397 664 - 221
Net cash flow from investing activities		9,548	11,048
Cash flow from financing activities Investment income and interest received		-	-
Net cash flow from financing activities			
Net increase in cash and cash equivalents		(1,035)	1,535
Cash and cash equivalents at 1 April	9	8,060	6,525
Cash and cash equivalents at 31 March	9	7,025	8,060

The comparative numbers from 2021 have been restated in line with the classification of the operating and investment activities in 2022.

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 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 19. 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 12. The financial position of the charity, its cash flows, liquidity position and borrowing facilities are described in the Trustee's Report on pages 17 to 21. In addition, pages 10 to 11 of the financial statements 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.

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.

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 being depreciated over its estimated remaining economic life of ten years commencing 1 April 2012. The depreciation is charged to the expendable endowment.

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 hold no investment properties.

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 is it 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.

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:

2022 £000	2021 £000
8,920 52 (99)	8,333 - -
8,873 476 121	8,333 485 66
9,470	8,884
75	75
9,545	8,959
	\$,920 52 (99) 8,873 476 121 9,470

Some payments from the Arts Grant Scheme are made 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 £413,000 (2021: £461,000) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £289,389 (2021: £280,223) in respect of staff costs (see note 3), of which nil (2021: £nil) was charged to subsidiaries.

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

Governance costs

Governance costs totalling £63,000 (2021: £57,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £34,000 (2021: £33,000) 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 £19,476 (2021: £18,720).

	Group and charity	
	Total 2022 £000	Total 2021 £000
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	34	33
Other costs External auditor's remuneration:	10	5
Audit of these financial statements	19	19
Audit of subsidiary undertakings (excluded from charitable governance costs)	16	14
Other services: taxation in relation to subsidiary undertakings	5	5
Total governance costs	84	76

3 Staff numbers and costs

The group had an average of thirteen employees during the year (2021: fourteen). The aggregate payroll cost of these employees was as follows:

	2022	2021
	£000	£000
Wages and salaries	648	618
Social security costs	70	66
Pension costs	76	71
	794	755

Employee costs totalling nil (2021: £nil) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Ten 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.

Two employees (2021: none) received emoluments totalling between £60,000 and £69,999. One employee (2021: two) received emoluments totalling between £80,000 and £89,999. One employee (2021:none) received emoluments totalling between £90,000 and £99,999.

Retirement benefits are accruing to these members of staff under a defined benefit pension scheme; contributions in 2021/22 totalled £34,958.

Included above are the emoluments paid to key management personnel comprising three employees totalling £237,461 (2021: three employees totalling £232,641) including £29,108 (2021: £28,888) in social security costs and £32,718 (2021: £32,259) in pension contributions. Key management personnel's remuneration is set by reference to the Local Authority salary bands.

Expenses totalling £nil (2021: £nil) were reimbursed or paid on behalf of trustees during the year.

4 Tangible fixed assets

Group	Land and buildings £000	District heating scheme infrastructure £000	Other plant, machinery and AUC £000	Total £000
Cost or valuation				
At beginning of year	11,411	3,989	2,532	17,932
Additions	· -	· -	471	471
Disposals			(65)	(65)
At end of year	11,411	3,989	2,938	18,338
Depreciation				
At beginning of year	11,313	646	1,371	13,330
Eliminated on Disposals	-	-	(38)	(38)
Charge for year	75 	133	89	297
At end of year	11,388	779	1,422	13,589
<i>Net book value</i> At 31 March 2022	23	3,210	1,516	4,749
At 31 March 2021	98	3,343	1,161	4,602
				

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.

4 Tangible fixed assets (continued)

Charity

		Land and buildings £000	Donated Assets £000	Total £000
Cost At beginning and end of year		2,252	9,159	11,411
Depreciation At beginning of year Charge for year		2,177 75	9,136 -	11,313 75
At end of year		2,252	9,136	11,388
Net book value At 31 March 2022		-	23	23
At 31 March 2021		75	23	98
5 Managed funds				
Group and Charity	2022 Market Value £000	2022 Cost £000	2021 Market Value £000	2021 Cost £000
Equities Diversified Investment Fund units Property units	310,349 48,306 72,961	169,466 42,402 59,542	355,132 31,537 49,939	135,747 26,702 44,235
	431,616	271,410	436,608	206,684
Total investments Cash on deposit and in hand	431,616 2,965	271,410 2,965	436,608 5,206	206,684 5,206
	434,581	274,375	441,814	211,890

5 Managed funds (continued)

	2022 £000	2021 £000
Reconciliation of market value of investments		
Market value at beginning of year	441,814	300,712
Investments purchased	152,313	12,735
Investments sold	(90,570)	(9,733)
Total unrealised gains on managed fund investments	(68,828)	137,470
Movement in investment managers' cash balances, accrued income and expenses	(148)	630
Market value at end of year	434,581	441,814

As at 31 March 2022, 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:

