

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

Date: 3 September 2018

Our Ref: EM/TA48

Dear Sir/Madam

You are invited to the following meeting:

Shetland Charitable Trust
Room 9, Islesburgh Complex, Lerwick
Tuesday 11 September 2018 at 5.45pm

Apologies for absence should be notified to Lynne Geddes on 01595 744592.

(Please note the time of this meeting)

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 14 June 2018 (enclosed).

For Decision

1. Shetland Charitable Trust Annual Report and Accounts for the Year Ended 31 March 2018. Copy to follow.
2. Service Performance of Funded Organisations – Year Ended 31 March 2018. Report enclosed.

For Information

3. Investment Review Report – Quarter to 30 June 2018. Report enclosed.
4. Management Accounts – Three Months Ended 30 June 2018. Report enclosed.
5. Capital Works Bridging Loan Scheme. Report enclosed.
6. Small Grant Schemes - Approvals. Report enclosed.

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

For Decision

7. Shetland Leasing and Property Developments Limited. Copy to follow.

For Information

8. Deeds Executed. Report enclosed.
9. Update from Chairs of Advisory Committees.
10. Update from Subsidiary Companies

REPORT

To: Shetland Charitable Trust

11 September 2018

From: Chief Executive

Report: CT1809022

Shetland Charitable Trust Annual Report and Accounts for the year to 31 March 2018

1. Introduction

- 1.1 The purpose of this report is to present the Annual Report and Accounts for the year to 31 March 2018 for approval. These are attached as Appendix A.

2. Commentary

- 2.1 Shetland Charitable Trust (the Trust) has seen an increase in funds of £20.3 million this financial year, mainly due to the gains on investments of £23.6 million. The Trusts net asset position now stands at £284.4million (2017: £264.1 million).
- 2.2 Total incoming resources were £6.2 million and total resources expended were £9.8 million.
- 2.3 Total charitable expenditure, including depreciation charges, for the year was £8.8 million (2017: 9.4 million). This reduction was partly due to a reduction in the depreciation charge in the year following the transfer of the District Heating Scheme (DHS) infrastructure to SHEAP and partly due to a reduction in disbursements in line with the Trust's disbursement plan. Further information on charitable activities is provided in the Annual Report.
- 2.4 The Trust funds invested on global markets increased this year. Investment income decreased by £0.1 million, however, there was a gain on investment assets of £23.6 million (2017: gain of £35.5 million). Investment management costs for the year were £938,000 (2017: £745,000). This increase is partly due to the increase in the value of the invested assets together with an increase in fees as result of 50% of the equity portfolio now being actively managed for a full financial year.
- 2.5 Programme related investments have reduced in the year due to the provision made on equity holdings and the repayment of balances under the agricultural loans.

- 2.6 Gift Aid in the year totalled £2.1 million, all of which was from SLAP (2017: £2.0 million). Shetland Heat Energy and Power Ltd (SHEAP) did not make a gift aid payment in the year (2017: £0.2 million).
- 2.7 KPMG LLP have written a report, shown in Appendix B, which summarises the work of the auditors along with a summary of the Trusts financial position as at 31 March 2018. Bruce Marks of KPMG presented this report to the Audit and Governance Committee on Tuesday 21 August 2018.
- 2.8 The letter of representation from Trustees to KPMG, required to complete the audit, is attached as Appendix C.

3. Financial Implications

- 3.1 The Trust's net movement in funds for the year was a £20.3 million inflow (2017: £31.3 million inflow). The Trust continues to maintain a strong cash balance and has net assets at 31 March 2018 of £284.4 million (2017: £264.1 million).

4. Recommendations

- 4.1 Trustees are asked to:-
 - a) approve the Annual Report and Accounts for the year to 31 March 2018 attached as Appendix A;
 - b) authorise the Chair and the Chair of Audit and 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 KPMG LLP, the Trust's auditors, attached as Appendix B.

Reference: TA2

Report Number: CT1809022

Shetland Charitable Trust

**Trustees' report and consolidated
financial statements**

Charity number SC027025

31 March 2018

Contents

Chair's Introduction	1
Trustees' Report	2
Statement of trustees' responsibilities in respect of the trustees' annual report and the financial statements	11
Independent auditor's report to the Trustees of Shetland Charitable Trust	12
Consolidated statement of financial activities	14
Trust statement of financial activities	15
Consolidated balance sheet	16
Trust balance sheet	17
Consolidated cash flow statement	18
Notes to the financial statements	19

Chair's Introduction

This year has seen significant changes in the Board following the implementation of the new governance arrangements. Following the Local Government Elections in May 2017, Shetland Islands Council choose not to appoint Trustees to the Board. We have been successful in recruiting and appointing five new Selected Trustees, who bring fresh energy and experience to the Board.

The Trust's three Advisory Committees met regularly throughout the year. The Investment Advisory Committee continued to monitor the performance of the Trust's new Investment Strategy and the Subsidiary Companies. The Trust introduced a new investment strategy in 2016. This resulted in the appointment of a diversified growth manager and an active equity manager where 10% and 37.5% respectively, of the Trust's reserves were invested. The remaining assets continue to be invested in passive equities (37.5%) and property (15%). The Committee have instigated a review of external investments to consider the changes that have taken place in relative split of assets between managers, since the introduction of the strategy.

The General Purposes Advisory Committee reviewed the Trust's Public Relations Policy and commissioned two short films on the Shetland Befriending Service and Disability Shetland, highlighting the impact these funded organisations have on the quality of life in Shetland. The Committee received presentations from a number of funded organisations and monitored the service performance of all the Trust's grant recipients.

Finally, the Audit and Governance Advisory Committee, implemented the changes in governance arrangements, approved by the Trustees in May 2016. The Committee oversaw two separate recruitments processes for the appointment of new Trustees., These joined the Board in June 2017 and June 2018 respectively. The Committee also undertook a complete review of the Trust's strategic risks and oversaw the implementation of the new GDPR regulations.

I would like to take this opportunity to thank all the Trust staff for their hard work over the past year. I am also very grateful for the help and support received from all Trustees, especially the Chairs of the Advisory Committees.

As this will be my last annual report as Trustee and Chair, I would also like to take the opportunity to thank all staff and Trustees, past and present, for their commitment and support. I wish the Trust continued success in the future and I am sure that it is in good hands.

R W Hunter
Chair

11 September 2018

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		
Selected	<i>Appointed by Shetland Islands Council</i>		
R W Hunter, Chair	M J Bell (Retired 4 June 2017)		
A B Cooper, Vice Chair	A G L Duncan (Retired 4 June 2017)		
T Macintyre	R S Henderson (Retired 4 June 2017)		
P Malcolmson	A I Manson (Retired 4 June 2017)		
K I Massey	W A Ratter (Retired 4 June 2017)		
I R Napier	A J Westlake (Retired 4 June 2017)		
J L B Smith			
G Hay (Appointed 4 June 2017)			
W A Ratter (Appointed 4 June 2017)			
MI Roberts (Appointed 4 June 2017)			
J Garriock (Appointed 14 June 2018)			
Y Hopkins (Appointed 14 June 2018)			
Chief Executive	Dr Ann Black		
Bankers	Bank of Scotland 117 Commercial Street Lerwick ZE1 0DL		
Auditor	KPMG LLP 319 St Vincent Street Glasgow G2 5AS		
Solicitors - Governance and Charity Law	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	Commercial	Maclay Murray & Spens LLP Quartermile One 15 Lauriston Place Edinburgh EH3 9EP
Investment Managers	Insight Investment Management (Global) Limited 160 Queen Victoria Street, London, EC4V 4LA		
	BlackRock Global Investors Limited Drapers Gardens 12 Throgmorton Avenue London EC2N 2DL		
	Schroders Property Managers 31 Gresham Street London EC2V 7QA		

Trustees' Report *(continued)*

Section 1: Reference and Administrative Details (continued)

Investment Managers	Baillie Gifford & Co Calton Square 1 Greenside Row Edinburgh EH1 3AN
Custodian	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT
Investment Monitor	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT

Section 2: Structure, Governance and Management

Governing Document

The Shetland Charitable Trust (the Trust) was established by a Deed of Trust which was registered in the Books of Council and Session on 27 September 2012.

The Trust Deed and its schedules appoint Trustees, state the charitable purposes of the Trust and also 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 reliefs received by the Trust are overseen by HM Revenue and Customs (HMRC). The Trust has to demonstrate to both these regulators, on an ongoing basis, that its activities remain charitable, and in the case of OSCR, generate public benefit.

Trustees – Appointment, Induction and Training

The Trust was made up of eight appointed Trustees recommended by a selection panel and appointed by the Trustees, and seven Councillor Trustees who are elected members of, and appointed by, Shetland Islands Council. From 4 June 2017, following the review of governance, the Trust was made up of eleven appointed Trustees recommended by a selection panel and appointed by the Trustees, and four Councillor Trustees appointed by, Shetland Islands Council. Shetland Islands Council decided not to appoint Councillor Trustees to the Trust. Following a further, review of governance, the Trust will be made up of twelve appointed Trustees recommended by a selection panel and appointed by the Trustees.

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

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 liquid resources. 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.

Trustees' Report *(continued)*

Minutes

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

Subsidiary Companies

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

Shetland Leasing and Property Developments Limited (SLAP) Michael Thomson – Chair
William Manson
Susan Groat (Resigned 31 March 2018)
Brian Anderson (Appointed 15 January 2018)
Colin Clark (Appointed 15 January 2018)

Shetland Heat Energy and Power Limited (SHEAP) James Armitage - Chair
Allan Wishart
Simon Collins
Derek Leask
Garry Tait
Wendy Grant (Appointed 15 June 2018)

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

C. T. Shetland (TM) Limited Keith Massey

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

SCT Renewables Limited James Smith

Risk Management

The Audit & Governance Advisory Committee has reviewed all the Trust risk's and prepared a new Strategic Risk Management Assessment. The Committee felt that the previous strategic risks should be separated into Strategic and Operational Risks and that the Operational Risks should be managed by the Chief Executive. They also identified that a number of the risks could be consolidated into a single strategic risk.

As a result of this review, a new Risk Management Assessment was presented to Trustees on 14 September 2017. The five strategic key risks are:

No.	Risk	Current Risk Level	Lead Committee
1	Poor Governance	Amber	Audit & Governance Advisory Committee
2	Poor Investment Decisions	Amber	Investment Advisory Committee
3	Loss of Charitable Status	Green - Archived	Audit & Governance Advisory Committee
4	Poor Reputation	Amber	General Purposes Advisory Committee
5	Poor operation of subsidiary companies resulting in loss of earnings to the Trust	Amber	Audit & Governance Advisory Committee

Each of these Committees will take responsibility for ensuring the risk is reviewed regularly and identify the steps required to mitigate these risks. All recommendations from the Committees will be reported annually to the Board of Trustees for consideration and approval.

Trustees' Report *(continued)*

Section 2: Structure, Governance and Management *(continued)*

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

Priorities

Trustees have identified a number of priorities which link to the objects, which are set out in the Trust Deed, which is on the Trust's website. Priority will be given to supporting projects and activities which:

- contribute to a balanced provision of public services within Shetland
- support services to people in need
- support services for the elderly
- support services for children and young people
- contribute to maintaining and developing Shetland's environment

Strategic Partnerships

The Trust is a key partner in the Shetland Community Planning Partnership, which sets strategic direction for the community of Shetland. The role of the Partnership is to support and enhance community planning with particular regard for community engagement and partnership working. The Partnership also brings together those involved in working towards the outcomes of the Shetland Community Plan, to provide an effective link between strategic direction and coordinated planning.

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

The Trust wishes to ensure that the charitable activities it carries out are appropriate and complementary to those activities carried out by other community and public bodies. Rather than employ people who are experts in particular fields, the Trust seeks advice from appropriate professional bodies as to what activities it might carry out for the public benefit of the inhabitants of Shetland.

The final decision to support a project or activity lies with the Trustees. Any grant recipient is subject to "performance monitoring", which is carried out by Trust staff and reported to Trustees.

Grant Making Policy

The Trust is primarily a strategic funding body providing funding for other organisations to carry out their charitable activities and only undertakes a small amount of direct charitable activity in the Shetland community itself. The Trust can only give grants or loans in furtherance of its charitable purposes narrated in the Trust Deed and where a benefit to the Shetland community is clearly demonstrable.

Financial Objectives

Trustees have agreed to continue with the long-term financial strategy of passing the "pot" on to future generations, and so limiting annual expenditure to the average growth on the investments above inflation.

In 2015, Trustees approved a new Financial Plan to run from 1 April 2016 to 31 March 2020. The aim of this plan is to reduce the expenditure of the Trust to £8.5 million by 2020. It was felt that the maximum expenditure of £11 million in the previous financial plan did not allow the Trust to be sustainable. A budget of £9.3m has been set for the year to 31 March 2019 in line with the new Financial Plan.

Trustees' Report (continued)

Section 3: Objectives and Activities (continued)

Budgets

Each year the Trustees 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 7 and 8, with details of the actual spend in column two, and a comparison with the previous year in column three.

Section 4: Achievements and Performance

During the year to 31 March 2018, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

- Citizens Advice Bureau
- COPE Ltd
- Disability Shetland
- Festivals: Folk Festival
- Royal Voluntary Service
- Shetland Link-up
- Shetland Amenity Trust
- Rural Care Model
- Shetland Arts Development Agency
- Shetland Befriending Scheme
- Shetland Churches Council Trust
- Festivals: Fiddle and Accordion
- Voluntary Action Shetland
- Shetland Recreational Trust
- The Swan Trust
- Bus Service for the Elderly and Disabled

The Trust allows organisations which it funds to hold small reserves for unforeseen items and to help with cash flow, rather than them having to return all unspent balances to the Trust.

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 2015, which set out, in detail, how the Trust's money makes a difference to people and communities. On the whole, Trustees were satisfied that most organisations were performing satisfactorily against their stated targets, and there were no significant areas of concern.

The Trust also supported a range of charitable projects and schemes, as set out below:

- Arts Grant Aid Scheme
- Senior Citizen's Clubs
- Local Charitable Organisations

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

- Leisure facilities in Unst, Yell, Brae, Aith, Whalsay, Scalloway and Sandwick
- The Clickimin Complex in Lerwick
- Care centres in Unst, Yell, Whalsay, Brae, Walls and Levenwick
- The Garrison Theatre in Lerwick
- The new Museum and Archives in Lerwick
- Market House, the Voluntary Resource Centre in Lerwick
- Various offices and other buildings for local charities

Details of the activities and performance of the Trust's subsidiary companies are provided in Section 5 of this report. In summary, SLAP generated profits for the Trust in 2017/18 and SHEAP returned a loss. The rental from the land at the Sullom Voe terminal also made a contribution.

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

Charitable Expenditure

	2017/18 budget £	Actual spend to 31 March 2018 £	2017 spend £
<u>Grants over £0.5m</u>			
Shetland Amenity Trust	1,235,102	1,235,102	1,281,159
Shetland Arts Development Agency	664,426	664,426	694,878
Shetland Recreational Trust	3,193,176	3,193,176	3,303,363
Support to Rural Care Model	2,196,844	2,196,844	-
<u>Other Revenue Grants</u>			
Disability Shetland Recreation Club	12,641	12,641	12,641
The Swan Trust	35,825	35,825	53,738
Shetland Churches Council Trust	27,002	27,002	40,503
Shetland Befriending Scheme	54,418	54,418	54,418
Citizens Advice Bureau	132,265	132,265	132,265
COPE Limited	154,967	154,967	154,967
Shetland Link Up	47,994	47,994	47,994
Voluntary Action Shetland	144,361	144,361	144,361
Festival Grants	15,000	15,000	22,500
Local Charitable Organisations	14,000	11,552	11,552
Buses for Elderly and Disabled	46,232	46,232	-
Royal Voluntary Service	46,985	46,985	46,985
Sub Total Organisations	8,021,238	8,018,790	6,001,324

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

	2017/18 budget £	Actual spend to 31 March 2018 £	2017 spend £
Schemes			
Arts Grant Scheme	25,000	8,008	10,586
Senior Citizen's Clubs	15,000	7,600	12,598
Support to Rural Care Model	-	-	2,302,172
Buses for Elderly and Disabled	-	-	48,106
Sub Total Schemes	40,000	15,608	2,373,462
Surplus Grants Refunded	-	(1,346)	(4,597)
Sub-total charitable expenditure	8,061,238	8,033,052	8,370,189
Trust Administration, including governance costs	662,821	511,843	647,268
Total	8,724,059	8,544,895	9,017,457

Total charitable expenditure and administration costs are shown before adjustment for pension adjustments under FRS 102 totalling £76,000.

