

Chief Executive: Dr Ann Black

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

Our Ref: TA48

Date: 7 September 2022

Dear Sir/Madam

You are invited to the following meeting:

Annual General Meeting of Shetland Charitable Trust
22-24 North Road, Lerwick, ZE1 0NQ (and remotely via Zoom)
Thursday 15 September 2022 at 11.45am

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

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

Yours faithfully

(signed) Dr Ann Black
Chief Executive

AGENDA

1. Welcome.
2. Apologies.
3. Confirm minutes of meeting held on 16 September 2021.
4. Trustees Report and Financial Statement to 31 March 2022.
5. AGM 2023: Date to be confirmed.



Shetland Charitable Trust

**Trustees' report and consolidated
financial statements**

Charity number SC027025

For the year ended 31 March 2022

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Chair's Introduction

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

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

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

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

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

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

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

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

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

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

A B Cooper
Chair

15 September 2022

Trustees' Report

Section 1: Reference and Administrative Details

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

Trustees

A B Cooper, Chair	R C Leask (Resigned 11 February 2022)
M I Roberts, Vice Chair (Vice Chair until 2 June 2022)	R C Leith
R M Leask, Vice Chair (Vice Chair from 2 June 2022)	A J Ockendon (Resigned 13 June 2022)
I R Napier	S M Gray (Appointed 14 June 2022)
J Garriock (Resigned 13 June 2022)	E J Adamson (Appointed 14 June 2022)
Y Hopkins	A P Ferguson (Appointed 14 June 2022)
E Miller	R J Stevenson (Appointed 14 June 2022)
K Harrison	

Chief Executive Dr Ann Black

Bankers Bank of Scotland
117 Commercial Street
Lerwick
ZE1 0DL

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

Solicitors -

Governance and Charity Law

Turcan Connell
Princes Exchange
1 Earl Grey Street
Edinburgh
EH3 9EE

Commercial Dentons
Quatermile One
15 Lauriston Place
Edinburgh
EH3 9EP

Investment Managers

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

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

Schroders Property Managers
1 London Wall Place
London
EC2Y 5AU

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

The Trust Deed and its schedules:

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

Charitable Status

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

Board of Trustees

The Trust has up to twelve appointed Trustees.

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

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

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

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

Trustees' Report *(continued)*

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

Audit and Governance Advisory Committee

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

General Purposes Advisory Committee

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

Investment Advisory Committee

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

Management and Administration

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

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

The Trust's procedures are governed by a set of Administrative Regulations. This public document has been updated to reflect the changes in administration and is available through the Trust's website, www.shetlandcharitabletrust.co.uk.

Minutes

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

Subsidiary Companies

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

**Shetland Heat Energy
and Power Limited
(SHEAP)
SC181964**

Wendy Grant – Chair
James Armitage (Resigned 27 August 2021)
Derek Leask
William Spence
Colin Clark
Neil Fraser

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

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

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

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

**SCT Renewables Limited
SC256581**

Ian Napier

Trustees' Report *(continued)*

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

Risk Management

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

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

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

Trustees approved the risk assessment for 2021/22 on 10 February 2022. The five strategic key risks are:

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

Disclosure of information to auditor

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

Section 3: Objectives and Activities

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

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

Ambition

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

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

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

Trustees' Report *(continued)*

Section 3: Objectives and Activities *(continued)*

Objectives

The strategic objectives of the Trust 2020-2025 are:

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

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

Operational Plans

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

Financial Objectives

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

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

For the Strategy period 2020-2025 a rate of return on the Trust investments above inflation of 3.5% per annum is assumed. A maximum budget of £18.8 million has been set for the year to 31 March 2023 in line with the Financial Plan.

Budgets and Disbursements

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

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

Section 4: Achievements and Performance

During the year to 31 March 2022, the Trust provided grant assistance to the following organisations towards the cost of providing a range of social, leisure, cultural, heritage and environmental activities:

- **Shetland Recreational Trust** - The grant assists with the cost of providing leisure and sports facilities at locations throughout Shetland.
- **Shetland Amenity Trust** - The grant provides core and project funding to support Shetland's Heritage and Culture.

Trustees' Report *(continued)*

Section 4: Achievements and Performance *(continued)*

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

Trustees' Report (continued)

Section 4: Achievements and Performance (continued)

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

The Trust allows organisations that it funds to hold up to 3 months grant, as reserves, for unforeseen items and to help with cash flow.