	2022 Market value £000	2022 Cost £000	2021 Market value £000	2021 Cost £000
Insight Investment Management BlackRock Global Investors Baillie Gifford Schroders Property Managers	48,306 97,648 212,746 75,881	42,402 99,170 70,341 62,462	31,537 93,960 261,189 55,128	26,702 58,079 77,684 49,425
	434,581	274,375	441,814	211,890

6 Programme-related investments

	Group		Charity	
	2022	2021	2022	2021
	£000	£000	£000	£000
Equity (below)	6,638	6,638	12,353	12,369
Loans (note 8)		7	-	7
	6,638	6,645	12,353	12,376

6 Programme-related investments (continued)

Equity – Group	Shares in subsidiary undertakings £000	Total £000
Cost At beginning of year	7,970	7,970
Cost at end of year	7,970	7,970
Provisions At beginning of year	(1,332)	(1,332)
Provisions at end of year	(1,332)	(1,332)
Net book value At 31 March 2022	6,638	6,638
At 31 March 2021	6,638 =	6,638

Equity – Charity	Investments in subsidiary undertakings £000
Cost At beginning of year Additions	15,041 -
Cost at end of year	15,041
Provisions At beginning of year Provided in year	2,672 16
Provisions at end of year	2,688
Net book value	
At 31 March 2022	12,353
At 31 March 2021	12,369

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:

	2022 SHEAP £000	2022 SCT R £000	2022 VES £000	2022 Total £000	2021 Total £000
Turnover Cost of sales	3,003 (1,552)	-	-	3,003 (1,552)	2,503 (1,236)
Gross profit	1,451	-	-	1,451	1,267
Administration expenses	(1,217)	(4)	(13)	(1,234)	(1,123)
Depreciation on investment properties Provision made against equity investment	-	(12)	-	(12)	(8)
Operating profit/(loss)	234	(16)	(13)	205	136
Gain on disposal of investment properties	-	-	-	-	-
Interest receivable and similar income	-	-	-	-	1
Profit/(loss) on ordinary activities before taxation Tax on profit/(loss) on ordinary activities	234 (79)	(16)	(13) -	205 (79)	137 (18)
Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year	155	(16)	(13)	126	119
Gift aid payment to Shetland Charitable Trust	-	-	-	-	-
Retained (loss)/profit for the year after Gift Aid payment	155	(16)	(13)	126	119

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.

6 Programme-related investments (continued)

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

	2022 Total £000	2021 Total £000
Cost of sales Administration expenses Tax charge on profit on ordinary activities Interest receivable and similar income	1,552 1,234 79 -	1,236 1,123 18 (1)
	2,865	2,376

The assets and liabilities of the subsidiaries before consolidation were:

	2022 SHEAP £000	2022 SCT R £000	2022 VES £000	2022 Total £000	2021 Total £000
Tangible fixed assets Investments Current assets Current liabilities Provisions for liabilities and	4,725 - 1,572 (746)	7,344 23 (4)	- 6,651 1,515 (5)	4,725 13,995 3,110 (755)	4,504 14,007 3,672 (1,350)
charges	(198)			(198)	(82)
Total net assets	5,353 ———	7,363	8,161	20,877	20,751
Called up share capital	1,000	10,052	8,161	19,213	19,226
Profit and loss account	1,143	(2,689)	-	(1,546)	(1,818)
Capital contribution reserve	3,210	-	-	3,210	3,343
Revaluation reserve					
Total reserves	5,353	7,363	8,161	20,877	20,751

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, 139 Fountainbridge, Edinburgh EH3 9FF.

7 Programme-related investments - Loans

Group and charity	2022 £000	2021 £000
Agricultural Ten Year Loan Scheme		7
	-	7

8 Debtors

	G	roup	Cha	ritv
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade debtors	605	623	-	-
		-	-	-
			251	161
			-	-
Programme-related loans	1,005	577	1,005	577
	1,896	1,566	1,256	738
Cash and cash equivalents				
Group			2022 £000	2021 £000
Cash at bank and in hand			7,025	8,060
Creditors: amounts falling due within one	year			
		roup	Cha	rity
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade creditors	695	1,208	51	60
		•=	-	-
Other creditors and accruals	1,493	1,120	1,394	929
	Amounts owing from subsidiary undertakings Prepayments and accrued income Other debtor Programme-related loans Cash and cash equivalents Group Cash at bank and in hand Creditors: amounts falling due within one	Trade debtors Amounts owing from subsidiary undertakings Prepayments and accrued income Other debtor Programme-related loans Cash and cash equivalents Group Cash at bank and in hand Creditors: amounts falling due within one year Trade creditors Other tax and social security 605 605 605 605 605 605 605 60	Trade debtors Amounts owing from subsidiary undertakings Prepayments and accrued income Other debtor Programme-related loans Cash and cash equivalents Creditors: amounts falling due within one year Creditors: 695 1,208 Other tax and social security 100 5 623 Amounts fall 222 Add 222 Add 222 Add 2021 Add 2020 Add 2021 Add 2020 Add	2022 2021 2022 2000

11 Provisions for liabilities and charges

Group	Deferred taxation £000
At beginning of year Credit for the year Effect of increased tax rates	82 79 -
At end of year	161

2,200

2,340

1,445

989

In addition, a provision of £37,856 (2021: £Nil) was made in respect of Capital Grants.