From 1 April 2017, Support to Rural Care Model and Buses for Elderly and Disabled disbursements were made by the way of grant payments rather than under the Scheme arrangements.

Trustees' Report *(continued)*

Section 5: Financial Review

Growth and Unrestricted Funds

The Trust relies chiefly on funds generated by investments on the world's markets. Around £27 million was generated in 2017/18. This includes growth in value of the investments as well as dividend income received. In 2017/18, around £2.8 million income was derived from investments in Shetland, valued at around £28 million. These investments are in SLAP, the land at Sullom Voe Terminal and the District Heating Scheme infrastructure.

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' (see below). These two things together mean that although the general funds are shown as being in deficit in the financial statements, there are no practical consequences flowing from this.

Reserves Policy

The policy of the Trustees is to invest the reserves of the Trust to generate income to support charitable expenditure and to maintain the real value of the reserves in the long term. The current value (as at 31 March 2018) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £284 million. Trustees seek to minimise risk through diversification within its investments and take advice, as appropriate, in determining the mix of asset types in its investments. None of the Trust's funds are for restricted purposes. Trustees are free to determine how to apply their Unrestricted Reserves in a manner consistent with the Trust objectives and in line with its Budget Strategy.

Investments

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

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

2017/18 was a good year for investment returns, achieving total returns of £27 million (about 11.7%).

Stock Exchanges

As at 31 March 2018, four fund managers managed the Trust's Stock Exchanges portfolio. BlackRock Global Investors manage around £81.2 million invested in passive equities (shares), Baillie Gifford & Co. manage around £108.0 million invested in active equities (shares), Insight Investment manage around £23.5 million in a diversified growth fund, and Schroders Property Managers manage around £38.7 million in commercial property.

Cash on Deposit

The Trust has entered into a Service Level Agreement with Shetland Islands Council whereby the Trust has access to the money markets at a level which it may not have been able to achieve on its own.

Subsidiary Companies

Shetland Leasing and Property Developments Limited (SLAP) is a wholly owned subsidiary of the Trust. Its main activity is the purchasing, developing and letting of about 30 properties throughout Shetland. SLAP gift aids its profits to the Trust. The property portfolio is valued at £17.0 million and it generated rental income of over £2.3 million in 2017/18. The Board of Directors resolved to make a gift aid payment of £2.1 million to the Trust in the financial year 2017/18. This mechanism means that neither body pays tax on the profits.

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 it generated income of over £2.5 million in 2017/18. SHEAP recorded a loss in 2017/18 and as a result no gift aid payment will be made to the Trust in the financial year 2017/18.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. The Trust has invested £9.3 million at 31 March 2018. Viking Energy Shetland LLP is a 90% owned subsidiary of SCT Renewables Limited. It participates in the Viking Energy project which is investigating a very large 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*.

Trustees' Report *(continued)*

Section 5: Financial Review *(continued)*

Decisions about Investments

When the Trustees make decisions about investing the Trust's capital, the law requires them to seek appropriate advice and act as reasonably prudently as commercial investors would. An investor is concerned with various criteria when investing money; these include rate of return (dividends / income / rent / interest earned), capital growth, and just how safe the money is. 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 so as to produce income and to increase the value of those funds. To do this properly the Trust has to act commercially. It cannot "act charitably" towards its investments. Trustees reviewed their long term investment strategy during the year.

After considering appropriate advice, Trustees have adopted an investment strategy based on a 75% in shares (37.5% actively managed and 37.5% managed passively), 15% in property and 10% in a diversified portfolio of assets. The investment strategy was implemented in 2016/17 and seeks to maintain diversification whilst increasing average returns in the long term. Trustees have considered the legal, financial and ethical aspects of various possible socially responsible investment mechanisms.

Section 6: Plans For The Future

The Trust is currently concentrating on the financial sustainability of the Trust. The Financial Plan which has been approved aims to reduce expenditure to £8.5 million by 2020.

The Trust will also be seeking expert financial advice on the Viking Energy Project and any potential further investment by the Trust.

Finally, the Trust undertook a review of its Governance by 2018 as was agreed when the Trust was reconstituted. This review has progressed during the year and the recommendations have been approved Trustees and OSCR. The governance changes will be implemented during 2018/19.

R W Hunter
Chair

2018

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

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements for each financial year which show a true and fair view of the state of affairs of the group and the charity and of the group's and the charity's excess of expenditure over income for that period. The trustees have elected to prepare the financial statements in accordance with 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue its activities.

The trustees are required to act in accordance with the trust deed 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, those statements of accounts comply with the requirements of regulations under that Act. They 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.



319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the Trustees of Shetland Charitable Trust

Opinion

We have audited the group and charity financial statements (the 'financial statements') of Shetland Charitable Trust for the year ended 31 March 2018 set out on pages 14 to 37. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2018 and of the group's net movement in funds for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – material uncertainty relating to the valuation of an investment property

We draw attention to note 4 of the financial statements which describes the uncertainties relating to the valuation of an investment property of £1.6m. The directors of a wholly owned subsidiary company are currently negotiating with the tenant over the rent that the tenant will pay and the final amount agreed could have a material impact on the total investment property balance of £17m disclosed in the financial statements at 31 March 2018. The ultimate outcome of the matter cannot presently be determined and no impairment that may result has been made in the financial statements. Our opinion is not modified in respect of this matter.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Trustees' report

The trustees are responsible for the trustees' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the Trustees' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in Trustees' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

Under the Charities Accounts (Scotland) Regulations 2006 (as amended), we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Charity's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 11, the trustees are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the charity's members, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's members 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 the charity's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Bruce Marks
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

11 September 2018

Consolidated statement of financial activities
for the year ended 31 March 2018

	Note	Unrestricted funds		2018	2017
		General funds £000	Expendable endowment £000	Total £000	Total £000
Income and endowments from					
Other trading activities	6	4,929	-	4,929	4,685
Investments		3,387	-	3,387	3,499
Rental income		757	-	757	907
Other income	2	15	-	15	2
Total income and endowments		9,088	-	9,088	9,093
Expenditure on					
Expenditure on raising funds	6	(3,651)	-	(3,651)	(2,809)
Investment Management		(938)	-	(938)	(745)
Provision made against equity investment	6	-	-	-	(89)
Charitable activities	2	(8,621)	(170)	(8,791)	(9,359)
Total expenditure		(13,210)	(170)	(13,380)	(13,002)
Net gains/(losses) on investments	12	-	23,558	23,558	35,516
Net income/(expenditure)		(4,122)	23,388	19,266	31,607
Other recognised gains and losses					
Actuarial (losses)/gains in defined benefit pension scheme	17	354	-	354	(602)
Net movement in funds		(3,768)	23,388	19,620	31,005
Fund balances brought forward	13, 12	(11,093)	280,046	268,953	237,948
Fund balances carried forward		(14,861)	303,434	288,573	268,953

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 18 to 36 form a part of the financial statements.

Trust statement of financial activities

for the year ended 31 March 2018

	Note	Unrestricted funds		2018 Total £000	2017 Total £000
		General funds £000	Expendable endowment £000		
Income and endowments from					
Income from investments		3,387	-	3,387	3,499
Other trading activities (Gift Aid receipts from subsidiary undertakings)	6	2,083	-	2,083	2,186
Rental income		757	-	757	907
Other income		5	-	5	2
Total income and endowments		6,232	-	6,232	6,594
Expenditure on:					
Expenditure on raising funds		(938)	-	(938)	(745)
Provision made against equity investment	6	(111)	-	(111)	(94)
Charitable activities	2	(8,621)	(170)	(8,791)	(9,359)
Total expenditure		(9,670)	(170)	(9,840)	(10,198)
Gains/(Losses) on investment assets	12	-	23,558	23,558	35,516
Net income/(expenditure)		(3,438)	23,388	19,950	31,912
Other recognised (losses)/gains					
Actuarial losses in defined benefit pension scheme	17	354	-	354	(602)
Net movement in funds		(3,084)	23,388	20,304	31,310
Total funds brought forward	13,12	(15,931)	280,046	264,115	232,805
Fund balances carried forward		(19,015)	303,434	284,419	264,115

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 18 to 36 form a part of the financial statements.

Consolidated balance sheet
as at 31 March 2018

	<i>Note</i>	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	4		22,181		22,789
Investments	5	251,374		231,189	
Programme-related investments	6, 7	5,521		7,108	
			256,895		238,297
Total fixed assets			279,076		261,086
Current assets					
Stocks		32		41	
Debtors	8	1,905		1,102	
Cash at bank and in hand	9	11,763		10,302	
Total current assets		13,700		11,445	
Creditors: amounts falling due within one year	10	(1,781)		(1,637)	
Net current assets			11,919		9,808
Total assets less current liabilities			290,995		270,894
Provisions for liabilities and charges	11		-		(2)
Net assets excluding pension liability			290,995		270,892
Pension liability	17		(1,661)		(1,939)
Net assets including pension liability			289,334		268,953
Represented by:					
Expendable endowment	12		303,434		280,046
Unrestricted income funds:	13				
General funds			(17,354)		(13,992)
Trading funds			3,743		4,427
Revaluation reserve			411		411
Unrestricted income funds excluding pension reserve			(13,200)		(9,154)
Pension reserve	13		(1,661)		(1,939)
Total unrestricted income funds	13		(14,861)		(11,093)
Non-controlling interest			761		-
Group funds attributable to the Charity			288,573		268,953
Total group funds			289,334		268,953

These financial statements were approved by the trustees on 11 September 2018 and were signed on their behalf by:

R W Hunter
Chair

K I Massey
Trustee

The notes on pages 18 to 36 form a part of these financial statements.

Trust balance sheet
as at 31 March 2018

	<i>Note</i>	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	4		323		493
Investments	4, 5	251,374		231,189	
Programme-related investments	6, 7	27,478		27,599	
			<u>278,852</u>		<u>258,788</u>
Total fixed assets			<u>279,175</u>		<u>259,281</u>
Current assets					
Debtors	8	2,895		2,411	
Cash at bank and in hand		4,335		4,617	
Total current assets		<u>7,230</u>		<u>7,028</u>	
Creditors: amounts falling due within one year	10	<u>(325)</u>		<u>(255)</u>	
Net current assets			<u>6,905</u>		<u>6,773</u>
Net assets excluding pension liability			<u>286,080</u>		<u>266,054</u>
Pension liability	17		<u>(1,661)</u>		<u>(1,939)</u>
Net assets including pension liability			<u>284,419</u>		<u>264,115</u>
Represented by:					
Expendable endowment	12		303,434		280,046
Unrestricted income funds:					
General funds	13		(17,354)		(13,992)
Pension reserve	13		(1,661)		(1,939)
Total unrestricted income funds	13		<u>(19,015)</u>		<u>(15,931)</u>
Total Trust funds			<u>284,419</u>		<u>264,115</u>

These financial statements were approved by the trustees on 11 September 2018 and were signed on their behalf by:

R W Hunter
Chair

K I Massey
Trustee

The notes on pages 18 to 36 form a part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2018

Cash flows from operating activities	<i>Note</i>	2018	2017
		£000	£000
Net outgoing resources before other recognised gains and losses		(4,291)	(3,909)
<i>Adjustments for:</i>			
Loss on sale of fixed assets		-	85
Investment income and interest receivable		(3,387)	(3,499)
Depreciation and impairment of tangible fixed assets	4	991	1,004
Revaluation of investment properties	4	-	-
Movement in pension liability, excluding actuarial gains and losses	13	76	58
Realised (losses)/gains on managed fund investments	5	(20,727)	(9,749)
Gains/(losses) on investment assets		23,558	35,516
Provisions made on equity investments	6	216	89
Movement in agricultural loans	7	26	44
(Increase)/Decrease in stock		9	(13)
Decrease in debtors	8	(802)	519
(Decrease)/Increase in creditors	10	144	(153)
Decrease in provisions	11	(2)	(164)
		<hr/>	<hr/>
Net cash flow from operating activities		(4,189)	19,818
		<hr/>	<hr/>
Cash flow from investment activities			
Purchase of managed funds investments	5	(3,231)	(107,856)
Purchase of tangible fixed assets	4	(386)	(293)
Purchase of shares within joint venture	6	(15)	(450)
Sale of managed funds investments	5	4,615	84,317
Net movement in cash flows attributable to managed fund investments	5	(843)	1,790
Consolidation of Viking Energy Shetland LLP		2,123	-
		<hr/>	<hr/>
Net cash flow from investing activities		2,263	(22,492)
		<hr/>	<hr/>
Cash flow from financing activities			
Investment income and interest received		3,387	3,499
		<hr/>	<hr/>
Net cash flow from financing activities		3,387	3,499
		<hr/>	<hr/>
Net increase in cash and cash equivalents		1,461	825
Cash and cash equivalents at 1 April	9	10,302	9,477
		<hr/>	<hr/>
Cash and cash equivalents at 31 March	9	11,763	10,302
		<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

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

1.1 Basis of preparation

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

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.

1.2 Basis of consolidation

These financial statements consolidate the assets and liabilities of the charity and its subsidiaries, Shetland Leasing and Property Developments Limited, 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.

1.3 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 Leasing and Property Developments Limited, Shetland Heat Energy and Power Limited, SCT Renewables Limited and Viking Energy Shetland LLP, adjusted to remove interest payable by the Trust to those companies and gift aid payments to the Trust by those companies.

1.4 Income and endowments from other trading activities and rental income

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

Notes (continued)

1 Accounting policies (continued)

1.4 Income and endowments from other trading activities and rental income (continued)

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 the amounts recoverable for the services provided to clients.

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.

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 recognition 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 in the balance sheet and credited to activities for generating funds over the estimated useful economic lives of the assets to which they relate.

Notes (continued)

1 Accounting policies (continued)

1.8 Investments

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

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

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, with the exception of investment properties.

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

Buildings	-	7 to 10 years
Fixtures and fittings	-	3 to 5 years
Plant and machinery	-	10 years
Vessel and aircraft	-	10 years or 20 years

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. The district heating scheme infrastructure was transferred to Shetland Heat Energy and Power Limited on 30 September 2016. No depreciation is provided in respect of freehold land.

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

1.10 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition:

- Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- No depreciation is provided in respect of investment properties applying the fair value model, except for a charge in relation to Scatsta Airport. The directors have assumed that this property will have a nil residual value, due to its specialised nature, when the current lease expires and the value is therefore being written down in line with that lease.

Investment property is carried at fair value. Revaluation surpluses and deficits are recognised in the statement of financial activities. Deferred taxation is provided on these gains.

Notes (continued)

1 Accounting policies (continued)

1.11 Taxation

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

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

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

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

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date, except when the investment property has a limited useful life and the objective of the company's business model is to consume substantially all of the value through use. In the latter case the tax rate that is expected to apply to the reversal of the related difference is used. Deferred tax balances are not discounted.

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

1.12 Employee benefits

Defined benefit plans

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

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

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

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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:

	2018 £000	2017 £000
General funds		
Payments to charitable organisations	8,019	6,001
Schemes	15	2,374
Charitable grants repaid	(1)	(5)
	8,033	8,370
Total charitable grants	8,033	8,370
Support costs, including governance costs (below)	512	647
Pension adjustments	76	58
	8,621	9,075
Total charitable expenditure – general funds	8,621	9,075
Expendable endowment		
Depreciation	170	284
	170	284
Total resources expended on charitable activities	8,791	9,359

Some payment 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 £409,000 (2017: £523,000) principally represent administration expenses and are all deemed to be attributable to the group's charitable activities. Included within administration expenses is £241,081 (2017: £362,150) in respect of staff costs (see note 3), of which nil (2017: £124,578) was charged to subsidiaries.