The Trust has worked with the organisations funded to develop a system of service performance reporting. Trustees considered a progress report on service performance in September 2021, which set out, in detail, how the Trust's money makes a difference to people and communities. Overall, Trustees were content that most organisations were performing satisfactorily against their stated targets.

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

Charitable Expenditure

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

Trustees' Report (continued)

Section 4: Achievements and Performance (continued)

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

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

Trustees' Report *(continued)*

Section 5: Financial Review

Financial Policies

The policy of the Board is to invest the reserves of the Trust to generate income to support charitable expenditure and to maintain the real value of the reserves in the long term. The current value (as at 31 March 2022) of the Trust's reserves that are invested to generate income (i.e. not the 'Donated Properties') is around £435 million *(2021 - £442 million)*.

The Trust relies chiefly on funds generated by investments on the world's markets. Overall, there was a zero return generated in 2021/22. This includes growth in value of the investments as well as dividend income received. In 2021/22, around £0.5 million income was derived from investments in Shetland.

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

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

Review of Spending

During 2021/22 the Trust spent £11.3 million *(2021 - £10.5 million)* on grant making, support costs and expenditure on raising funds, in line with the approved budget for the year. Grant making expenditure for the year was £8.9 million *(2021 - £8.3 million)*. The agreed budget to support grant applications for 2022/23 is £16.4 million.

Investment Review

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

Externally Managed Investments

The market value of the Trust's external investments is £435.2 million *(2021 – £441.8 million)*. Over the year, £25.9 million was disinvested by the Trust from Baillie Gifford with £15.7 million and £10.2 million invested with Insight and Schroders respectively. A breakdown of the Trust's external investments is detailed below:

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

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

Trustees' Report *(continued)*

Section 5: Financial Review *(continued)*

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

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

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

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

Annualised Performance over	Actual Return %	Benchmark Return %	Over/ (Under) Performance %
1 Year	0.0	11.0	(11.0)
3 Years	16.3	9.3	7.0
5 Years	14.2	7.8	6.4

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

Local Investments

Shetland Heat Energy and Power Limited (SHEAP) is a wholly owned subsidiary of the Trust, set up to operate the Lerwick District Heating Scheme. SHEAP has over 1200 customers receiving heat and the company generated income of around £3.0 million in 2021/22. SHEAP recorded a small profit in 2021/22, and a gift aid payment may be made to the Trust during 2022/23.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. Viking Energy Shetland LLP is a 90% owned subsidiary of SCT Renewables Limited and the Trust has invested £10.0 million as at 31 March 2022. It is a partner in the Viking Energy project which is investigating a wind farm project in central Shetland.

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

Decisions about Investments

When the Board make decisions about investing the Trust's capital, the law requires them to seek appropriate advice and act as reasonably prudently as commercial investors would. An investor is concerned with various criteria when investing money; these include rate of return (dividends / income / rent / interest earned), capital growth, and the level of risk. This applies whether the investments are on a Stock Exchange, or when they involve local assets. Investment, wherever it is made, involves using Trust funds wisely to produce income and to increase the value of those funds. To do this properly the Trust has to act commercially. It cannot "act charitably" towards its investments.

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

Trustees' Report *(continued)*

Section 6: Plans For The Future

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

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

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

A B Cooper
Chair

15 September 2022

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Shetland Charitable Trust (the 'charity') and its subsidiaries (the 'group') for the year ended 31 March 2022 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated Balance Sheet, the Trust Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charity's affairs as at 31 March 2022 and of the group's and the charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

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

In preparing the financial statements, the trustees are responsible for assessing the group's and charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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

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

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

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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

Use of our report

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

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

15 September 2022

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

Consolidated statement of financial activities

for the year ended 31 March 2022

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

Trust statement of financial activities

for the year ended 31 March 2022

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

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

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

Consolidated balance sheet

as at 31 March 2022

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

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

A B Cooper
Chair

R C Leith
Trustee

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

Trust balance sheet

as at 31 March 2022

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

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

A B Cooper
Chair

R C Leith
Trustee

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

Consolidated cash flow statement

for the year ended 31 March 2022

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

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

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

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

1.1 Basis of preparation

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

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

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

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

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

Judgements made by the trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 19. The charity's business activities, together with the factors likely to affect its future development, performance and position are set out in the Trustee's Report on pages 2 to 12. The financial position of the charity, its cash flows, liquidity position and borrowing facilities are described in the Trustee's Report on pages 17 to 21. In addition, pages 10 to 11 of the financial statements include the charity's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

1.2 Basis of consolidation

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

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

Notes (continued)

1 Accounting policies (continued)

1.2 Basis of consolidation (continued)

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

1.3 Fund accounting

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

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

1.4 Income and endowments from other trading activities and rental income

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

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

Investments

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

1.5 Expenditure

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

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

Cost of generating funds

The cost of generating funds represents fund managers' fees.