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £160,818 (2021: £81,994) is analysed as follows:

11 Provisions for liabilities and charges (continued)

Group	Assets 2022 £000	2021 £000	Liabilities 2022 £000	2021 £000	Net 2022 £000	2021 £000
Accelerated capital allowances	-	-	161	82	161	82
Net tax (assets) / liabilities			161	82	161	82

12 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	459,298	459,298
Outgoing resources Gain/(Loss) in the year	(1,798) (384)	(1,798) (384)
Transfers	(5,771)	(5,369)
At end of year	451,345	451,747

13 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	-	197	(2,500)	-	(2,303)
Net movement in funds	(5,771)	154	(121)	-	(5,738)
Transfers	5,771	-	-	-	5,771
Actuarial gains	-	-	726	-	726
At end of year	-	351	(1,895)	-	(1,544)
			General	Pension	Total unrestricted

Charity	General funds £000	Pension reserve £000	unrestricted income funds £000
At beginning of year Net incoming resources before other recognised gains and losses	-	(2,500)	(2,500)
	(5,771)	(121)	(5,892)
Transfers Actuarial Gains	5,771	-	5,771
	-	726	726
At end of year	-	(1,895)	(1,895)

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.

14 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2022 £000	2021 £000
Less than one year Between one and five years	17 58	16 59
More than five years	183	197
	258	272

During the year £16,842 was recognised as an expense in the consolidated statement of financial activities in respect of operating leases (2021: £15,671).

15 Commitments

Capital commitments

Shetland Heat Energy and Power Limited's contractual commitments to purchase tangible fixed assets at the year-end were Nil (2021: £nil)

16 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.

During 2022/23, the Trust will operate a new Capital Grant Scheme. The Trust has committed up to £12.0 million over three years to the Scheme. The budget approved for 2022/23 is £7.7 million pounds, but actual expenditure will depend on the progress of these large capital projects.

Post year end in the period to 30 June 2022 there was a loss on the market value of investments of £63.7 million. This is related to the prevailing market and economic conditions and is not expected to be indicative of a permanent diminution of value.

17 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 2020 and was updated for FRS 102 purposes to 31 March 2022 by a qualified independent actuary.

	2022 £000	2021 £000
Net pension liability defined benefit obligation Fair value of plan assets	(5,451) 3,693	(5,728) 3,375
Unfunded defined benefit obligations	(1,758) (137)	(2,353) (147)
Net pension liability	(1,895)	(2,500)

17 Pension scheme (continued)

Movements in present value of defined benefit obligation:

Movements in present value of defined benefit obligation.		
	2022 £000	2021 £000
At 1 April	5,875	4,568
Current service cost	115	70
Interest cost	117	104
Actuarial losses/(gains)	(407)	1,274
Contributions by members	18	17
Benefits paid	(130)	(158)
At 31 March	5,588	5,875
Movements in fair value of plan assets:		
	2022	2021
	£000	£000
At 1 April	3,375	2,920
Expected return on plan assets	67	66
Actuarial gains/(losses)	319	488
Contributions by employer	44	42
Contributions by members	18	17
Benefits paid	(130)	(158)
At 31 March	3,693	3,375
Expenditure recognised in the statement of financial activities:	<u></u>	
	2022	2021
	£000	£000
Current service cost Interest cost	(115) (50)	(70) (38)
Total	(165)	(108)
The expenditure is recognised in the following line items in the st	atement of financia	al activities:
	2022	2021
	£000	£000
Charitable activities – support costs	(165)	(108)

17 Pension scheme (continued)

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

	2022 £000	2021 £000
Actuarial gains/(losses) Return on assets attributed to the Charity excluding interest income	407 319	(1,274) 488
	726	(786)
The fair value of the plan assets and the return on those assets were as	follows:	
	2022 Fair value £000	2021 Fair value £000
Equities Bonds Property Cash	2,991 259 406 37	2,734 270 337 34
	3,693	3,375
Actual return on plan assets	386	816

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:

	2022 %	2021 %
Discount rate Future salary increases Inflation / pension increase rate	2.70 3.20 3.20	2.00 2.85 2.85

In valuing the liabilities of the pension fund at 31 March 2022, 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), 22.9 years (female).

Future retiree upon reaching 65: 22.1 years (male), 25.1 years (female).

The Trust expects to contribute approximately £39,000 (2021: £37,000) to its defined benefit plans in the next financial year to 31 March 2023.

18 Related parties

In the year to 31 March 2022 the SCT Renewables Limited invested £Nil (2021: £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.

19 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 2022, 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 2022 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.

Shetland
Charitable Trust

Audit findings report year ended 31 March 2022

25 August 2022





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Executive Summary

This report summarises our key findings in connection with the audit of the financial statements of Shetland Charitable Trust and its subsidiaries in respect of the year ended 31 March 2022.

The scope of our work was communicated to you via our Audit Plan document. We believe that the audit approach adopted will provide the Audit and Governance Advisory Committee with the required confidence that a thorough and robust audit has been carried out.