Governance costs

Governance costs totalling £103,000 (2017: £124,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £29,000 (2017: £29,000) 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 £27,000 (2017: £26,000).

Notes *(continued)*

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

	Group and charity	
	Total	Total
	2018	2017
	£000	£000
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	29	29
Other costs	47	69
External auditor's remuneration:		
Audit of these financial statements	27	26
Audit of subsidiary undertakings (excluded from charitable governance costs)	13	17
Other services: taxation in relation to subsidiary undertakings	8	9
Total governance costs	124	150
	124	150

3 Staff numbers and costs

The group had an average of 17 employees during the year (2017: 13). The aggregate payroll cost of these employees was as follows:

	2018	2017
	£000	£000
Wages and salaries	649	467
Social security costs	62	48
Pension costs	69	60
	780	575
	780	575

Employee costs totalling nil (2017: £124,578) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Nine employees worked wholly or mainly on Shetland Heat Energy and Powers Limited's activities during the year. One employee worked part-time on SCT Renewables Limited's activities during the year. One employee worked part-time on Shetland Leasing and Property Developments Limited. Three employees worked wholly or mainly on Viking Energy Shetland LLP during the year.

One employee (2017: one) received emoluments totalling between £80,000 and £89,999. Retirement benefits are accruing to this member of staff under a defined benefit pension scheme; contributions in 2017/18 totalled £14,066. One other employees received emoluments totalling in excess of £60,000 in either the current or previous financial year.

Included above are the emoluments paid to key management personnel comprising 5 employees totalling £346,314 (2017: 5 employees totalling £315,509) including £33,561 (2017: £29,121) in social security costs and £29,257 (2017: £35,008) in pension contributions.

Expenses totalling £2,715 (2017: £4,095) were reimbursed or paid on behalf of 4 trustees (2017: 4 trustees) during the year.

Notes (continued)

4 Tangible fixed assets

Group	Land and buildings £000	District heating scheme infrastructure £000	Investment properties £000	Vessel and aircraft £000	Other plant and machinery and AUC £000	Total £000
Cost or valuation						
At beginning of year	25,434	17,137	18,720	865	2,835	64,991
Additions	-	-	4	-	382	386
Disposals	-	-	-	-	-	-
At end of year	25,434	17,137	18,724	865	3,217	65,377
Depreciation						
At beginning of year	24,941	13,262	1,125	557	2,317	42,202
Charge for year	170	133	564	31	96	994
At end of year	25,111	13,395	1,689	588	2,413	43,196
Net book value						
At 31 March 2018	323	3,742	17,035	277	804	22,181
At 31 March 2017	493	3,875	17,595	308	518	22,789

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.

Investment properties are based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The last independent valuation being as at 31 March 2016. The Directors review the valuations annually and consider the last valuation as being appropriate, with the exception of one property whose lease is under negotiation. This investment property has a current value of £1.6m. The outcome of these negotiations are uncertain at the signing date and therefore the Directors are of the view that the current valuation basis is appropriate at this time, based on the information available.

The valuations, which are provided by a qualified chartered surveyor, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation.

Any gain or loss arising from a change in fair value is recognised in the statement of financial activities. Rental income from investment property is accounted for as described in the income and endowments from other trading activities accounting policy.

The historical cost net book value of investment properties, gross of impairment, at 31 March 2018 is £27,887,000 (net of impairment: £24,870,000).

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

Notes *(continued)*

4 Tangible fixed assets *(continued)*

Charity

	Land and buildings £000	Donated Assets £000	Total £000
Cost			
At beginning and end of year	16,275	9,159	25,434
	=====	=====	=====
Depreciation			
At beginning of year	15,900	9,041	24,941
Charge for year	75	95	170
	-----	-----	-----
At end of year	15,975	9,136	25,111
	-----	-----	-----
Net book value			
At 31 March 2018	300	23	323
	=====	=====	=====
At 31 March 2017	375	118	493
	=====	=====	=====

5 Managed funds

	2018 Market Value £000	2018 Cost £000	2017 Market Value £000	2017 Cost £000
Group and Charity				
UK equities	41,045	37,591	43,339	38,801
Overseas equities	148,128	97,622	130,332	98,911
Diversified Investment Fund units	23,514	22,002	22,662	22,002
Property units	36,299	28,749	34,808	29,130
	-----	-----	-----	-----
	248,986	185,964	231,141	188,844
	-----	-----	-----	-----
Total investments	248,986	185,964	231,141	188,844
Cash on deposit and in hand	2,389	2,387	48	48
	-----	-----	-----	-----
	251,374	188,351	231,189	188,892
	=====	=====	=====	=====

Notes (continued)

5 Managed funds (continued)

	2018 £000	2017 £000
<i>Reconciliation of market value of investments</i>		
Market value at beginning of year	231,189	199,681
Investments purchased	3,231	107,856
Investments sold	(4,615)	(84,317)
Total realised gains/(losses) on managed fund investments	20,727	9,759
Movement in investment managers' cash balances, accrued income and expenses	843	(1,790)
	251,374	231,189
Market value at end of year	251,374	231,189

As at 31 March 2018, 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:

	2018 Market value £000	2018 Cost £000	2017 Market value £000	2017 Cost £000
Insight Investment Management	23,514	22,002	22,662	22,002
BlackRock Global Investors	81,205	55,069	86,200	57,861
Baillie Gifford	107,983	80,160	87,487	79,866
Schroders Property Managers	38,673	31,120	34,840	29,162
	251,375	188,351	231,189	188,891
	251,375	188,351	231,189	188,891

6 Programme-related investments

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Equity (below)	5,389	6,951	27,346	27,442
Loans (note 7)	132	157	132	157
	5,521	7,108	27,478	27,599
	5,521	7,108	27,478	27,599

Notes (continued)

6 Programme-related investments (continued)

Equity – Group	Shares in subsidiary undertakings £000	Unlisted investments £000	Total £000
<i>Cost</i>			
At beginning of year	7,857	-	7,857
Effect of Consolidation	(1,262)	-	(1,262)
Additions	125	-	125
	<hr/>	<hr/>	<hr/>
Cost at end of year	6,720	-	6,720
	<hr/>	<hr/>	<hr/>
<i>Provisions</i>			
At beginning of year	906	-	906
Effect of Consolidation	425	-	425
Provided in year	-	-	-
	<hr/>	<hr/>	<hr/>
Provisions at end of year	1,331	-	1,331
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>	5,389		5,389
At 31 March 2018	<hr/>		<hr/>
At 31 March 2017	6,951	-	6,951
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Investments in subsidiary undertakings £000			
<i>Equity – Charity</i>			
<i>Cost</i>			
At beginning of year			29,826
Additions			15
			<hr/>
Cost at end of year			29,841
			<hr/>
<i>Provisions</i>			
At beginning of year			2,384
Provided in year			111
			<hr/>
Provisions at end of year			2,495
			<hr/>
<i>Net book value</i>			<hr/>
At 31 March 2018			27,346
			<hr/> <hr/>
At 31 March 2017			27,442
			<hr/> <hr/>

This is the first year that Viking Energy Shetland LLP has been included in consolidated financial statements. The overall effect on the Group Equity holding is a reduction from £6,951,000 in 2017 to £5,389,000 in 2018.

Notes (continued)

6 Programme-related investments (continued)

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

	2018 SLAP £000	2018 SHEAP £000	2018 SCT R £000	2018 VES £000	2018 Total £000	2017 Total £000
Turnover	2,312	2,511	-	115	4,938	4,685
Cost of sales	(145)	(1,448)	-	-	(1,593)	(1,313)
Gross profit	2,167	1,063	-	115	3,345	3,372
Administration expenses	(138)	(1,125)	(5)	(232)	(1,500)	(1,187)
Revaluation of investment properties	-	-	-	-	-	-
Depreciation on investment properties	(564)	-	-	-	(564)	(464)
Provision made against equity investment	-	-	(105)	-	(105)	(89)
Operating profit/(loss)	1,465	(62)	(110)	(117)	1,176	1,631
Gain/(loss) on disposal of investment properties	-	-	-	-	-	(32)
Interest receivable and similar income	2	3	-	-	5	24
Profit/(loss) on ordinary activities before taxation	1,467	(59)	(110)	(117)	1,181	1,623
Tax on profit/(loss) on ordinary activities	-	2	-	-	2	(14)
Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year	1,467	(57)	(110)	(117)	1,183	1,609
Gift aid payment to Shetland Charitable Trust	(2,083)	-	-	-	(2,083)	(2,186)
Retained (loss)/profit for the year after Gift Aid payment	(616)	(57)	(110)	(117)	(900)	(577)

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

Notes (continued)

6 Programme-related investments (continued)

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

	2018 Total £000	2017 Total £000
Cost of sales	1,593	1,313
Administration expenses	1,500	1,187
Revaluation of investment properties	-	-
Depreciation on investment properties	564	464
Tax (credit)/charge on profit on ordinary activities	(2)	(163)
Profit on disposal of investment properties	-	32
Interest receivable and similar income	(5)	(24)
	3,651	2,809

Included within the companies' profit/(loss) for the year is a total of £2,072,838 (2017: £2,185,880) payable to the Trust by way of gift aid from SLAP and SHEAP which has been eliminated within the consolidated statement of financial activities.

The assets and liabilities of the subsidiaries were:

	2018 SLAP £000	2018 SHEAP £000	2018 SCT R £000	2018 VES £000	2018 Total £000	2017 Total £000
Tangible fixed assets	17,314	4,546	-	-	21,860	22,294
Investments	-	-	6,846	5,401	12,247	6,951
Current assets	4,612	1,675	17	2,239	8,543	6,605
Current liabilities	(2,294)	(1,198)	(6)	(33)	(3,531)	(3,568)
Provisions for liabilities and charges	-	-	-	-	-	(180)
	19,632	5,023	6,857	7,607	39,119	32,102
Called up share capital	15,500	1,000	9,352	7,607	33,459	25,837
Profit and loss account	3,721	280	(2,495)	-	1,506	2,260
Capital contribution reserve	-	3,743	-	-	3,743	3,875
Revaluation reserve	411	-	-	-	411	130
	19,632	5,023	6,857	7,607	39,119	32,102

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

	2018 £000	2017 £000
Group and charity		
Agricultural Ten Year Loan Scheme	135	160
Provisions for doubtful debts	(3)	(3)
	132	157

Notes *(continued)*

8 Debtors

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade debtors	890	686	2	2
Amounts owing from subsidiary undertakings	36	-	2,073	2,190
Prepayments and accrued income	253	281	191	219
Other debtors:	97	135	-	-
Programme-related loans	629	-	629	-
	<u>1,905</u>	<u>1,102</u>	<u>2,895</u>	<u>2,411</u>

9 Cash and cash equivalents

Group	2018 £000	2017 £000
Cash at bank and in hand	<u>11,763</u>	<u>10,302</u>

10 Creditors: amounts falling due within one year

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Trade creditors	1,228	1,202	53	35
Rents in advance	76	76	-	-
Corporation tax	-	-	-	-
Other tax and social security	6	-	-	-
Other creditors and accruals	469	359	272	220
Amounts owing to subsidiary undertakings	2	-	-	-
	<u>1,781</u>	<u>1,637</u>	<u>325</u>	<u>255</u>

Notes *(continued)*

11 Provisions for liabilities and charges

Group	Deferred taxation £000
At beginning of year	2
Credit for the year	(2)
Effect of increased tax rates	-
	<hr/>
At end of year	-
	<hr/> <hr/>

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £Nil (2017: £2,000) is analysed as follows:

Group	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	(2)	-	2	2	-	2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	(2)	-	2	2	-	2
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Expendable endowment

	Group Total £000	Charity Total £000
At beginning of year	280,046	280,046
Outgoing resources	(170)	(170)
Gain/(Losses) in the year	23,558	23,558
	<hr/>	<hr/>
At end of year	303,434	303,434
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

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	(13,992)	4,427	(1,939)	411	(11,093)
Net movement in funds	(3,362)	(684)	(76)	-	(4,122)
Actuarial (losses)/gains	-	-	354	-	354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	(17,354)	3,743	(1,661)	411	(14,861)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Charity	General funds £000	Pension reserve £000	Total unrestricted income funds £000
At beginning of year	(13,992)	(1,939)	(15,931)
Net incoming resources before other recognised gains and losses	(3,362)	(76)	(3,438)
Actuarial(losses)/gain	-	354	354
	<u> </u>	<u> </u>	<u> </u>
At end of year	(17,354)	(1,661)	(19,015)
	<u> </u>	<u> </u>	<u> </u>

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.

14 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	15	12
Between one and five years	58	49
More than five years	217	219
	<u> </u>	<u> </u>
	290	280
	<u> </u>	<u> </u>

During the year £22,000 was recognised as an expense in the consolidated statement of financial activities in respect of operating leases (2017: £22,875).

Investment properties are let under operating leases. The minimum lease payments receivable under non-cancellable leases are £105,000 less than one year, £4,036,000 between two and five years and £13,381,000 greater than 5 years.

15 Commitments

Capital commitments

SHEAP's contractual commitments to purchase tangible fixed assets at the year-end were £Nil (2017: £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.

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 2017 and was updated for FRS 102 purposes to 31 March 2018 by a qualified independent actuary.

	2018 £000	2017 £000
Net pension liability defined benefit obligation	(4,557)	(5,193)
Fair value of plan assets	3,041	3,402
	<u>(1,516)</u>	<u>(1,791)</u>
Unfunded defined benefit obligations	(145)	(148)
	<u>(1,661)</u>	<u>(1,939)</u>

Movements in present value of defined benefit obligation:

	2018 £000	2017 £000
At 1 April	5,341	4,147
Current service cost	63	67
Interest cost	138	145
Actuarial (gains)/losses	(709)	1,074
Contributions by members	15	20
Benefits paid	(146)	(112)
	<u>4,702</u>	<u>5,341</u>

Movements in fair value of plan assets:

	2018 £000	2017 £000
At 1 April	3,402	2,868
Expected return on plan assets	87	100
Actuarial (losses)/gains	(355)	472
Contributions by employer	38	54
Contributions by members	15	20
Benefits paid	(146)	(112)
	<u>3,041</u>	<u>3,402</u>

Notes *(continued)*

17 Pension scheme *(continued)*

Expenditure recognised in the statement of financial activities:

	2018 £000	2017 £000
Current service cost	(63)	(67)
Interest cost	(51)	(45)
	(114)	(112)
Total	(114)	(112)

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

	2018 £000	2017 £000
Charitable activities – support costs	(114)	(112)
	(114)	(112)

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

	2018 £000	2017 £000
Actuarial (losses)/gains	709	(1,074)
Return on assets attributed to the Charity excluding interest income	(355)	472
	354	(602)
	354	(602)

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

	2018 Fair value £000	2017 Fair value £000
Equities	2,402	2,756
Corporate bonds	274	272
Property	365	374
	3,041	3,402
	3,041	3,402
Actual return on plan assets	66	576

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.

Notes (continued)

17 Pension scheme (continued)

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

	2018	2017
	%	%
Discount rate	2.7	2.6
Future salary increases	3.02	4.4
Inflation / pension increase rate	2.4	2.4

In valuing the liabilities of the pension fund at 31 March 2018, 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: 22.1 years (male), 24.0 years (female).

Future retiree upon reaching 65: 23.9 years (male), 26.1 years (female).

The Trust expects to contribute approximately £32,000 (2017: £48,000) to its defined benefit plans in the next financial year to 31 March 2019.

18 Related parties

In the year to 31 March 2018 the SCT Renewables Limited invested Nil (2017: £450,000) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

In the year to 31 March 2018 Shetland Leasing and Property Developments Limited charged Viking Energy Shetland LLP £9,001 (2017: £9,894) in relation to office rental. The transactions were carried out at normal market rates. There was no balance due at 31 March 2018 (2017: £nil).

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.

19 Accounting estimates and judgements

Key sources of estimated 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 applied around depreciation and pension valuation assumptions.

The Trustees exercise judgement to determine useful lives and residual values of property, plant and equipment. 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.