Governance costs

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

1.6 Basic financial instruments

Trade and other debtors/creditors

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

Notes (continued)

1 Accounting policies (continued)

1.6 Basic financial instruments (continued)

Investments in preference and ordinary shares

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

Cash and cash equivalents

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

1.7 Grants

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

1.8 Investments

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

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

1.9 Tangible fixed assets and depreciation

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

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

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

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

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

1.10 Investment properties

The Trust hold no investment properties.

Notes (continued)

1 Accounting policies (continued)

1.11 Taxation

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

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

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

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

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

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

1.12 Employee benefits

Defined benefit plans

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

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

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

Notes (continued)

1 Accounting policies (continued)

1.12 Employee benefits (continued)

Defined benefit plans

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

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

1.13 Stock

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

1.14 Cash and cash equivalents

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

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

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

Charitable activities

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

	2022 £000	2021 £000
General funds		
Payments to charitable organisations	8,920	8,333
Schemes	52	-
Charitable grants repaid	(99)	-
	<hr/>	<hr/>
Total charitable grants	8,873	8,333
Support costs, including governance costs (below)	476	485
Pension adjustments	121	66
	<hr/>	<hr/>
Total charitable expenditure – general funds	9,470	8,884
	<hr/>	<hr/>
Expendable endowment		
Depreciation	75	75
	<hr/>	<hr/>
Total resources expended on charitable activities	9,545	8,959
	<hr/> <hr/>	<hr/> <hr/>

Some payments from the Arts Grant Scheme are made to individuals. All other grants are payable to organisations. Further details of the group's charitable expenditure are included in Section 4 of the Trustees' Report.

Support costs

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

Notes (continued)

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

Governance costs

Governance costs totalling £63,000 (2021: £57,000) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £34,000 (2021: £33,000) representing an appropriate apportionment of salary costs based on the proportion of the Chief Executives time spent on governance, together with Trustees' expenses (note 3), and audit fees (note 2) of £19,476 (2021: £18,720).

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

3 Staff numbers and costs

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

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

Employee costs totalling nil (2021: £nil) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Ten employees worked wholly or mainly on Shetland Heat Energy and Powers Limited's activities during the year. One employee worked part-time on SCT Renewables Limited's activities during the year.

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

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

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

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

Notes (continued)

4 Tangible fixed assets

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

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

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

Notes (continued)

4 Tangible fixed assets (continued)

Charity

	Land and buildings £000	Donated Assets £000	Total £000
Cost			
At beginning and end of year	2,252	9,159	11,411
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	2,177	9,136	11,313
Charge for year	75	-	75
	<hr/>	<hr/>	<hr/>
At end of year	2,252	9,136	11,388
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2022	-	23	23
	<hr/>	<hr/>	<hr/>
At 31 March 2021	75	23	98
	<hr/>	<hr/>	<hr/>

5 Managed funds

Group and Charity	2022 Market Value £000	2022 Cost £000	2021 Market Value £000	2021 Cost £000
Equities	310,349	169,466	355,132	135,747
Diversified Investment Fund units	48,306	42,402	31,537	26,702
Property units	72,961	59,542	49,939	44,235
	<hr/>	<hr/>	<hr/>	<hr/>
	431,616	271,410	436,608	206,684
	<hr/>	<hr/>	<hr/>	<hr/>
Total investments	431,616	271,410	436,608	206,684
Cash on deposit and in hand	2,965	2,965	5,206	5,206
	<hr/>	<hr/>	<hr/>	<hr/>
	434,581	274,375	441,814	211,890
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

5 Managed funds (continued)

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

As at 31 March 2022, the Trust's funds other than programme-related investments are managed by Insight Investment Management, BlackRock Global Investors, Baillie Gifford & Co. and Schroders Property Managers. The split of the portfolio between the investment managers is as follows:

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

6 Programme-related investments

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

Notes (continued)

6 Programme-related investments (continued)

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

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

Notes (continued)

6 Programme-related investments (continued)

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

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

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

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:

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

The assets and liabilities of the subsidiaries before consolidation were:

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

Further details of the subsidiary companies and of their tax charge for the year are included in their financial statements, copies of which may be obtained from Companies House, 139 Fountainbridge, Edinburgh EH3 9FF.