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

Outstanding items to be resolved:

- Update post balance sheet review to date of sign-off
- Final review of financial statement disclosures prior to release for signing

Risks and approach

We have carried out testing as planned on the risks identified during planning as detailed later in this report. There are no key points to highlight.

Additional matters

In addition, the following matters came to light as a result of our work, which are covered later in this report:

Contingency funding award/ repayment



Risks identified at the planning stage

Description Findings Risk Response Systems of internal control are designed to We will: We have reviewed the journal posting process. Journals Management mitigate inherent risks of error within the core posted in the year are in line with our understanding of how override Test the appropriateness of a sample of journal entries control systems to an acceptable level. Shetland Charitable Trust and its subsidiaries operates. This recorded in the general ledger and other adjustments By nature, a management override or by-pass of includes segregation of duties around journals and made in the preparation of financial statements, tracing controls cannot be eliminated by the authorisation controls. selected entries back to source documentation. implementation of controls and therefore as part of our audit we will perform additional tests of Review significant accounting estimates and policies We have reviewed any significant transactions and detail to address this risk. estimates. The main estimate is the pension provision figure which could involve bias resulting in a material which is provided by Hymans Robertson. Their assumptions misstatement. are in line with benchmark data and appear reasonable. Discuss the basis and business rationale for any significant non-routine or contentious transactions which We have not found any significant transactions that are come to our attention outside the normal course of business. We conclude that there is no evidence of management override.



Investments valuation

There is a risk that the fair value of listed investments will be incorrectly recognised in the financial statements and disclosures will not accurately reflect movements in the year.

There is a risk that programme related investments could be impaired.

We will:

- Use substantive analytical review procedures to ensure that listed investment values and any changes are consistent with market movements and investments are stated correctly in accordance with the accounting policy and agree to the third-party reports supplied by the Investment Managers.
- 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.

We completed our planned testing on investments and as expected from planning we note the exceptional gains in value in the first half of the year had reversed by the year end in line with the unprecedented market conditions in the year. Property returns recovered and active equities had a positive return but was a difficult year for active equities due to the volatile market conditions. Our work included agreeing the information to the Northern Trust valuations.

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. 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.

We reviewed the position with the subsidiary companies and the consolidation. Shetland Heat Energy and Power Limited (SHEAP) are generating profits and there are no indicators of impairment.

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 in Viking Energy Shetland LLP (VES) which holds an interest in the Viking Energy windfarm. During the year the construction continued on the windfarm and interconnector as planned. The trust has a preferred return based on windfarm output and we have reviewed documentation relating to this. The discounted cash flow previously prepared on the future returns demonstrates that there is no impairment of the investment.

At the year-end, based on the evidence in this area, we concluded that the investment valuation basis was reasonable.

Capital grant scheme

During the year the Trust launched a new capital grant scheme for the large Shetland trusts and Voluntary Action Shetland to apply for funding to maintain their properties. Total funding of £12M was approved by the trustees and applications approved from the first round for £7.7M for projects in 2022/23. Formal grant letters were approved by the lawyers and due for issue at the end of March 2022. The grants should be recognised in full as an expense and a liability in the financial statements at the point when they are formally awarded provided there are no performance related conditions attached to the funding The timing of the grant letters and the conditions attaching will determine which financial year these are accounted in.

We will:

- Discuss with management to understand how these grants have been accounted for and document their rationale.
- Review the grant offer letters paying particular attention to the conditions and whether any are performance related.
- Assess the accounting treatment against the Charities SORP and conclude on appropriateness.

We have discussed with management, and we understand that the grant letters were approved and issued in April 2022. On this basis the grants have not been recognised in the accounts to 31 March 2022. We have reviewed the Charities SORP in this area and we concur that management have correctly applied the accounting requirements.

A post balance sheet note was added to the financial statements disclosing the approval of the capital grant awards post year end.

Pension scheme deficit

The Trust participates in the Shetland Islands Council defined benefit pension scheme. Given the present market conditions and potential adjustments to historical assumptions, the valuation of the pension scheme liability is significant. 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 detailed in the financial statements.

We will:

- Review the assumptions used in assessing the reasonableness of the pension scheme liability in conjunction with management and their advisers.
- Consider the accounts disclosures to determine if they meet the disclosure requirements of FRS 102.
- Discuss the Actuary's report with management and any correspondence with pension specialists.

We have reviewed the pension scheme documentation provided from the actuaries, including key assumptions. The assumptions are appropriate when compared to benchmark data. The valuation of the pension scheme deficit is in line with FRS 102 and the financial statement disclosures are consistent with this. We conclude that there are no misstatements in this area.



Risks identified during the audit

Risk	Description	Response	Findings
Contingency funding	The trustees approved contingency funding for the 2021/22 budget up to £1,300,000 to support Shetland Recreational Trust, Shetland Arts, Shetland Amenity Trust and COPE. This was to support the charities in the event that they suffered a loss of income and financial hardship in the period. The grant would be awarded on qualifying application based on set criteria covering the funding.	were made aware that a repayment would be required of £86,816. We received the repayment briefing note as audit evidence for this.	Accordingly, adjustments were made to the Shetland Charitable Trust accounts for the Shetland Arts repayment and for the Shetland Recreational Trust award. We concurred with the accounting treatment adopted by management.