Shetland Charitable Trust



Audit highlights memorandum and management letter

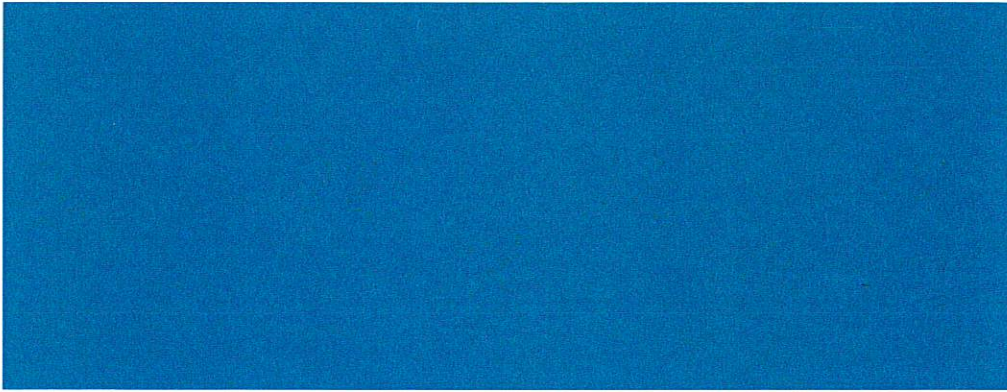
Audit: year ended 31 March 2018

21 August 2018



Shetland
Charitable Trust

CT1809022 - Appendix B



	Page
Introduction	3
Executive Summary	4
Significant risks and other focus areas	5
Audit conclusions	8
Trust financial position	9
Subsidiary companies	11
Appendices	13
1 Mandatory communications	
2 Auditor independence	
3 Management representation letter	

This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

Basis of preparation

We have prepared this Audit Committee Report (Report) in accordance with our audit engagement letter dated 23 March 2015 and the subsequent variation letter date 9 February 2016.

Purpose of this report

This Report is made to the Trustees of Shetland Charitable Trust in order to communicate matters of interest as required by ISAs (UK and Ireland), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

Restrictions on distribution

This Report is subject to disclosure restrictions as set out in our Engagement Letter.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Trust's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors reporting to the Trust's members in accordance with the Charities and Trustees Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

Our responsibility for other information in the Trust's Annual Report and Financial Statements does not extend beyond the financial information identified in our auditor's report. We have no obligation to perform any procedures to corroborate other information contained in those documents. However, prior to approval and signing we will continue to read the other information included in the Trustees' Report, and confirm that the information given, and the manner of its presentation, is materially consistent with the information, and its manner of presentation, with the consolidated financial statements.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit

Our audit is substantially complete although matters communicated in this Report may change pending signature of our audit report.

Executive summary

Audit conclusions		
	<ul style="list-style-type: none"> We anticipate issuing an unqualified audit opinion on the 2017-2018 financial statements for the Trust and the subsidiaries which we audit, following their approval by the Trustees and shareholders. 	Page 4
Accounting matters		
	<ul style="list-style-type: none"> No significant accounting issues arose during the course of our audit of the Trust or the subsidiary companies. Overall, we are satisfied with the key accounting judgments taken. The most significant areas of judgment relate to the valuation of programme-related investments, and the valuation of the net pension liability under FRS 102. 	Page 4
Auditing matters		
	<ul style="list-style-type: none"> No significant audit issues arose during the course of our audit of Shetland Charitable Trust (SCT) or the subsidiaries which we audit. No significant regulatory or tax matters came to our attention during the course of our normal audit work. 	Page 4
Systems and controls		
	<ul style="list-style-type: none"> No control deficiencies were identified. No major weaknesses in the financial systems were identified as a result of our audit procedures. 	-
Financial position		
	<ul style="list-style-type: none"> The group recorded net outgoing resources of £3.8 million (2018: £3.9 million) and a net inflow of funds of £19.6 million (2017: net inflow of £31.0 million) after recognising gains/losses on managed fund investments partially offset by actuarial losses/gains on the pension scheme. The Trust recorded net outgoing resources of £3.4 million in the year, after charging £0.2 million depreciation in respect of its fixed assets. After accounting for other gains and losses in respect of managed fund investments and the pension scheme, the net inflow of funds was £20.3 million (2017: inflow of £31.3 million). The underlying financial position of the group remains strong, with net assets including the pension liability of £288.5 million (Trust: £268.9 million). 	Page 5
Mandatory communications		
	<ul style="list-style-type: none"> No significant matters to report in respect of (i) audit differences; (ii) auditor independence and non-audit fees; and (iii) management representation letter content. 	Appendix 1

Significant risks and other focus areas

Significant risks

We considered the assumed significant risks of management override of controls and fraudulent revenue recognition within our audit procedures. All such matters have been adequately concluded and reflected in the financial statements.	Risk	Why	Audit approach
	<p>Fraud risk from management override of controls</p>	<p>Professional standards require us to make a rebuttable presumption over fraud risk from management override of controls as a significant risk as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> We have not identified any specific additional risks of management override relating to the audit of the Group. Our audit methodology incorporates the risk of management override as a significant risk. This includes testing of journals at the year end and throughout the year, review of unusual transactions in the year, enquiries with employees outside the finance department, tests of unpredictability and controls testing including higher level controls.
	<p>Fraud risk from income recognition</p>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>We have considered the primary income sources, including investment income, gift aid from subsidiary companies and rental income.</p> <p>There is limited judgement over the various revenue streams and the transactions are not deemed to be overly complex. Therefore we do not consider there to be a significant risk over revenue recognition and have therefore rebutted the fraud risk.</p>	<p>The potential for revenue to be incorrectly recognised will be addressed through testing of controls and substantive procedures. This includes:</p> <ul style="list-style-type: none"> cut-off testing to confirm that transactions have been recorded in the correct accounting period; controls testing, including higher level and cash receiving controls; testing of journals at the year end and during the year; review of unusual transactions in the year; enquiries of employees in the finance department; and tests of unpredictability.

Significant risks and other focus areas

Focus area	Why	Audit approach
Investments	<p>There is a risk over valuation of the managed fund investments and programme-related investments.</p>	<p>We obtain third party confirmations in respect of managed fund investments. We have tested the valuation of the individual investments to quoted prices at 31 March 2018 and found no differences to those reported by the fund managers.</p> <p>In respect of the programme-related investments, our audit work is focussed to ensure that the carrying value of these investments reflects the net assets of the individual investments, with any impairment required appropriately charged to the Trust's statement of financial activities.</p>
Pensions	<p>SCT accounts for its participation in the Shetland Islands Council local government pension scheme in accordance with FRS 102, Section 28: Employee Benefits. It therefore recognises the actuarial valuation of the net pension liabilities in respect of its share of the pension scheme.</p> <p>The Trust's actuaries use membership data and a number of assumptions in their calculations at the year end, including a discount rate to derive the anticipated future liabilities at the year end date and assumptions on inflation and future salary increases.</p> <p>FRS 102 requires the discount rate to be set by reference to high quality (i.e. AA) corporate bond yields of equivalent term to the liabilities.</p>	<p>Our audit approach to pensions includes:</p> <ul style="list-style-type: none"> • review of the financial assumptions underlying the actuary's calculations and comparison to our central benchmarks; • Reviewing the allocation of assets given to SCT for reasonableness; • testing of the level of contributions used by the actuary to those actually paid during the year; • testing membership data the actuary used to the Trust's records; and • agreement of actuarial reports to the disclosures in the financial statements.



Financial Statements and Accounting

Our perspective on the preparation of the
financial statements and key accounting
judgements made by management

Audit conclusions

The Trust has maintained appropriate arrangements over the preparation of its 2017-18 financial statements.

We have satisfactorily concluded our audit work and expect to issue an unqualified audit opinion on the financial statements of the Trust.

Audit conclusions

Our audit work on the financial statements of the Trust is substantially complete, pending the receipt of management representations; the update of our subsequent events work to the date of signing of the financial statements; and conclusion of our review of SLAP. Following approval of the financial statements by the Trustees, we expect to be able to issue an unqualified audit opinion on the truth and fairness of the state of the group's and the Trust's affairs as at 31 March 2018, and of the group's and the Trust's incoming resources for the year then ended. There are no matters identified on which we are required to report by exception.

In gathering the evidence for our opinion we have:

- held initial planning meetings in March 2018 with management responsible for the processing of financial transactions;
- identified materiality for planning purposes at £200,000, and designed appropriate audit procedures according to our materiality assessment;
- during our onsite audit fieldwork in June 2018, performed a mix of substantive and controls testing to ensure an efficient approach that covers the identified risks;
- reviewed assumptions and judgements made by management and considered these for appropriateness; and
- considered if the financial statements may be affected by fraud through discussions with senior management to gain a better understanding of their work in relation to prevention and detection of fraud with the potential to impact on the financial statements.

Financial statements preparation

- The standard of documentation and analysis to support the draft financial statements of the Trust and subsidiary companies which we audit was satisfactory and there was evidence of accountability and ownership of working papers across the finance teams.
- Unadjusted audit differences are included in the management representation letter and are explained further on page 14.
- Consolidated balances for the group financial statements were compiled after our initial period on site and are now being finalised.
- This year the audit of 100% owned subsidiary Shetland Leasing and Property Developments Limited (SLAP) was carried out by RSM. As the results of this company are fully consolidated into the Trust financial statements we have performed procedures in line with ISA 600 in relation to the work of component auditors and requested group reporting from RSM. As at the date of this report reporting from RSM remains outstanding.

Financial statements and accounting

Trust financial position

The Trust generated a net inflow in funds for the year of £20.3 million (2017: inflow of £31.3 million).

The increase in funds on the prior year is primarily due to the growth in the value of the Trust's managed investments.

The figures shown relate solely to the Trust's financial position and are not consolidated.

Financial position

The Trust's net movement in funds for the year was a £20.3 million inflow. This figure is a decrease on the £31.3 million surplus in the prior year, a result of a lower gain on managed fund investments in the current period.

Investment income and expenditure

Investment income has decreased by £112,000 in the year, however, there has been a gain on investment assets of £23.6 million from the Trust's managed funds in the year. Blackrock achieved exceptional gains in 2016/17 which were below benchmark in 2017/18. This decline in performance was partially offset by strong performance from Baillie Gifford. Investment management costs have increased significantly in the year.

This is due to the change in investment to hold actively managed funds which has brought about the increased investment returns during the year. The Trust pays its investment management costs by invoice.

Gift aid from subsidiaries

Gift aid in the year has decreased by £103,000. This is a result of SHEAP incurring a loss in the year and therefore not making a payment offset partially by an increase in the payment made by SLAP.

Expenditure on charitable activities

Charitable activities expenditure declined by £568,000 compared to prior year. This is mainly a reduction of payments made to schemes and other charitable organisations in line with the agreed budget to reduce charitable expenditure by 17.5% in the four year period to 2020. There was also for the first time no depreciation charged on the District Heating Scheme assets which were transferred to SHEAP during the 2016/17 financial year therefore there has been a reduction in SCT's 'Charitable Activities' expense.

	2017-18 £000	2016-17 £000
Investment income	3,387	3,499
Gift aid from subsidiary companies	2,083	2,186
Rental and other income	762	909
Total incoming resources	6,232	6,594
Investment management costs	(938)	(745)
Provision made against equity investment	(111)	(94)
Charitable activities	(8,791)	(9,359)
Total resources expended	(9,840)	(10,198)
Gains/(losses) on investments assets	23,558	35,516
Net income	19,950	31,912
Actuarial (loss)/gain in defined benefit pension scheme	354	(602)
Net movement in funds	20,304	31,310

Source: Draft financial statements

Trust financial position (continued)

The net movement in funds for the year of £20.3 million (2017: net movement of £31.3 million) has resulted in an increase of the Trust's net asset position.

The figures shown relate solely to the Trust's financial position and are not consolidated.

Financial position

Fixed assets

Tangible fixed assets have reduced in the year by £170,000, due to the annual depreciation charge. There have been no additions in the year.

Investments

The Trust's managed funds have increased by £20.8 million as a result of stock market movements in the year.

Programme related investments

Programme related investments have decreased due to an increase in the provision held against the Trust's investment in SCTR.

Current assets and liabilities

Debtors have increased in the year due to an increase in the uptake of Capital Work Bridging Loans which has in part been offset by a decrease in accrued gift aid payments. Creditors due within one year have increased compared with the prior year. This is a result of an increase in amounts owed to Shetland Islands Council associated with late invoicing received from the Council to the Trust towards the year end.

Going concern

The Trust has net assets at the balance sheet date of £284 million, an increase of £20 million from 2016/17. The Trust continues to maintain a strong cash balance and its subsidiary company, SLAP remains profitable. SHEAP incurred a loss in the year and is forecasting an loss in 2018/19 however we have reviewed SHEAP's cash flow forecast to June 2019 and the company will maintain a sufficient bank balance for the next 12 months. SCT Renewables Limited made a loss of £111,000 in the year. The Trust has net current assets at the year end of £6.9 million. This is due to an increase in debtors of £484,000 offset by a decrease in cash of £282,000 and an increase in creditors of £70,000.

	2017-18	2016-17
	£000	£000
Tangible fixed assets	323	493
Investments	251,374	231,189
Programme related investments	27,478	27,599
Debtors	2,895	2,411
Cash	4,335	4,617
Creditors	(325)	(255)
Pension liability	(1,661)	(1,939)
Net assets	284,419	264,115

Source: Draft financial statements

Pension liability

The net pension liability has decreased by £278,000 in the year, resulting from the updated actuarial valuation of the Trust's share of the Shetland Island Council defined benefit pension scheme. The main reason for the decreased liability is the change in the Discount rate and Salary increase rate used.

Subsidiary companies

Our audit work over SHEAP is now complete and we await final reporting from RSM in relation to the audit of SLAP.

We intend to issue an unqualified opinion on SHEAP.

Audit of subsidiary companies	
Area	KPMG comment
<p>Subsidiary companies' structure and operations – SLAP and SHEAP</p>	<p>Shetland Leasing and Property Development Limited ("SLAP")</p> <p>The audit of the financial statements of SLAP was carried out this year by RSM. We have received draft reporting from RSM and conducted a review of their audit file in line with ISA 600. The financial statements of SLAP are due to be presented to the board on 28th August 2018. We await final reporting from RSM before we finalise our work over the consolidated financial statements.</p> <p>Shetland Heat Energy and Power Limited ("SHEAP")</p> <p>SHEAP have made a provisional loss before tax of £59,000 and no gift aid payment will be made as a result. The company continues to operate at capacity numbers for customers and revenue is up slightly on the prior year. The loss was a result of increased costs associated with fuel oil which is burned when the waste to heat plant is not operational. In addition, SHEAP have incurred costs as they assess the viability of either leasing the current waste to heat plant or else using another heat source.</p> <p>There were no significant accounting judgements made by the directors in the preparation of the financial statements. We identified two audit misstatements during the course of our audit work, in addition to the final tax note adjustments made on completion of the draft tax computations for the year.</p> <p>One misstatement is in relation to the accrual of holiday pay and the other is due to a variance between the year-end VAT debtor and the VAT return. These are unadjusted however they are both immaterial. See appendix 4.</p> <p>Internal controls tested for the purposes of our financial statements audit appear to be designed, implemented and operating effectively.</p>

Subsidiary companies (continued)

Our audit work over SCTR is now complete and an unqualified audit opinion is intended to be issued.

Our audit work over VES LLP is substantially complete pending completion of our finalisation procedures and the receipt of an appropriate representation letter.