7 Programme-related investments – Loans

Group and charity	2022 £000	2021 £000
Agricultural Ten Year Loan Scheme	-	7
	<u>-</u>	<u>7</u>

Notes (continued)

8 Debtors

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade debtors	605	623	-	-
Amounts owing from subsidiary undertakings	-	-	-	-
Prepayments and accrued income	261	222	251	161
Other debtor	25	144	-	-
Programme-related loans	1,005	577	1,005	577
	<u>1,896</u>	<u>1,566</u>	<u>1,256</u>	<u>738</u>

9 Cash and cash equivalents

Group	2022 £000	2021 £000
Cash at bank and in hand	<u>7,025</u>	<u>8,060</u>

10 Creditors: amounts falling due within one year

	Group		Charity	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade creditors	695	1,208	51	60
Other tax and social security	12	12	-	-
Other creditors and accruals	1,493	1,120	1,394	929
	<u>2,200</u>	<u>2,340</u>	<u>1,445</u>	<u>989</u>

11 Provisions for liabilities and charges

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

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

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

Notes (continued)

11 Provisions for liabilities and charges (continued)

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

12 Expendable endowment

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

13 Unrestricted income funds

Group	General funds £000	Trading funds £000	Pension reserve £000	Revaluation reserve £000	Total unrestricted income funds £000
At beginning of year	-	197	(2,500)	-	(2,303)
Net movement in funds	(5,771)	154	(121)	-	(5,738)
Transfers	5,771	-	-	-	5,771
Actuarial gains	-	-	726	-	726
At end of year	-	351	(1,895)	-	(1,544)

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

Notes (continued)

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

14 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

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

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

15 Commitments

Capital commitments

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

16 Subsequent Events

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

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

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

17 Pension scheme

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

The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2022 by a qualified independent actuary.

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

Notes *(continued)*

17 Pension scheme *(continued)*

Movements in present value of defined benefit obligation:

	2022	2021
	£000	£000
At 1 April	5,875	4,568
Current service cost	115	70
Interest cost	117	104
Actuarial losses/(gains)	(407)	1,274
Contributions by members	18	17
Benefits paid	(130)	(158)
	<hr/>	<hr/>
At 31 March	5,588	5,875
	<hr/> <hr/>	<hr/> <hr/>

Movements in fair value of plan assets:

	2022	2021
	£000	£000
At 1 April	3,375	2,920
Expected return on plan assets	67	66
Actuarial gains/(losses)	319	488
Contributions by employer	44	42
Contributions by members	18	17
Benefits paid	(130)	(158)
	<hr/>	<hr/>
At 31 March	3,693	3,375
	<hr/> <hr/>	<hr/> <hr/>

Expenditure recognised in the statement of financial activities:

	2022	2021
	£000	£000
Current service cost	(115)	(70)
Interest cost	(50)	(38)
	<hr/>	<hr/>
Total	(165)	(108)
	<hr/> <hr/>	<hr/> <hr/>

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

	2022	2021
	£000	£000
Charitable activities – support costs	(165)	(108)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

17 Pension scheme (continued)

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

	2022 £000	2021 £000
Actuarial gains/(losses)	407	(1,274)
Return on assets attributed to the Charity excluding interest income	319	488
	726	(786)
	726	(786)

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

	2022 Fair value £000	2021 Fair value £000
Equities	2,991	2,734
Bonds	259	270
Property	406	337
Cash	37	34
	3,693	3,375
	3,693	3,375
Actual return on plan assets	386	816

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

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

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

In valuing the liabilities of the pension fund at 31 March 2022, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 20.7 years (male), 22.9 years (female).

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

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

Notes (continued)

18 Related parties

In the year to 31 March 2022 the SCT Renewables Limited invested £Nil (2021: £Nil) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

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

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

19 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Critical accounting judgements in applying the Company's accounting policies

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

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. In valuing the liabilities of the pension fund and the Trust's share of the scheme assets at 31 March 2022, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2020 and was updated for FRS 102 purposes to 31 March 2022 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

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