Observations/ recommendations

Control recommendations

No recommendations on internal controls have come to our attention during the course of our audit work. As highlighted last year, we note as a positive that during lockdown the controls have been maintained with authorisations documented via email and the audit trail maintained electronically.

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.



Other matters to be reported

Significant qualitative aspects of the entity's accounting practices

The charity correctly applies the Charities SORP and FRS 102 and there are no material misstatements in the selection or application of accounting policies.

Management judgements and accounting estimates

The following areas are considered to be the principal accounting 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. Conversely a reasonably possible change that has a higher impact, means that such a change can have a significant impact.

Estimates	Low impact	High impact
Provision for bad debts	•	
Valuation of defined benefit pension schemes	•	
Valuation of investments		

Audit administration matters

A key area of audit evidence is the receipt of confirmations direct from fund managers relating investments. There were some issues this year – delays in receiving a response or reports received in the wrong format. This did involve some additional effort to resolve. As soon as we raised this matter with SCT management, they introduced us to named contacts at the fund managers so that this could be resolved.

In relation to all other areas of audit testing management were helpful and supportive as in previous years. We express our sincere thanks to Ann, Raymond, Edna and Kaylee for their assistance.

Update on matters communicated at the planning stage

Matter communicated	Update
Fees	We confirm that the fees charged during the year in respect of services performed are consistent with those contained within our Audit Plan submitted to you
Independence	In accordance with 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 [or provide details of changes].

This report has been prepared for the sole use of Shetland Charitable Trust and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.



Audit adjustments

We identified no audit misstatements during the course of our work which require to be brought to your attention.

We have not disclosed below those items that we consider to be "clearly trivial" in the context of our audit. For this purpose, we consider "clearly trivial" to be any matter less than £15.1k individually and in aggregate.

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Communication of audit matters to those charged with governance

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing, materiality and expected general content of communications including significant risks and key audit matters	•	
Matters in relation to the group audit, including scope of work on components	•	
Confirmation of independence and objectivity	•	•
Views about significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures (if any)		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Unadjusted accounting misstatements and material financial statement disclosure omissions		•

ISA (UK) 260, as well as other ISAs (UK), prescribes matters which we are required to communicate with those charged with governance, and which we set out in the table here.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while the Audit Findings presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

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 FRS 102. A list of disclosure points has been sent to the Executive Business Manager and the financial statements have been updated accordingly. There are no significant points to bring to your attention regarding any omissions or further amendments.



Financial reporting updates

Important updates

The following financial reporting updates have been issued since we presented our audit plan which will be relevant to you.

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





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





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Our Report is prepared solely for the confidential use of Shetland Charitable Trust and solely for the purpose of explaining the scope of the audit, our proposed audit approach, and to highlight the key risks that we will be focusing our audit work upon, forming part of the ongoing communications we are required to make under International Standard on Auditing (UK and Ireland) 260 – Communication of audit matters with those charged with governance. Therefore, the report may not, without our express written permission, be relied upon by Shetland Charitable Trust for any other purpose whatsoever, be referred to in whole or in part in any other external document or made available (in whole or in part) or communicated to any other party. RSM UK Audit LLP neither owes nor accepts any duty to any other party who may receive our Report and specifically disclaims any liability for any loss, damage or expense of whatsoever nature, which is caused by their reliance on our Report.

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Chief Executive: Ann Black

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Date: 15 September 2022

Our Ref: TA2 Your Ref:

Dear Audit Engagement Partner of Shetland Charitable Trust

AUDIT OF FINANCIAL STATEMENTS - 31 MARCH 2022

This representation letter is provided in connection with your audit of the financial statements of Shetland Charitable Trust for the year ended 31 March 2022 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 our 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 12 March 2020, 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 and guarantees of any kind entered into on behalf of the trustees;

- 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 names of the transacting parties;
 - the nature of the related party relationship;
 - a description of the transactions;
 - 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 our cash flow and profit forecasts we have 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:

We do not currently intend to change the nature, scale or focus of our operations. 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.

- We confirm that we have 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 31 March 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. All charities, companies and trusts controlled by the charity have been consolidated in the group financial statements.
- 12. All designated and restricted fund balances are correctly shown in the accounts.
- 13. In respect of items held at fair value and investments held at cost less impairment we confirm that the significant assumptions used, and valuation basis are reasonable at the year end and investments are not impaired.

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 including minutes of Trustees meetings and committees held between the beginning of the accounting period and the date of this letter;
 - 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 our 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 charity and group 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's and group's ability to conduct its activities.
- 7. We have disclosed to you the identity of the charity's 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. All grants, donations and other incoming resources, the receipt of which is subject to specific terms and conditions, have been notified to you. There have been no breaches of terms and conditions in the application of such incoming resources.
- 10. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
- 11. We confirm that we have informed you of all tax avoidance schemes used by the group.
- 12. We confirm that as far as we are aware:
 - no services have been provided to us or our 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 our 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 our affiliated entities and RSM network firms 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 our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error and we believe we have appropriately fulfilled those responsibilities.