Audit of subsidiary companies	
Area	KPMG comment
<p>Subsidiary companies' structure and operations</p> <ul style="list-style-type: none"> – SCTR and Viking 	<p>SCT Renewables Limited ("SCTR")</p> <p>SCTR represents the Trust's interests in Viking Energy Shetland LLP ("VES LLP"), which itself is the partner along with SSE Viking Limited in the Viking Energy project.</p> <p>SCTR made a loss of £111,000 in 2017-18, resulting from a provision in the company's investment in VES LLP of £105,000 and administration expenses of £5,000. No gift aid payment is expected to the Trust while the Viking project remains in its developmental stage.</p> <p>Viking Energy Shetland LLP ("VES LLP")</p> <p>VES LLP made a loss of £117,000 in the year, resulting from expenditure incurred in the year. The partnership invested a further £125,000 in Viking Energy Partnership ("VEP") in the year. We note that the Viking project has not moved on much in the year due to the fact that the next auction for the 'Contract for Difference' scheme does not commence until spring 2019. However, there is no clear evidence at the moment that the project will not go ahead.</p>



Appendices

1. Mandatory communications
2. Auditor Independence
3. Management representation letter
4. Unadjusted audit differences

Appendix one

Mandatory communications

Area	Key content	Reference
<p>Draft management representation letter</p> <p>Proposed draft of letter to be issued by the Trust to KPMG prior to audit sign-off</p>	<p>We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2018.</p>	<p>Appendix 3</p>
<p>Unadjusted audit differences</p> <p>Audit differences identified that we do not consider material to our audit opinion</p>	<p>There were no unadjusted audit differences for SCT and two for SHEAP in relation to Holiday pay, which is required to be accrued under FRS 102, and VAT.</p>	<p>Appendix 4</p>
<p>Adjusted audit differences</p> <p>Adjustments made as a result of our audit</p>	<p>There were no adjusted audit differences identified for SCT or its subsidiaries.</p>	<p>-</p>
<p>Related parties</p>	<p>There were no significant matters that arose during the audit in connection with the entity's related parties although we note it is good practice for management to include on their register of interests a list of Trustees spouses and dependents and their interests for completeness.</p>	<p>-</p>
<p>Other matters warranting attention by those charged with governance</p>	<p>There were no matters to report in respect of material weaknesses or questions of management integrity or fraud involving management.</p>	<p>-</p>
<p>Disagreement with management</p>	<p>There have been no disagreements with management on financial accounting and reporting matters that, if not satisfactorily resolved, would have caused a modification of our auditors' report on the Group's consolidated financial statements. We encountered no fundamental difficulties in dealing with management in performing the audit.</p>	<p>-</p>
<p>Consultation with other accountants</p>	<p>To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year that were subject to the requirements of applicable regulatory guidance.</p>	<p>-</p>

Appendix two

Auditor independence

To the audit committee members

Assessment of our objectivity and independence as auditor of SCT

Professional ethical standards require us to provide to you at the completion stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management

- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to SCT and its subsidiaries for professional services provided by us during the reporting period.

Total fees charged by us (or intended to be charged by us) for the period ended 31 March 2018 can be analysed as follows:

	2017-18	2016-17
Audit of Trust	£15,700	£15,400
Audit of subsidiaries	£8,230	£8,100
Additional procedures required due to change in auditor for SLAP	£4,000	£4,000
Total audit fees*	£27,930	£27,500
Tax compliance services	£5,460	£5,460
Other non-audit services	£1,300	£1,400
Total non-audit services	£6,760	£6,860
Total fees*	£34,690	£34,360

* Please note this does not include the audit fee charged to the joint venture Viking Energy Shetland LLP (fee not yet agreed for 2017-18 – 2016-17: £2,850)

The ratio of non-audit fees to audit fees for the year was 0.24:1

Appendix two

Auditor independence (continued)

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table.

Analysis of Non-audit services for the year ended 31 March 2018

Disclosure	Description of scope of services	Principal threats to independence	Safeguards Applied	Basis of fee (ie fixed/time and materials/ contingent)	Value of Services Committed but not yet delivered
Tax compliance	Limited assistance with the completion of the corporation tax return	Self review and management	Work performed by a team separate from the audit team. Services do not result in any material judgements within the financial statements. Management remain responsible for any decisions.	Fixed fee	£5,460
Other non-audit	iXBRL tagging of financial statements	Self review and management	Services do not result in any material judgements within the financial statements. Management remain responsible for any decisions. iXBRL work performed by a team separate from the audit team.	Fixed fee	£1,300

Independence and objectivity considerations relating to other matters
There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the audit committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired. This report is intended solely for the information of the audit committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully
KPMG LLP

Management representation letter

KPMG LLP
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5AS

1 September 2018

Dear sirs

This representation letter is provided in connection with your audit of the Group and Parent Charitable Company financial statements of Shetland Charitable Trust ("the Charity") ("the Charitable Company"), for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Group and Parent Charitable Company's affairs as at 31 March 2018 and of the Group Parent Charitable Company's surplus or deficit for the financial year then ended;
- ii. whether these financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice, (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)); and
- iii. whether the financial statements have been prepared in accordance with the Charities Act 2011

These financial statements comprise the Group and Parent Charity Balance Sheet, the Group Statement of Financial Activities, the Group Cash Flow Statement, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Trustees confirm that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Trustees confirm that, to the best of their knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing themselves:

Financial statements

1. The Trustees have fulfilled its responsibilities, as set out in the terms of the audit engagement dated 23 March 2015 and variation letter dated 9 February 2016, for the preparation of financial statements that:

- i. give a true and fair view of the state of the Group and parent Charity's affairs as at the end of its financial year and of the Group's surplus or deficit for that financial year;
- ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS 102); and
- iii. have been prepared in accordance with the Charities Act 2011.

The financial statements have been prepared on a going concern basis.

The Trustees confirm that the Charity meets the definition of a qualifying entity and meets the criteria for applying the disclosure exemptions with FRS 102.

2. Measurement methods and significant assumptions used by the Trustees in making accounting estimates, including those measured at fair value, are reasonable.

3. All events subsequent to the date of the financial statements and for which section 32 of FRS 102 requires adjustment or disclosure have been adjusted or disclosed.

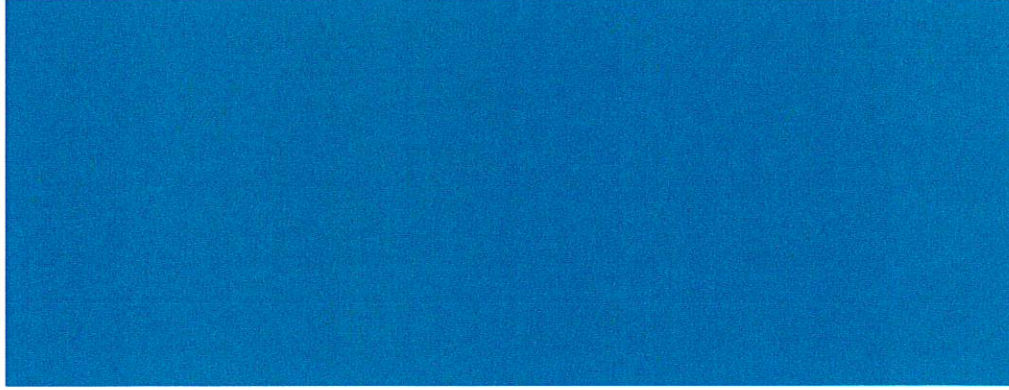
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Trustees have provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Board for the purpose of the audit; and

Management representation letter (continued)



- unrestricted access to persons within the Group and the Charitable Company from whom you determined it necessary to obtain audit evidence
- 6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 7. The Trustees confirm the following:
 - i) The Trustees have disclosed to you the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud. Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.
 - ii) The Trustees have disclosed to you all information in relation to:
 - Fraud or suspected fraud that it is aware of and that affects the Charitable Company's and involves:
 - management
 - a material effect on the employees who have significant roles in internal control; or
 - others where the fraud could have a financial statements; and
 - a) allegations of fraud, or suspected fraud, affecting the Charitable Company's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Trustees acknowledge their responsibility for such internal control as they determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In particular, the Trustees acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

- 8. The Trustees 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 the financial statements.

- 9. disclosed in the financial statements, in accordance with section 21 of FRS 102, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

- 10. The Trustees have disclosed to you the identity of the Group and the Charitable Company's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with section 33 of FRS 102

11. The Trustees confirm that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Group and the Charitable Company's ability to continue as a going concern as required to provide a true and fair view.

- b) No events or circumstances have been identified that may cast significant doubt on the ability of the Group and Parent Charity to continue as a going concern.

- 12. On the basis of the process established by the Trustees and having made appropriate enquiries, the Trustees is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with the requirements of section 28 of FRS 102.

The Trustees further confirm that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,

have been identified and properly accounted for; and

- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

Appendix three Management representation letter (continued)

This letter was tabled and agreed at the meeting of the Trustees on 01/09/2018

Yours faithfully,

Bobby Hunter
Chairman, SCT

[Optional cc: Audit Committee]

Appendix to the Trustees' Representation Letter of Shetland Charitable Trust: Definitions

Criteria for applying the disclosure exemptions within FRS 102

- The Company discloses in the notes to its financial statements:
 - A brief narrative summary of the disclosure exemptions adopted; and
 - The name of the parent of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained

Financial Statements

A complete set of financial statements (before taking advantage of any of the FRS 102 exemptions) comprises:

- Group and parent Charity Balance Sheet as at the end of the period;
- Group Statement of Financial Activities for the period;
- Group Cash Flow Statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

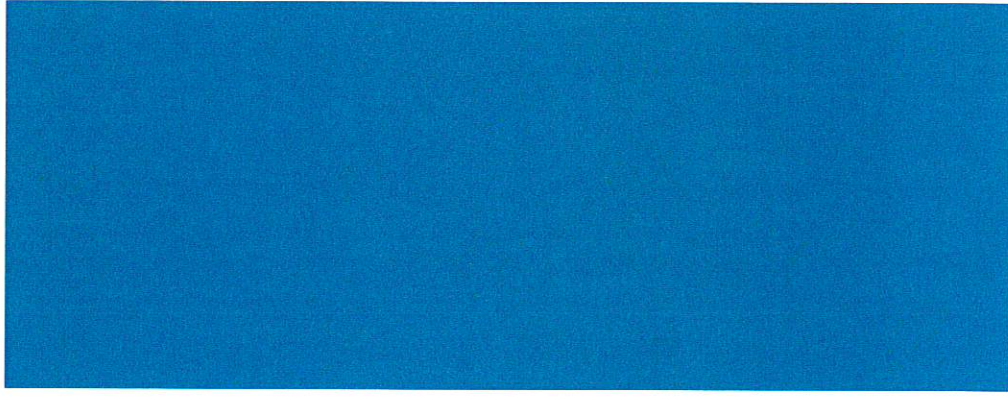
Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
 - b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.
- Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management representation letter (continued)



Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Qualifying Entity

A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation by means of full consolidation.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 102 as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:

- i. has control or joint control over the reporting entity; or
- ii. has significant influence over the reporting entity; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions apply:

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv.

- i. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- ii. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- iii. The entity is controlled, or jointly controlled by a person identified in (a).
- iv. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- v. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Notes (continued)

19 Accounting estimates and judgements (continued)

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 2018, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2017 and was updated for FRS 102 purposes to 31 March 2018 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

The directors of SHEAP believe that the major judgements applied are around the bad debt provision and depreciation rates. 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 level of bad debts provision required based on its knowledge of customers and past experience.

The directors of SLAP consider that critical accounting judgements are applied in relation to the valuation of investment properties and depreciation.

Investment properties are held at fair value which is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The valuer exercises judgement in assessing the expected rental value and yield of each property and the directors are required to consider whether such valuations are appropriate on an annual basis.

As set out in note 1.10, no depreciation is provided on investment properties applying the fair value model, except for a charge in relation to Scatsta Airport. The directors have assumed that this property will have a nil residual value, due to its specialised nature, when the current lease expires and the value is therefore being written down in line with that lease.

Appendix four

Unadjusted audit differences

Under UK auditing standards (ISA UK&I 260) we are required to provide those charged with governance with a summary of unadjusted audit differences identified during the course of our audit.

Unadjusted audit differences (£)				
No.	Detail	Statement of financial activities Dr/(Cr)	Balance sheet Dr/(Cr)	Comments
1	Dr SOFA Cr Accruals	8,419	8,419	Being the holiday pay obligation for SHEAP employees at year end.
2	Dr SOFA Cr Debtors	4,338	4,338	Being adjustment within SHEAP to bring VAT receivable in line with VAT return

The contacts at KPMG in connection with this report are:

Bruce Marks

Director

Tel: +44 (0)141 300 5594

bruce.marks@KPMG.co.uk

Michelle Dixon

Manager

Tel: +44 (0)131 527 6885

Michelle.dixon@KPMG.co.uk

Robert McCully

In-charge

Tel: +44 (0)141 228 4235

robert.mccully@KPMG.co.uk



KPMG



© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Chief Executive: Ann Black

Registered Charity Number SC027025

KPMG LLP
St Vincent Plaza
319 St Vincent Street
Glasgow
G2 5AS

22-24 North Road
Lerwick
Shetland
ZE1 0NQ

Telephone: 01595 744994

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

If calling please ask for:
Raymond Mainland
Direct Dial: 01595 744994

Our Ref: BH/TA2
Your Ref:

Date: 11 September 2018

Dear Sirs

This representation letter is provided in connection with your audit of the Group and Parent Charity financial statements of Shetland Charitable Trust ("the Charity") for the year ended 31 March 2018, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Group and Parent Charity's affairs as at 31 March 2018 and of the Group and Parent Charity's surplus or deficit for the financial year then ended;
- ii. whether these financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice, (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)); and
- iii. whether the financial statements have been prepared in accordance with the Charities Act 2011.

These financial statements comprise the Group and Parent Charity Balance Sheet, the Group and Parent Statement of Financial Activities, the Group Cash Flow Statement, and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Trustees confirm that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Trustees confirm that, to the best of their knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing themselves:

Financial statements

1. The Trustees have fulfilled its responsibilities, as set out in the terms of the audit engagement dated 23 March 2015 and variation letter dated 9 February 2016, for the preparation of financial statements that:

- i. give a true and fair view of the state of the Group and parent Charity's affairs as at the end of its financial year and of the Group's surplus or deficit for that financial year;
- ii. have been properly prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") (including Charities SORP FRS 102: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS 102); and
- iii. have been prepared in accordance with the Charities Act 2011.

The financial statements have been prepared on a going concern basis.

The Trustees confirm that the Charity meets the definition of a qualifying entity and meets the criteria for applying the disclosure exemptions with FRS 102.

2. Measurement methods and significant assumptions used by the Trustees in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which section 32 of FRS 102 requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Trustees have provided you with:

- access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
- additional information that you have requested from the Board for the purpose of the audit; and
- unrestricted access to persons within the Group and the Charity from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Trustees confirm the following:

- i) The Trustees have disclosed to you the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

ii) The Trustees have disclosed to you all information in relation to:

- Fraud or suspected fraud that it is aware of and that affects the Charity's 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; and

- allegations of fraud, or suspected fraud, affecting the Charity's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Trustees acknowledge their responsibility for such internal control as they determine necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In particular, the Trustees acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Trustees 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 the financial statements.
8. The Trustees have disclosed to you and have appropriately accounted for and/or disclosed in the financial statements, in accordance with section 21 of FRS 102, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Trustees have disclosed to you the identity of the Group and the Charity's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with section 33 of FRS 102
10. The Trustees confirm that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Group and the Charity's ability to continue as a going concern as required to provide a true and fair view.
 - b) No events or circumstances have been identified that may cast significant doubt on the ability of the Group and Parent Charity to continue as a going concern.
11. On the basis of the process established by the Trustees and having made appropriate enquiries, the Trustees is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business and in accordance with the requirements of section 28 of FRS 102.

The Trustees further confirm that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,
 have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

12. In respect of Scatsta Airport, The Trustees confirm that based on the information currently available the valuation of £1.6m represent the fair value of the assets at 31 March 2018 and that the financial statements disclose all the uncertainties that may have a material impact on the value of the assets.

This letter was tabled and agreed at the meeting of the Trustees on 11 September 2018.

Yours faithfully,

Bobby Hunter
Chairman, SCT

Appendix to the Trustees' Representation Letter of Shetland Charitable Trust: Definitions

Criteria for applying the disclosure exemptions within FRS 102

- The Company discloses in the notes to its financial statements:
 - A brief narrative summary of the disclosure exemptions adopted; and
 - The name of the parent of the group in whose consolidated financial statements its financial statements are consolidated, and from where those financial statements may be obtained

Financial Statements

A complete set of financial statements (before taking advantage of any of the FRS 102 exemptions) comprises:

- Group and parent Charity Balance Sheet as at the end of the period;
- Group Statement of Financial Activities for the period;
- Group Cash Flow Statement for the period; and
- notes, comprising a summary of significant accounting policies and other explanatory information.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

FRS 102 states that:

Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Qualifying Entity

A member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation by means of full consolidation.