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 members/trustees with the annual report.

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 ourselves 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 15 September 2022.

Yours faithfully Signed on behalf of the board of Shetland Charitable Trust

Trustee

Date 15 September 2022



REPORT

To: Shetland Charitable Trust Date: 15 September 2022

From: Chief Executive Report: CT2209025

Investment Performance Update - Three Months to 30 June 2022

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 2022.

2. Market Performance

- 2.1 Equities markets have continued to decline over the last three months, with growth stocks being particularly hard hit. Although, the markets have stabilised somewhat following the shock caused by rising inflation and the conflict in Ukraine. However, volatility is likely to continue until inflationary pressures ease.
- 2.2 The Trust's Property portfolio continues to perform well, with a marked increase over the quarter, recovering from the relative downturn following Brexit and the Covid 19 crisis.

3. Overall External Fund Performance

- 3.1 This report concentrates on the three months from April 2022 to June 2022. However, as the Trust is a long term investor, the report also considers the performance over one and three years.
- 3.2 The Trust has four fund managers with total investments under management at the end of June 2022 of £372.1 million. The funds, type of mandate and market values at the end of June 2022 are as follows:

Manager	Mandate	Market Value June 2022 (£m)	% of Reserves
Baillie Gifford	Active Equities	160.8	43.2
BlackRock	Passive Equities	86.5	23.3
Schroders	UK Property	79.3	21.3
Insight	Diversified Growth	45.5	12.2
Total		372.1	100.0

- 3.3 The return on the Trust's external investments over the three-month period was minus 14.4.% This decline was driven by the falls on world equity markets over the period.
- 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	(14.4)	(7.0)	(7.4)
1 Year	(23.6)	(2.1)	(21.5)
3 Years	8.8	5.2	3.6

- 3.6 Over the long term, the Trust's external investments have exceeded the benchmark return and have met the Financial Plan assumed return.
- 3.7 The returns over the last 12 months have been poor reflecting the world economic slowdown caused by inflationary pressures and geopolitical tensions.
- 3.8 Markets have now stabilised following this shock with valuations slowly increasing from a low point in June 2022.

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, the last year and the last three years.

Annualised Performance over	Actual Return	Benchmark Return	Over/ (Under) Performance
	%	%	%
3 Months	(24.5)	(8.6)	(15.9)
1 Year	(42.0)	(4.2)	(37.8)
3 Years	11.1	7.8	3.3

4.3 Baillie Gifford returned minus 24.5% over the three months to 30 June 2022, compared to the broad market return of minus 8.6%, which was 15.9% below the benchmark return.

- 4.4 Growth stocks, which Baillie Gifford invest in, have been particularly hard hit by inflationary pressures, the downturn in consumer spending, the war in Ukraine and wider market sentiment. Although, these have started to recover again.
- 4.5 Over the longer term, Baillie Gifford have delivered excellent returns for the Trust. Despite the recent downturn, over the last three years, Baillie Gifford have returned 37.1%, equivalent to a return of 11.1% per annum.

5. Fund Manager Performance BlackRock

- 5.1 In December 2021, following the Investment Review undertaken earlier in 2021, BlackRock's "whole market" passive equity fund was transferred to BlackRock's product, the iShares MSCI World SRI UCITS EFT.
- 5.2 This fund with BlackRock is invested passively in equities, but with a focus on "socially responsible investment" (SRI). The benchmark for this fund is the MSCI World SRI Select RFF Index. This benchmark is still not available for performance measurement. Therefore, the benchmark comparison has not been included this quarter.
- 5.3 Detailed below is BlackRock's performance for the last three months, the last year and the last three years.

Annualised Performance over	Actual Return	
%		
3 Months	(11.5)	
1 Year	(8.9)	
3 Years	3.4	

- 5.4 The mandate with BlackRock over the three months to 30 June 2022 produced a return of minus 11.5%, broadly matching the returns on the world equities markets over the period.
- 5.5 Over the last three years, BlackRock have returned 10.6%, equivalent to a return of 3.4% 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, the last year and the last three years.

Annualised Performance over	Actual Return Benchmark Return		Over/ (Under) Performance
	%	%	%
3 Months	4.9	3.9	1.0
1 Year	18.0	23.2	(5.2)
3 Years	7.6	9.2	(1.6)

- 6.3 Over the three months to 30 June 2022 Schroders have returned 4.9%, which was above the property benchmark.
- 6.4 Schroders' performance, over longer periods, continues to lag the benchmark as the Trust's portfolio contains a significant proportion of real estate debt (20%). Real Estate Debt provides capital protection, a stable fixed return and better liquidity, but is not represented in the benchmark currently used to monitor performance.
- 6.5 Removing Real Estate Debt from the analysis shows that the remaining portfolio's performance is close to or above the benchmark over most periods.
- 6.6 Over the last three years, Schroders have returned 24.6%, equivalent to a return of 7.6% 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, the last year and the last three years.