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in FRS 102 as the “reporting entity”).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. has control or joint control over the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled, or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



REPORT

To: Shetland Charitable Trust

11 September 2018

From: Chief Executive

Report number CT1809023

Service Performance of Funded Organisations – Year Ending 31 March 2018

1. Introduction

- 1.1 The Purpose of this Report is to present Trustees with information regarding the service performance of various organisations to which the Trust provides funding.

2. Background

- 2.1 Trustees may recall that as part of the budgeting process, staff are required to determine:
- the strategic service framework within which any bid for funding from the SCT should be considered;
 - an appropriate level and standard of service to be provided and express that in a Service Statement or Service Level Agreement (as appropriate);
 - the appropriate cost at which to buy that service with due regard to comparable information and funding from other sources; and
 - an appropriate monitoring and evaluation framework to ensure that services are being delivered to the required standard.
- 2.2 The Grant Offer Letter, which organisations sign up to prior to any money being released, states that, *“the Grantee provides service performance reports as required for the proper monitoring of the grant, the reports to be of a format and frequency to be agreed by the Charitable Trust”*.

Depending on the size of the organisation, and other factors, the information can be requested quarterly, six monthly or on an annual basis.

3. Present Position

- 3.1 Comprehensive information is provided by each organisation, which is then scrutinised by the Trust.

3.2 Appendix A is a summary of the detailed service performance reports provided by most of the organisations funded by the Trust, in the agreed new format. We are still to receive the finalised service report from the Bus Service for the Elderly and Disabled.

3.3 The summary reports in Appendix A are presented in a consistent format and captures the key service and financial performance information for the organisations.

4. Financial Implications

4.1 There are no financial implications arising from this Report.

5. Conclusions

5.1 In terms of performance, there are no major issues of concern with regard to service delivery to report to Trustees. The Trust continues to work closely with organisations throughout the year to help ensure maximum benefits to Shetland and its inhabitants.

6. Recommendations

6.1 It is recommended that Trustees:

- a) Consider the content of Appendix A;
- b) Highlight issues or areas where Trustees might wish to receive further information or clarification; and
- c) Otherwise, note the satisfactory service performance of the organisations that received funding from Shetland Charitable Trust.

Reference: DA1

Report No: CT1809023

Shetland Recreational Trust

PURPOSE:

To provide a wide range of leisure and sport activities and facilities at 8 locations throughout Shetland.

The facilities are professionally operated, well maintained to a high standard with appropriate opening hours.

The facilities are seen as places for whole communities to meet, socialise and play.

They are a major attraction for local residents and an important factor in attracting tourists.

KEY TARGETS:

1. Opening hours achieved:

	12 Months Target	12 Months Actual	Difference
Clickimin Leisure Complex	4,900	5,036	+136
Scalloway Pool	2,625	2,883	+258
Rural Leisure Centres	19,725	19,915	+190
Totals	27,250	27,834	+584

2. Admissions achieved:

	12 Months Target	12 Months Actual	Difference
Clickimin Leisure Complex	380,000	471,909	+91,909
Scalloway Pool	33,000	49,421	+16,421
Rural Leisure Centres	236,500	252,299	+15,799
Totals	649,500	773,629	+124,129

3. Other Service Targets

Service Area	Target 2017/18	Actual 2017/18	Difference No.	Difference %
General Subscriptions	400	505	+105	+26.3
Corporate Subscriptions	470	634	+164	+34.9
Swimming Classes & Courses	26,000	35,347	+9,347	+36
Sport and Exercise Classes	25,000	56,616	+31,616	+126.5
Senior Leisure Club Attendances	3,200	2,499	-701	-21.9
Health Promoting Class Attendances	1,470	1,096	-374	-25.4
Partnership Events	6	12	+6	+100
Case Studies	8	9	+1	+12.5

PERFORMANCE SUMMARY

The total opening hours of 27,834 is 584 above target. The total admissions of 773,629 are 124,129 (19.1%) above target. The Clickimin Leisure Complex admissions of 471,909 are 91,909 (24.2%) above target. This increase can be attributed to the increase in Gold subscriptions and the inclusion of the classes in this subscription. Also the successful first year of business from the 60:40 was also a factor in the overall actual figures.

Shetland Recreational Trust (SRT) achieved all their key performance targets. SRT received total funding in 2017/18 of £3,193,176 and operated within their agreed budgets.

Shetland Arts Development Agency
PURPOSE:

To encourage, support, inspire, promote, develop and deliver activities in the fields of: dance; drama; theatre; film; literature; music; crafts; and visual arts with a view to the advancement of arts and culture and improving the quality of life for the inhabitants of the Shetland Isles.

- Exhibitions by local, national and international artists and makers at Bonhoga
- Promote and support Visual Arts
- Promote and support Crafts development
- Provide Drama development opportunities
- Develop Dance activities
- Promote and support Literature development
- Promote and support Music development
- Encouraging Film and Digital Media development
- Encourage performances at Mareel and the Garrison Theatre

KEY TARGETS

Target Areas	Target	Actual	Difference %
Concerts / Screenings / Exhibition days	3,000	4,591	+53
Audience attendances	160,000	200,368	+25
Development sessions	1,300	2,163	+66
Participations	9,000	18,655	+107

Priority Area 1 : Youth Arts – 8 Concerts / Screenings / Exhibition days
- 388 Audience attendances
- 125 Development Sessions
- 1,523 Participants

Priority Area 2 : Education & Learning - 3 Concerts / Screenings / Exhibition days
- 170 Audience attendances
- 1,315 Development Sessions
- 6,471 Participants

Priority Area 3 : Arts & Wellbeing - 1 Concerts / Screenings / Exhibition days
- 50 Audience attendances
- 163 Development Sessions
- 1,081 Participants

Priority Area 4 : Development & Support – 307 Concerts / Screenings / Exhibition days
- 16,818 Audience attendances
- 131 Development Sessions
- 4,300 Participants

Priority Area 5 : Programme, Commissioning & Curation – 4,272 Concerts / Screenings / Exhibition days
- 182,942 Audience attendances
- 302 Development Sessions
- 5,230 Participants

Priority Area 6 : Recording, Broadcasting & Intellectual Property - 127 Development Sessions
- 50 Participants

PERFORMANCE SUMMARY

Overall audience attendances figures totalled 200,368. Events and attendances were generally above target on the priority areas identified by Shetland Arts Development Agency (SADA).

SADA achieved all their key performance targets. Any potential over delivery is currently being reviewed by SADA and will decrease as core funding is reduced. SADA received total funding in 2017/18 of £664,426 and operated within budget.

Shetland Amenity Trust

PURPOSE:

To provide core funding to support the organisational and staffing costs, to support the diverse range of services and enable the Trust to lever in additional funding.

Shetland Amenity Trust will continue to deliver an effective, holistic service which embraces all aspects of Shetland's cultural and natural heritage. The service supports, encourages and facilitates the sound management and sustainable development of Shetland's natural and cultural resources and facilitate access, both intellectual and physical, thereto for all.

KEY TARGETS:

Funding provided by Shetland Charitable Trust (SCT) support the following areas of Shetland Amenity Trust's (SAT) activities:

- Finance, Administration and Management
- Interpretation
- Natural Heritage
- Archaeology
- Place Names
- Environmental Improvement
- Woodlands

Targets have been revised for 2017/18 to provide a better qualitative and quantitative assessment of performance. Some of the key achievements for 2017/18 are detailed below.

Achievements

- Four year Follow the Vikings transnational European project in progress.
- Following funding of £31,800 secured from Historic Environment Scotland completed 2 year project to digitally map 13,500 archaeological sites.
- Planted 3,600 trees and hedging plants and over 200 shrubs and bulbs at the new Anderson High School.
- Network of 19 heritage organisations supported through annual running cost grants.
- 325 planning applications screened during the period by Biological Records Centre (SBRC).
- SBRC database now holds over 300,000 records.
- The Shetland Peatland Restoration project started three new projects and has attracted external funding totalling £160,000.
- 78,891 visitors were received at Shetland Museum and Archives (SMAA).
- SMAA's lifelong learning programme delivered sessions to all ages, including therapeutic sessions for people coping with dementia.
- 247 end of life vehicles uplifted, depolluted and Certificates of Destruction issued.
- Two tonnes of aluminium recycled with community groups participating in the Cash for Cans scheme paying out over £8,000 to the groups.
- Over 4,300 volunteers took part in Da Voar Redd Up and removed 45 tonnes of bruck from Shetland's landscape and beaches.
- Organised and held 8th Shetland Wool Week and 2nd Boat Week.

PERFORMANCE SUMMARY

SAT continues to deliver a wide range of services in the heritage sector. Many of its activities are not directly supported by SCT funding, but do receive support indirectly through funding for SAT's Finance, Administration and Management functions.

SAT reported progress against all their 2017/18 grant award targets. SAT received total funding on 2017/18 of £1,235,102. SAT had a material overspend in the year, which they have indicated will be recovered as part of the restructuring exercise they are undertaking as their core funding reduces.



Royal Voluntary Service

PURPOSE:

To enable older people to get more out of life by delivering practical support and a range of community based services tailored to individual need.

KEY TARGETS:

Achieve a 5% increase in the number of service user interactions with a baseline of 7,348.

- 12,864

Achieve a 5% increase growth in the number of passenger journeys, based on a baseline figure of 8,185.

- 5,933

Continue 2 established lunch clubs – Cunningsburgh & Quarff and Islesburgh.

- Over 4,500 meals provided

Increase attendance on a baseline figure of 26 for Cunningsburgh & Quarff and a baseline figure of 24 for Islesburgh.

- 19 for Cunningsburgh & Quarff
- 21 for Islesburgh

Increase the range of activities offered. This includes:

- The provision of an escort for the SCT funded bus service to the Islesburgh club;
- To continue offering a range of activities, developing the social aspects of the Islesburgh club, on a minimum of two days per week.

Continue 5 social clubs – Burra, Sandwick, Walls, Whalsay and Northmavine.

- Achieved

Achieve a 5% increase on current volunteer number of 54.

- Average - 56

Achieve a 5% increase in hours delivered by RVS volunteers on a baseline figure of 2,202.

- 1,950

Achieve a 5% increase in the number of registered service users across all services with a baseline of 262.

- Average monthly – 164 (+ avg. 62 ad hoc)

User surveys and quarterly case studies provided

PERFORMANCE SUMMARY

The Royal Voluntary Service met the majority of their targets. Numbers accessing the Islesburgh lunch club was partially restricted by the transport provision being at capacity. Volunteer hours and registered service user numbers were below target; this was due to a data cleanse that was carried out by the new Service Manager in 2017. New targets have been agreed for the Royal Voluntary Service for 2018/19 which are outcome based.

The Royal Voluntary Service received funding of £46,985 and operated with budget.

Shetland Churches Council Trust**PURPOSE:**

To maintain church buildings and support community events along with support for training and education.

KEY TARGETS:

In 2017-18, Shetland Churches Council Trust achieved the following key targets:

Achievements

To assist Christian congregations with the upkeep and repair of their buildings, particularly where they have a wider architectural or community benefit, in order to ensure that these buildings can continue to provide satisfactory places of worship

- 3 awards
- Geographical spread: Raewick and Lerwick

To work together to co-ordinate and facilitate services and events

- 1 holiday clubs were supported – Burra Baptist's football club.

To help defray some of the costs of travel from Shetland, to enable people, including youth, to participate fully in activities

- 4 travel grants awarded, 2 were to allow individuals to attend training courses; one related to transport for a holiday club in the islands; and one helped to facilitate the attendance of speakers for the Shetland Women's Network.

Sit on committees and bodies dealing with issues such as drugs and alcohol, Emergency Forum.

- Representatives on 4 bodies

To hold regular meetings of Trustees.

- 5 Meetings have been held

To ensure, where reasonably practical, that access to church buildings is barrier free so that people with disabilities can use them without restrictions and that other disabilities are mitigated

- No applications for grants for disabled facilities were received.

PERFORMANCE SUMMARY

Overall Shetland Churches Council Trust (SCCT) achieved all their key targets, but experiences a lack of demand for grants over the year.

SCCT received total funding of £27,002 in 2017/18 and operated within budget. In line with the Trust's Disbursement Plan funding for SCCT is planned to be £13,501 in 2018/19.



Shetland Folk Festival Society

PURPOSE:

To assist with the costs of providing artists to perform at the 37th Shetland Folk Festival and to help cover the costs of providing transport and venues.

KEY TARGETS:

Achievements

1 "open to all" concert in the Festival Club

- Opening concert open to all, extremely well attended with it also being streamed to Room 11 in Islesburgh. This room was also full so they are investigating the possibility of streaming it to further rooms.

1 youth event - featuring young musicians from throughout Shetland

- Event held on Sunday afternoon in the Festival Club, 87 young performers as well as 130 in the audience.

Concerts – approximately 21 concerts are held throughout Shetland with 5,000+ in attendance

- 23 concerts, 5780 in attendance

Outreach Concert – one held in either Unst, Yell, Fetlar, Out Skerries, Whalsay or Fair Isle, with up to 100 in attendance

- 1 held in Ollaberry, 120 in attendance
- 1 held in Yell, 126 in attendance

Additional Support Needs Concert – private concert for adults and children with additional support needs, with up to 100 in attendance

- 1 private afternoon concert for young adults and children held at Friday lunchtime at the Bells Brae ASN Unit. About 100 students and parents/carers were in attendance.

1 Private Music Session - with participants at the Eric Gray Resource Centre. Up to 50 in attendance

- 1 private session held on the Thursday afternoon, around 50 service users plus staff attended.

Playgroup Concert – one held annually each year, with up to 300 in attendance.

- Concert held in Clickimin on the Friday, about 400 in attendance including parents/carers.

School Visit – at least one visit to a primary school for exchange of music and culture.

- 1 informal concert held at Sandwick Primary school.

5 workshops including Shetland dancing

- 5 workshops held in Shetland Fiddle, Shetland dancing and Irish Song and 2 workshops in circus skills.

PERFORMANCE SUMMARY

In 2017/18 the Shetland Folk Festival Society received funding of £9,000 and achieved all their targets.

The Swan Trust
PURPOSE:

To make the Swan available for viewing, restored in good working order and registered as an approved sail-training vessel.

To encourage young people to sail on the Swan, to appreciate Shetland's sailing and fishing history and experience our wildlife and culture.

KEY TARGETS:

Increased awareness of marine environment and heritage:

Target Area	Target	Actual	Difference
Shetland Schools	10	14	+4
Additional Support Needs groups	2	5	+3
Youth Groups	2	8	+6
Children	300	157	-143
Youths (under 25)	70	81	+11
Adults	50	187	+137

PERFORMANCE SUMMARY

The Swan Trust received funding of £35,825 in 2017/18 and operated within budget and achieved many of their targets.



Shetland Befriending Scheme

PURPOSE:

Offering vulnerable young people the opportunity to form a trusting relationship with an adult to promote his/her personal development.

KEY TARGETS:

In 2017/18, Shetland Befriending Scheme has achieved the following key targets; -

Achievements

To recruit up to 8 new volunteers in the next financial year to offer the befriending service to young people.

- 16 volunteers recruited

To continue to actively promote the service to the Shetland Community and engage in recruitment drives to seek new volunteers.

- 2 recruitment drives undertaken

To continue to provide a high quality Befriending Service to children and young people Shetland wide. Up to 25 children and young people will receive a service per annum; and 75% of young people will achieve a positive outcome.

- 17 young people matched to volunteers
- 100% of young people felt that they had increased self esteem confidence and feelings of achievement

To continue to support, monitor and review matches occurring on a regular basis to ensure the befriending is benefiting the young person.

- 17 matches monitored

To have up to 8 newly trained volunteers ready to be matched to a young person.

- 6 newly trained volunteers with all matched to a young person

PERFORMANCE SUMMARY

The Shetland Befriending Scheme continued to support young people to promote their personal development and achieved many of their key targets. They had a particularly successful this year in recruiting new volunteers.

The Shetland Befriending Scheme received total funding of £54,418 in 2017/18 and operated within budget. Funding primarily supports staff costs and volunteer expenses.



Shetland Islands Citizens Advice Bureau

KEY TARGETS:

Outcome	Target	Actual	Comment
New Cases Opened	2000	1,840	Slightly below target
Total Number of Issues Raised	8000	7,200	Slightly below target
Deliver information and advice services for at least 30.5 hours per week.	30.5hrs	30.5hrs	On target
Intensive support to individuals to develop and implement plans to reduce financial problems	150	196	Target exceeded
Confirmed financial gains from specialist debt adviser	£100,000	£1,699,914	Target exceeded
Training and supported work experience for volunteers	25	29	Target exceeded
New Trainees	4	5	Target exceeded
Collaboration with partner organisations	10	15	Target exceeded
Confirmed financial gains from generalist advice	£15,000	£112,678	Target exceeded

PERFORMANCE SUMMARY

Shetland Islands Citizens Advice Bureau (SICAB) have achieved almost all their key targets for 2017/18.

SICAB received total funding in 2017/18 of £132,265 and operated within budget.

COPE Limited**PURPOSE:**

To provide focused placements, training, support and employment opportunities to adults with learning or physical disabilities

KEY TARGETS:

1. Maintain accountable relationships with relationships with funding stakeholders
 - Regular meetings with SIC and SCT reviewing targets and recording organisational progress against targets.
 - Regular Directors meetings following a set agenda ensuing all aspects of the business are being reviewed and growth plans developed
 - Regular review from external funders and stakeholders including HIE, Robertson Trust, Scottish Government Developing the Young Workforce Project.
2. Maximise each business unit's performance and set clear goals in relation to income and expenditure.
 - 3 monthly management accounts compiled to monitor income and expenditure against proposed budgets and targets.
 - Management and review of business units daily, weekly and monthly performance in terms of income.
 - All business units progress reviewed in line with Business plan goals and projections.
 - Business production costs monitored and efficiencies identified and implemented.
 - Cost price of products reviewed regularly and retail prices adjusted accordingly.
3. Identify target markets, explore and adopt innovative strategies, including the use of digital technologies to attract new customers
 - Training undertaken with senior staff by HIE to identify planning and preparation work in terms of building an international growth strategy for identified products.
 - All growth plans discussed with Board to ensure social aims of organisation are central to decision making processes.
 - Marketing Manager appointed (funded by HIE) to develop stronger digital presence. Instagram account launched.
 - New Shetland Soap Company website approved with funding from HIE with goal of targeting bigger markets off Shetland.
4. Develop a strong, communicative and connected workforce
 - Staff training opportunities increased and development areas targeted including leadership and effective production approaches.
 - Additional training opportunities identified and provided for participants and supported employees.
 - Focus placed on maintaining the agreed culture of respect and excellence across the organisation. This embedded in every day practice by team leaders and senior management.
5. Sustain and promote the social aims of the organisation
 - Application for Scottish Commission for Learning Disabilities awards submitted. Achieved first place in Enterprise Award.
 - Promotion of COPE Ltd. work in local media and social media.
 - Visits from 2 Cabinet Ministers in 2018 showcasing the work of COPE Ltd in the National arena.
 - Invitation to be a speaker at Social Enterprise World Forum in September 2018.

PERFORMANCE SUMMARY

Shetland Charitable Trust supports the management and premises costs of COPE and they have achieved all their targets agreed in this area.

In 2017/18, COPE received funding of £154,967 and operated within budget.

Voluntary Action Shetland

PURPOSE:

To provide a central point for the voluntary sector, providing office space, storage, administrative support, sign-posting, advice and information to the voluntary sector in Shetland.

KEY TARGETS:

Third Sector Organisations feel better connected and are able to influence and contribute to public policy

- Full partner on Shetland Partnership Board
- Third Sector Forum – 2 meetings in year giving third sector opportunity to engage with partner agencies.
- VAS attended 7 meetings in relation to the Local Improvement Outcome Plan.
- Represents the third sector on strategic forums and partnerships both locally and nationally.

Third sector organisations are well managed and deliver quality services

- Support third sector organisations - 89 organisations received information and support.
- Provide regular communication to third sector organisations – 16 newsletters and 126 e-bulletins.
- Deliver training courses as identified from partners – 25 workshops
- Ensure organisation information on the MILO national platform is up to date – 640 organisations data is up to date.
- Provide Independent Examination of accounts – 84 organisations assisted to OSCAR compliant standard.
- Providing premises as a recognised 'Hub' for developing and supporting third sector organisations – 19 organisations.

Social Enterprise Develops and Grows

- Social Enterprises given regular information and updates on relevant topics i.e. procurement and tendering, business planning, asset transfer.
- Six social enterprises provided with consultancy/ one to one support in business planning, management and sustainability
- Network with private employers to create value and understanding

More people have increased opportunity and enthusiasm to volunteer

- People interested in volunteering receive appropriate responses and support information – 1,482 responses to enquiries.
- Provide access to volunteering opportunities – 100% of volunteering opportunities are promoted online.
- 118 local opportunities registered on MILO and promoted locally and nationally.
- Young people receive recognition for volunteering through Saltire – all High Schools visited
- Providing a varied training programme for volunteers, to enable them to be effective volunteers and use the transferable skills gained in other areas of life. Attendance of 171.

PERFORMANCE SUMMARY

Voluntary Action Shetland continues to support a wide range of third sector organisations from their premises at Market House and have achieved all their key targets.

In 2017/18, Voluntary Action Shetland received total funding of £144,361 made up of £78,623 towards core running costs and £65,738 towards supporting Market House. Both areas operated within budget.

Disability Shetland

PURPOSE:

To support the running costs of the Adult Recreation Club, including hiring venues, transport, volunteer expenses and training.

To contribute to the costs of delivering the Social Activities project.

KEY TARGETS:

In 2017-18, Disability Shetland Recreational Club provides recreational opportunities for adults with disabilities and also delivers the Social Club and Yoga Club at Islesburgh Community Centre and other venues. They are expected to achieve the following key targets:-

Achievements

Dry Sports

Target – 35 sessions

Actual – 35 sessions

Bowls Competitions

Target - 1 per year

Actual – 1

Yoga

Target – 20 sessions

Actual – 20 sessions

Wednesday Social Club

Target – 48 sessions

Actual – 48 sessions

Case studies

Target – 2 per year

Actual – 2

Swimming

Target – 9 sessions

Actual – 9 sessions

Swimming Gala

Target – 1 per year

Actual – 1

Arts & Crafts Club

Target – 12

Actual - 12

PERFORMANCE SUMMARY

Overall Disability Shetland achieved all their key targets in 2017/18.

Disability Shetland received total funding of £12,641 in 2017/18 to support their adult recreation clubs and operated within budget.

Shetland Link Up

PURPOSE:

Providing support to people who are affected by mental health problems by:

- (a) Offering support and relief to, and facilitating friendship for, those affected by mental ill health; and
- (b) Developing links with other community resources and facilities so that people affected by mental ill health are enabled to access such resources and facilities more easily and are integrated into the wider community to a greater extent.

KEY TARGETS:

In 2017/18, Shetland Link up achieved the following key targets:

Achievements

Attendance at SLU mixed group

Target - 1,000

Actual - 1,785

Number of volunteers at SLU

Target - 2

Actual - 4

Total volunteer hours

Target - 200

Actual - 180

Satisfaction outcome

Target - 75%

Actual - 100%

Total client contacts

Target - 1,500

Actual - 1,994

Support up to 36 clients per annum

Actual - 45

PERFORMANCE SUMMARY

Shetland Link Up have achieved most of their key targets for 2017/18 and have exceeded many. The number of volunteers are below target due to one volunteer having to withdraw from the role as Relief Support Worker. Clients attending came from all over Shetland with over 65% coming from the central area and over 10% from the Isles.

Shetland Link Up received total funding in 2017/18 of £47,994 and operated within budget.



Rural Care Model

PURPOSE:

Rural Care Model is expected to maintain the following services: -

- Long stay 24 hour residential care for individuals who have assessed needs as being unable to safely remain in their own homes;
- Respite care to provide support to carers and/or families who care for their family members;
- Short stay beds for individuals who require a period of reablement before they are ready to resume living in their own home;
- Day care for adults, allowing isolated vulnerable adults to access social care activities with their peers or allow voluntary carers respite;
- Other non-residential community care services delivered in the individual homes.

KEY TARGETS:

In 2017/18, Shetland Islands Council – Rural Care Model were set the following key targets: -

- To maintain the number of permanent beds available for residential and respite care –

The number of beds have been maintained at 146.

- To ensure resources are used effectively, maintaining high Care Home occupancy-

Occupancy – Averaged 85% over the year, with an increasing proportion of respite and reablement clients.

- To maintain performance against the national health and wellbeing outcomes –

Proportion of last 6 months of life spent at home or in a community setting - 91% (highest in Scotland).

How satisfied are residents with local social care services – 80% (National average 81%).

- To maintain positive Care Inspectorate results.-

All Care Centres assessed as good or very good in latest inspections.

PERFORMANCE SUMMARY

The Rural Care Model achieved all their key targets in 2017/18.

The Rural Care Model received total funding of £2196,844 in 2017/18 and operated within budget.

REPORT

To: Shetland Charitable Trust

Date: 11 September 2018

From: Chief Executive

Report: CT1809024

Investment Review Report - Quarter to 30 June 2018

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 quarter to 30 June 2018.

2. Detail

- 2.1 This report concentrates on the three-month period from April to June 2018. The report looks at the performance of the Trust's fund managers, the overall investment performance relative to the markets, the physical movement of funds, any changes from the investment strategy, and any other relevant issues relating to the investments over the period.
- 2.2 The Trust has four fund managers with total investments under management at the end of June 2018 of £280 million. The funds, type of mandate and market values at the end of June 2018 are as follows:

Manager	Mandate	% of Reserves	Market Value £m
Baillie Gifford	Active Equity	47%	130
BlackRock	Passive Equity	31%	87
Schroders	Property	14%	40
Insight	Diversified Growth Fund	8%	23



2.3 Individual fund manager performance is detailed later but there is the need to consider the effect of the markets themselves and of any cash withdrawals or injections into the funds. The following table shows the effect on the overall investments of these factors during the three month period.

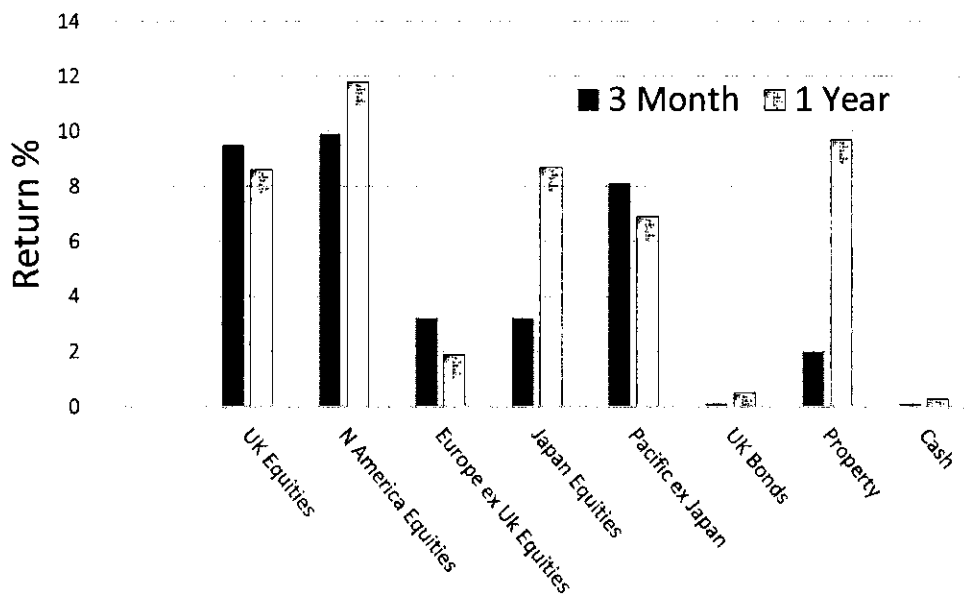
	£m
Market Value 31/03/18	251.0
Additions / (Withdrawals)	(0.5)
Investment Return	<u>29.5</u>
Market Value as at Jun 2018	<u>280.0</u>

2.4 The figures show an overall £29.5 million increase in value over the three month period. This increase in value is due mainly to the positive return from equity markets over the period.

2.5 The Trust received £0.5 million of dividend income during the three month period to June 2018. This dividend was from BlackRock and is their quarterly dividend distribution from the UK equity investment, which is automatically paid into the Trust's bank account.

2.6 Over the three month period to June equity markets have performed well, rebounding strongly from the falls earlier in the year. In particular, UK and US equities have performed well with Japan and Europe showing more modest gains. Returns on equity markets remain volatile with political uncertainty, trade disputes and Brexit weighing on markets.

2.7 The investment markets performance by asset class over the three month period and twelve month period is shown below.



- 2.8 The fund manager has negligible influence over the market return but they may be required by the mandate agreement to invest into these markets. The main constituent of a fund's performance is the market return, where the fund is invested. A fund manager with an active mandate is asked to outperform a benchmark made up of market indexes, or cash plus a percentage return, whereas a fund manager with a passive mandate is aiming to match the market return.
- 2.9 In this environment the Trust's fund managers have, over the three month period to the end of June 2018, performed as follows:

Manager	Mandate and Benchmark	Fund Return %	Benchmark Return %	% Return Compared to Benchmark
Baillie Gifford	Equity (Active)	19.9	6.8	13.1
BlackRock	Equity (Passive)	7.9	7.9	0.0
Schroders	Property	2.4	2.0	0.4
Insight	Diversified Growth Fund	0.0	1.1	-1.1

- 2.10 Baillie Gifford has an active equity mandate which invests in around 30-50 shares throughout the world. This fund is therefore volatile with returns that can be very different to the benchmark index. This is evident in the quarter to end June where Baillie Gifford returned 19.9% compared to the broad market return of 6.8%. This is a good outperformance and this active fund seeks to provide diversification to BlackRock's passive fund that tries to replicate the market return.
- 2.11 The fund with BlackRock is invested passively in equities, so the fund is aiming to equal the benchmark return. BlackRock achieved this aim over the three month period. The mandate with BlackRock over the three month period produced a return of 7.9%, which is a reflection of the mixture of returns from the various equity markets the fund invests into.
- 2.12 Schroders invests in property via a fund of funds approach where they invest in various different property funds to spread investment risk. Over the three month period the fund returned 2.4% which was above the property benchmark.
- 2.13 Insight has a diversified growth fund mandate which invests into various different asset classes to spread risk and smooth returns.

Insights benchmark return is the return on cash plus 4%. Overall Insight produced a zero return over the quarter which was 1.1% below the benchmark return.

- 2.14 The overall investment return for the Trust's investments for the three month period to the end of June 2018 was 11.4%, which was 5.5% above the benchmark return.

3. Financial Implications

- 3.1 The long term investments and their performance are important to the Trust and the achievements of its outcomes and objectives.
- 3.2 It is recognised that the actual investment performance each year will be different to what is expected or required, however over the long term this will be monitored and reviewed to ensure that the Trust's external investments work towards meeting its long term objectives.
- 3.3 It is not likely that the Trust can expect a positive investment return from its investments every year but having robust governance and monitoring in place mitigates the financial risks and enables the Trust to take action at appropriate times to address poor performance by the fund managers.

4. Recommendations

- 4.1 Trustees are asked to note this report.

Reference: IA7

Report Number: CT1809024

REPORT

To: Shetland Charitable Trust

Date: 11 September 2018

From: Chief Executive

Report: CT1809025

Management Accounts – Three Months Ended 30 June 2018

1 Introduction

1.1 The purpose of this report is to present the Trust's Management Accounts for the three months ended 30 June 2018, 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 Charitable Trust for 2018/19 and the results in the three months to 30 June 2018.