Annualised Performance over	Actual Return	Benchmark Return	Over/ (Under) Performance
	%	%	%
3 Months	(6.0)	1.2	(7.2)
1 Year	(6.1)	4.3	(10.4)
3 Years	0.7	4.3	(3.6)

- 7.3 Overall Insight produced a return of minus 6.0% over the period, which was 7.2% below the benchmark return. Insight's portfolio has been affected by the downturn in equity markets, although the losses over the quarter are lessened by the diversity of assets they hold.
- 7.4 Over the last three years, Insight have returned 2.1%, equivalent to a return of 0.7% 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 Trustees approved the Investment Plan 2020–25 at their meeting held on 12 September 2019. The Plan sets out the overarching investment approach of the Trust to ensure the long-term strategic and financial objective of achieving a self-sustaining Trust.
- 8.3 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.
- 8.4 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.

Reference: IA7 Report Number: CT2209025



REPORT

To: Shetland Charitable Trust Date: 15 September 2022

From: Chief Executive Report: CT2209026

Management Accounts - Three Months to 30 June 2022

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 2022, 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 2022/23 and the results in the three months to 30 June 2022.

Table 1: Summary Management Accounts 2022/23

Item Income	Annual Budget £m 2.5	Actual to Jun 2022 £m 0.7
Disbursements	(16.4)	(4.7)
Management and Administration	(0.7)	(0.1)
Fund Managers Fees	(1.7)	(0.4)
Gain/(Loss) on Investments	27.7	(63.7)
Total	11.4	(68.2)

- 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 2022 the Trust made a loss on its investments of £63.7m.

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 2022 as shown in the Management Accounts in Appendix A.

Reference: DA5/1 Report No: CT2209026



Management Accounts 3 Months Ended 30 June 2022

Shetland Charitable Trust Income and Expenditure Period to 30 June 2022

	3 Month Actual £	Annual Budget £	Variance £
Income Managed fund dividends Managed fund interest Agricultural loan interest Local equity gift aid Rental income Bank interest Miscellaneous income	- 629,063 - - 119,526 - - - 748,589	2,000,000 * - 500,000 - 2,500,000	(1,370,937) - - (380,474) - - (1,751,411)
Expenditure Disbursements Management and administration Fund managers	(4,735,624)	(16,400,000)	11,664,376
	(139,511)	(680,000)	540,489
	(355,135)	(1,740,000)	1,384,865
	(5,230,270)	(18,820,000)	13,589,730
Gain on investments Surplus/(Deficit)	(63,741,212)	27,700,000	(91,441,212)
	(68,222,893)	11,380,000	(79,602,893)

^{*} 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 2022

	Jun-	-22
	£	£
Tangible fixed assets Investments		23,000 383,787,816 383,810,816
Trade debtors Prepayments and Accrued income Other debtors Bank	46 214,895 625,250 265,385 1,105,576	, ,
Trade creditors Accruals and deferred income Other creditors Net current assets	414,565 1,380,676 (782) 1,794,459	(688,883)
Pension liability		383,121,933 (1,895,000) 381,226,933
Opening reserves Surplus for period Closing reserves		449,449,826 (68,222,893) 381,226,933

2

Shetland Charitable Trust Rental Income Period to 30 June 2022

	3 Month Actual £	Annual Budget £	Variance £
Sullom Voe Site Shetland Golf Course	119,526 -	499,500 500	(379,974) (500)
	119,526	500,000	(380,474)

Shetland Charitable Trust Disbursements Period to 30 June 2022

Period to 30 Julie 2022	3 Month Actual	Annual Budget	Variance
	£	£	£
Main Grant Scheme			
Ability Shetland	20,000	40,000	(20,000)
British Red Cross	11,950	23,900	(11,950)
Clan Cancer Support	20,100	20,100	-
COPE Limited	115,300	230,600	(115,300)
Dogs Against Drugs	20,500	20,500	-
Gaada	21,950	43,900	(21,950)
Mind Your Head	38,450	76,900	(38,450)
Moving On	17,950	35,900	(17,950)
NSPCC Scotland	4,000	4,000	-
OPEN Project	15,650	31,300	(15,650)
Relationships Scotland - Shetland	15,300	30,600	(15,300)
Royal Voluntary Service	32,050	64,100	(32,050)
Sandwick Social and Economic Development SCIO	15,600	15,600	-
Shetland Amenity Trust	600,450	1,200,900	(600,450)
Shetland Arts Development Agency	341,250	682,500	(341,250)
Shetland Befriending Scheme - 16+	13,000	13,000	-
Shetland Befriending Scheme - CYP	27,000	54,000	(27,000)
Shetland Care Attendants Schme	37,850	75,700	(37,850)
Shetland Community Connections	15,000	15,000	-
Shetland Islands Citizen Advice Bureau	136,150	272,300	(136,150)
Shetland Islands Council Rural Care Model	993,100	1,986,200	(993,100)
Shetland Link Up	28,350	56,700	(28,350)
Shetland Rape Crisis	16,500	33,000	(16,500)
Shetland Recreational Trust	1,612,950	3,225,900	(1,612,950)
Shetland Women's Aid	50,000	100,000	(50,000)
The Swan Trust	14,150	28,300	(14,150)
Voluntary Action Shetland - Core	44,300	88,600	(44,300)
Voluntary Action Shetland - Market House	47,700	95,400	(47,700)
Who Cares? Scotland	17,550	35,100	(17,550)
Sub Total Main Grant Scheme	4,344,100	8,600,000	(4,255,900)
Small Grant Scheme	41,524	100,000	(58,476)
Main Grant Scheme Contingency		-	-
Capital Grant Scheme	350,000	7,700,000	(7,350,000)

Total 4,735,624 16,400,000 (11,664,376)

Shetland Charitable Trust Management and Administration Expenditure Period to 30 June 2022

	3 Month Actual £	Annual Budget £	Variance £
Basic Pay and Allowances	75,765	344,700	(268,935)
Professional Membership Fees	192	500	(308)
Staff recruitment	699	1,500	(801)
Travel and Subsistence	1,260	6,000	(4,740)
Training and Staff Development Sub Total Staffing Costs	636	8,800	(8,164)
_	78,552	361,500	(282,948)
Operating Costs			
Insurance	16,322	14,000	2,322
Administration	1,018	5,600	(4,582)
Supplies and Services	877	6,400	(5,523)
Bank Charges	88	400	(312)
Professional Fees External Audit Fees	3,636 12,331	20,000 20,000	(16,364)
Financial advice	12,331	30,000	(7,669) (30,000)
Trustees Expenses	_	1,500	(1,500)
Meeting expenses	124	2,000	(1,876)
Legal Fees	876	50,000	(49,124)
Trustee Recruitment Costs	681	2,500	(1,819)
Sub Total Operating Costs	35,953	152,400	(116,447)
Property Costs			
Energy Costs	93	9,000	(8,907)
Water Rates	31	1,500	(1,469)
Building Maintenance	14,536	51,000	(36,464)
Cleaning	428	2,000	(1,572)
Sub Total Property Costs	15,088	63,500	(48,412)
Bad debt write off	_	_	_
Reduction in Bad Debt Provision	_	_	_
Bought In Services		00.000	(00,000)
Treasury	-	20,000	(20,000)
Payroll Ruilding Maintenance	-	650 47,000	(650) (47,000)
Building Maintenance Committee Services	_	7,200	(7,200)
Computer Services	9,360	10,000	(640)
Messenger Service	-	-	(040)
Peninsula	558	2,750	(2,192)
Public Relations	-	15,000	(15,000)
Sub Total Bought In Services	9,918	102,600	(92,682)
Total	139,511	680,000	(540,489)
1 4141	100,011	000,000	(070,703)

Shetland Charitable Trust Investment expenses Period to 30 June 2022

	3 Month Actual £	Annual Budget £	Variance £
Management Expenses	34,105	-	34,105
Northern trust fees	12,500	49,000	(36,500)
Insight investment fees	61,659	234,000	(172,341)
Schroders fees	41,400	187,000	(145,600)
Baillie Gifford fees	205,472	1,270,000	(1,064,528)
	355,135	1,740,000	(1,384,865)



REPORT

To: Shetland Charitable Trust Date: 15 September 2022

From: Chief Executive Report: CT2209027

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 2022, there were seven loans outstanding.
- 3.2 In the period 1 April 2022 to 31 August 2022, three organisations fully repaid their loan.

- 3.3 Appendix A lists the outstanding loans as at 31 August 2022.
- 3.4 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 Four loans remain active, with no new applications for bridging loans received this financial year.

6. Recommendation

6.1 Trustees are asked to note this report.

Reference: D19 Report Number: CT2209027

Project	Project Costs £	Bridging Loan Approved £	Drawn Down to Date £	Repaid to 31/03/22 £	Due to SCT at 01/04/22 £	Repaid £ 2022/23	Due to SCT at 31/08/22 £	Notes
Loans approved 2019/20	•		•		•			
Hillswick Wildlife Sanctuary	428,100	366,000	366,000	-	86,790		86,790	Extension requested
Community Development Company of Nesting	211,377	175,985	175,985	125,985	25,000	25,000		Repaid August 2022
Loans approved 2021/22								•
South Nesting Boating Club (SCIO)	66,000	53,460	53,460	-	53,460	-	53,460	Extension requested - Repayment expected December 2022
Legion Scotland Lerwick Branch	110,082	60,000	60,000	-	60,000	-	60,000	Extension requested - Repayment expected September 2022
Scalloway Community Development Company	669,755	400,000	400,000	-	400,000	-	400,000	Extension requested - Repayment expected September 2022
North Yell Development Company	554,265	350,000	350,000	-	350,000	350,000.00	-	Repaid June 2022
Uyeasound Waterfront Trust	38,837	29,927	29,927	-	29,927	29,927	-	Repaid April 2022
TOTAL	2,078,416	1,435,372	1,435,372	125,985	1,005,177	404,927	600,250	