Table 1: Summary Management Accounts 2018/19

Item	Current Budget £m	Spend to June 2018 £m
Income	4.6	1.0
Disbursements	(7.7)	(3.9)
Management and Administration	(0.6)	(0.2)
Fund Managers Fees	(0.9)	(0.3)
Gain on Investments	-	28.2
Total	(4.6)	24.8

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 2018 the Trust made a gain on its investments of £28.2m.

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 satisfactory financial performance to 30 June 2018 as shown in the Management Accounts in Appendix A.

Reference: DA5/1

Report No: CT1809025



Shetland **Charitable Trust**

Management Accounts

3 Months Ended 30 June 2018

**Shetland Charitable Trust
Income and Expenditure
Period to 30 June 2018**

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Income			
Managed fund dividends	437,172	1,842,792	(1,405,620)
Managed fund interest	372,989	-	372,989
Agricultural loan interest	289	1,059	(770)
Local equity gift aid	-	2,000,000	(2,000,000)
Rental income	176,755	800,500	(623,745)
Bank interest	1,419	-	1,419
Miscellaneous income	-	-	-
	<u>988,624</u>	<u>4,644,351</u>	<u>(3,655,727)</u>
Expenditure			
Disbursements	(3,864,439)	(7,720,979)	3,856,540
Management and administration	(191,906)	(649,753)	457,847
Fund managers	(265,086)	(935,304)	670,218
	<u>(4,321,431)</u>	<u>(9,306,037)</u>	<u>4,984,606</u>
Gain on investments	28,211,583	-	28,211,583
Surplus/(Deficit)	<u><u>24,878,776</u></u>	<u><u>(4,661,686)</u></u>	<u><u>29,540,462</u></u>

Shetland Charitable Trust
Balance Sheet
Period to 30 June 2018

	Jun-18	
	£	£
Tangible fixed assets		323,000
Investments		<u>307,310,140</u>
		<u>307,633,140</u>
Trade debtors	81,386	
Prepayments and Accrued income	2,249,593	
Other debtors	798,739	
Bank	<u>490,728</u>	
	<u>3,620,446</u>	
Trade creditors	31,579	
Accruals and deferred income	263,445	
Amounts owed to subsidiary	-	
Other creditors	<u>(779)</u>	
	294,245	
Net current assets		<u>3,326,201</u>
		<u>310,959,341</u>
Pension liability		(1,661,000)
		<u>309,298,341</u>
Opening reserves		284,419,565
Surplus for period		<u>24,878,776</u>
Closing reserves		<u><u>309,298,341</u></u>

Shetland Charitable Trust
Rental Income
Period to 30 June 2018

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Sullom Voe Site	176,755	800,000	(623,245)
Shetland Golf Course	-	500	(500)
	<u>176,755</u>	<u>800,500</u>	<u>(623,745)</u>

Shetland Charitable Trust
Disbursements
Period to 30 June 2018

	<u>3 Month</u> <u>Actual</u> <u>£</u>	<u>Annual</u> <u>Budget</u> <u>£</u>	<u>Variance</u> <u>£</u>
Shetland Amenity Trust	594,523	1,189,045	(594,522)
Shetland Arts Development Agency	316,987	633,974	(316,987)
Shetland Recreational Trust	1,541,495	3,082,989	(1,541,494)
Support to Rural Care Model	1,045,758	2,091,516	(1,045,758)
<u>Other Revenue Grants</u>			
Disability Shetland Recreation Club	12,641	12,641	-
The Swan Trust	17,913	17,913	-
Shetland Churches Council Trust	13,501	13,501	-
Shetland Befriending Scheme	27,209	54,418	(27,209)
Citizens Advice Bureau	66,133	132,265	(66,132)
COPE Limited	77,484	154,967	(77,483)
Shetland Link Up	23,997	47,994	(23,997)
Voluntary Action Shetland	72,181	144,361	(72,180)
Festival Grants	7,500	7,500	-
Local Charitable Organisations	11,552	11,552	-
Buses for Elderly and Disabled	-	44,358	(44,358)
Royal Voluntary Service	23,493	46,985	(23,492)
Sub Total Charitable Organisations	<u>3,852,367</u>	<u>7,685,979</u>	<u>(3,833,612)</u>
<u>Schemes</u>			
Arts Grant Scheme	5,414	20,000	(14,586)
Senior Citizens Clubs	6,658	15,000	(8,342)
Sub Total Schemes	<u>12,072</u>	<u>35,000</u>	<u>(22,928)</u>
Surplus Grants Refunded	-	-	-
Total	<u><u>3,864,439</u></u>	<u><u>7,720,979</u></u>	<u><u>(3,856,540)</u></u>

Shetland Charitable Trust
Management and Administration Expenditure
Period to 30 June 2018

	<u>3 Month Actual £</u>	<u>Annual Budget £</u>	<u>Variance £</u>
Basic Pay and Allowances	61,584	290,000	(228,416)
Professional Membership Fees	175	500	(325)
Staff recruitment	-	1,000	(1,000)
Travel and Subsistence	1,676	7,240	(5,564)
Training and Staff Development	1,118	5,860	(4,742)
Sub Total Staffing Costs	<u>64,552</u>	<u>304,600</u>	<u>(240,048)</u>
Operating Costs			
Insurance	9,769	9,500	269
Administration	242	2,250	(2,008)
Supplies and Services	938	6,000	(5,062)
Bank Charges	23	250	(227)
Professional Fees: Other	300	20,000	(19,700)
External Audit Fees	11,640	23,250	(11,610)
Financial advice - internal investments	-	50,000	(50,000)
Trustees Expenses	179	5,000	(4,821)
Meeting expenses	226	3,000	(2,774)
Legal Fees	86,865	50,000	36,865
Trustee Recruitment Costs	1,090	5,000	(3,910)
Sub Total Operating Costs	<u>111,270</u>	<u>174,250</u>	<u>(62,980)</u>
Property Costs			
Energy Costs	516	8,000	(7,484)
Water Rates	143	1,200	(1,057)
Maintenance - Garrison Theatre	350	26,000	(25,650)
Maintenance - 22-24 North Road	5,745	25,000	(19,255)
Cleaning	297	1,500	(1,203)
Sub Total Property Costs	<u>7,051</u>	<u>61,700</u>	<u>(54,649)</u>
Bad debt write off	-	-	-
Bought In Services			
Treasury	-	25,000	(25,000)
Payroll	-	1,000	(1,000)
Pension	-	3,600	(3,600)
Building Maintenance	-	47,000	(47,000)
Committee Services	-	7,200	(7,200)
Computer Services	4,182	4,328	(146)
Messenger Service	-	515	(515)
Peninsula	531	2,160	(1,629)
Public Relations	4,320	18,400	(14,080)
Sub Total Bought In Services	<u>9,033</u>	<u>109,203</u>	<u>(100,170)</u>
Total	<u>191,906</u>	<u>649,753</u>	<u>(457,847)</u>

Shetland Charitable Trust
Investment expenses
Period to 30 June 2018

	3 Month Actual £	Annual Budget £	Variance £
Managed fund misc	23,507	-	23,507
Fund managers fees	-	-	-
Black Rock fees	19,755	94,335	(74,580)
Northern trust fees	12,219	56,800	(44,581)
Insight investment fees	26,547	114,431	(87,884)
Schroders fees	24,393	80,224	(55,832)
Baillie Gifford fees	158,665	589,513	(430,849)
	265,086	935,304	(670,219)



REPORT

To: Shetland Charitable Trust

Date: 11 September 2018

From: Chief Executive

Report: CT1809026

Capital Works Bridging Loan Scheme

1. Introduction

- 1.1 This report updates Trustees on 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 come through. (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.

3. Present Position

- 3.1 Appendix A lists each bridging loan made to date. In total 34 projects have received bridging loans, totalling £3,114,253. Of these, 29 projects have fully repaid their loans.
- 3.2 Since May 2017, the Trust has provided seven organisations with bridging loans totalling £890,457 with repayments due between now and May 2019 as they receive their grants.
- 3.3 Feedback on the scheme from organisations has been very positive.

4. Financial Implications

- 4.1 There are no new 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 return.

5. Conclusion

5.1 Thirty four projects have been undertaken by community groups throughout Shetland. For many of these projects it would have been very difficult for them to proceed without the support of the Trust's scheme.

6. Recommendation

6.1 Trustees are recommended to note this report.

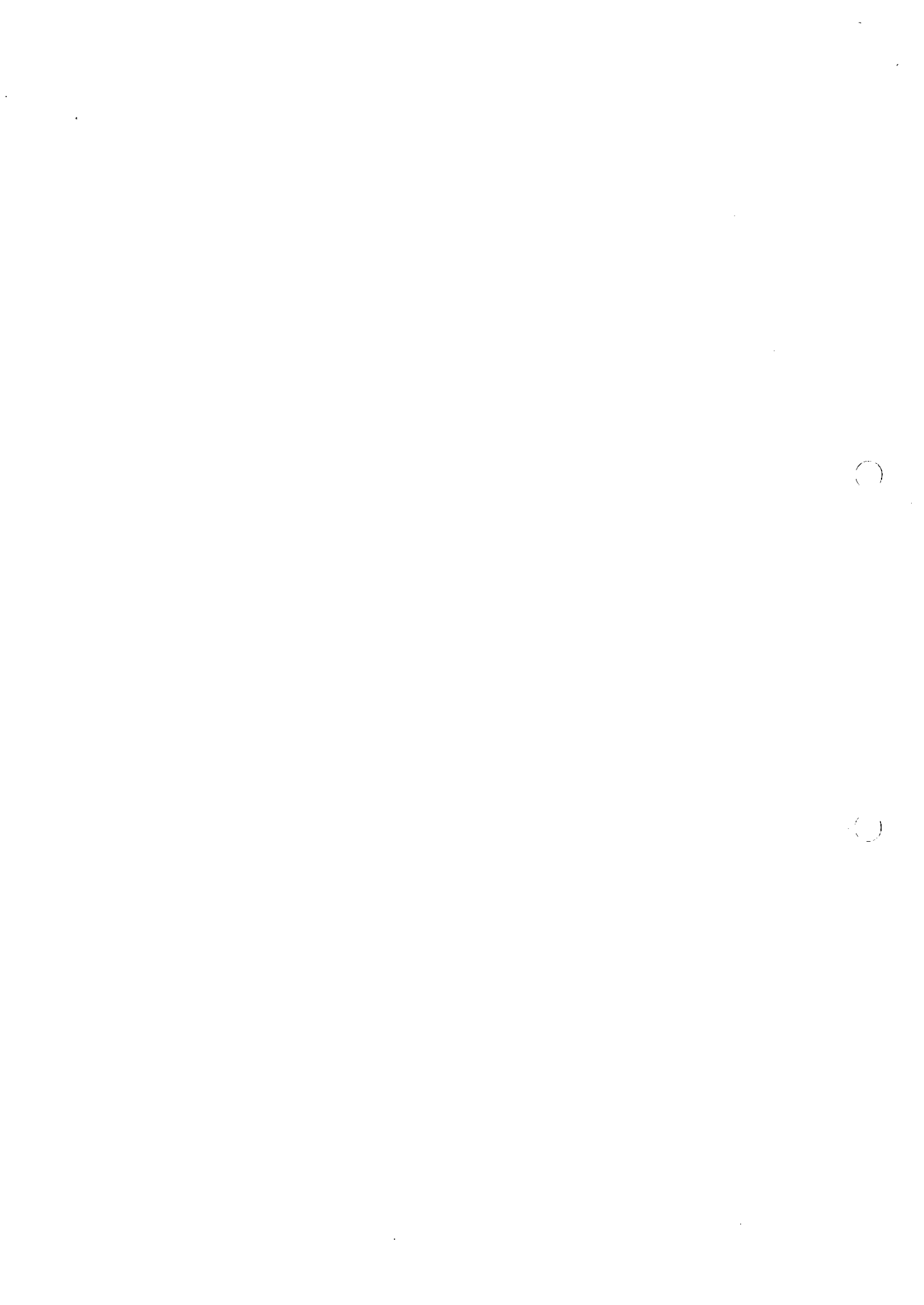
Reference: D19

Report Number: CT1809026

Capital Works Bridging Loan Scheme

CT1809026 – Appendix A

Project	Project Costs £	Bridging Loan £	Repaid £	Due to SCT £	Notes
Burravoe Pier	57,000	25,650	25,650		
Ollaberry Hall	272,878	110,000	110,000		
Bressay Sports Park	300,572	114,537	114,537		
Scalloway Museum	814,460	345,000	345,000		
Fair Isle Hall	137,806	62,000	62,000		
Sandsayre Pier	790,000	170,000	170,000		
Sandness Hall	168,160	100,000	100,000		
Northmavine Club	77,175	26,640	26,640		
Hillswick Hall	347,887	100,000	100,000		
Fetlar Electric Minibus	83,275	35,600	35,600		
Mareel	276,505	276,505	276,505		
Sumburgh Lighthouse	178,769	120,000	120,000		
Aith Public Hall	21,664	9,900	9,900		
Collafirth Marina	72,000	58,320	58,320		
South Nesting Public Hall	233,786	88,442	88,442		
Aithsvoe Marina	144,000	68,202	68,202		
Germatwatt Centre	24,730	10,000	10,000		
Shetland Skatepark Association	211,229	62,179	62,179		
Hoswick Visitor Centre	52,000	46,000	46,000		
Scalloway Boating Club	108,396	49,022	49,022		
Aithsvoe Marina-Loan 2	82,700	41,867	41,867		
Scalloway Museum-Loan 2	153,940	41,041	41,041		
Burravoe Public Hall	206,500	43,000	43,000		
Shetland Moving Image Archive (SMIA)	12,000	3,231	3,231		
Fetlar Developments Ltd - Loan 2	143,733	84,360	84,360		
Sumburgh Lighthouse – Loan 2	5,400,000	132,300	132,300		
Fetlar Developments Ltd – Loan 3	81,202	55,000	55,000		Repaid July 2018
Tresta Boating and Fishing Club	27,612	12,420	12,420		
Ringwall Public Hall	119,854	50,000		50,000	Loan issued October 2017 Repayment expected May 2019
Whalsay Model Yacht Club	54,000	24,300	24,300		
Fair Isle Electricity Company	3,524,820	500,000		500,000	Loan issued November 2017 (£200,000) and January 2018 (£300,000) Repayment expected in October and December 2018
GAETS	84,118	75,506	55,000	20,506	Part repayment received July 2018. Repayment expected August 2018.
Skeld Pier Trust	143,713	129,341		129,341	New loan issued May 2018. Repayment expected November 2018.
Sandwick Carnegie Hall	104,235	43,890		43,890	
TOTAL	14,510,719	3,114,253	2,370,516	743,737	



REPORT**To:** Shetland Charitable Trust**Date:** 11 September 2018**From:** Chief Executive**Report No:** CT1809027**Small Grant Schemes - Approvals****1. Background**

- 1.1 On 30 November 2017 Trustees approved its disbursements for 2018-19 (Minute Reference 34/17). A budget of £20,000 was approved for the Arts Grant Scheme and £15,000 for Senior Citizens Clubs.
- 1.2 It is a requirement that all approvals are reported to subsequent Trust Meetings.

2. Arts Grant Scheme - £2,069

- 2.1 The following Arts Grants were approved in the period 31 May 2018 – 23 August 2018

Name of Individual/Organisation	Grant Approved (£)
Lorraine Freshwater (obo Heather Freshwater)	519
Maddrim Media	685
Shirley McKay (obo Juliet Mulla)	865

3. Senior Citizen Club Grants - £3,324

- 3.1 The following grants to Senior Citizens Clubs were approved in the period 31 May 2018 – 23 August 2018

Name of Individual/Organisation	Grant Approved (£)
Whitiness and Weisdale Good Companions	400
Shetland Probus Club	1,176
Walls and Sandness Senior Citizens's Club	550
Yell Senior Leisure Club	1,208

4. Recommendation

4.1 Trustees are asked to note the approvals listed in paragraphs 2.1 and 3.1.

Ref: DA1

Report No: CT1809027