

Chief Executive: Dr Ann Black

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If calling please ask for  
**Edna Mainland**  
Direct Dial: 01595 744990

Our Ref: EMA/TA1/1

Date: 13 February 2013

Dear Sir/Madam

You are invited to the following:

**Shetland Charitable Trust**  
**Room 12, Islesburgh Community Centre, Lerwick**  
**Thursday 28 March 2013 at 10.00am**

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

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.
- (d) Confirm minutes of meeting held on 21 February 2013 (enclosed).

#### ***For Decision***

1. Adoption of New Administrative Regulations. Report enclosed

2. Risk Management - Annual Review. Report enclosed.
3. Recommended Disbursements: The Swan Trust – Retention of Surplus. Report enclosed.
4. General Administration – Establishment of Committees/Working Groups. Report enclosed.
5. Subsidiary Company Administration – Articles for Shetland Leasing and Property Developments Limited. Report enclosed.
6. Springfield Holiday Chalet – Future of Service. Report enclosed.

***For Information***

7. Management Accounts – Nine Months Ended 31 December 2012. Report enclosed.
8. Fund Manager Transactions. Report enclosed.
9. Recommended Disbursements – Social Care. Report enclosed.
10. Recommended Disbursements – Approvals. Report enclosed.
11. Capital Works Bridging Loan Scheme. Report enclosed.

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

***For Decision***

12. Shetland Youth Information Service – SCT Funding. Report enclosed.

***For Information***

13. Verbal Update – Shetland Arts.
14. Loans to Local Industry – Sums Due But Unpaid Over One Month Old as at 28 February 2013. Report enclosed.
15. Loans to Local Industry: Agricultural Loan Scheme – Changes Agreed Under Delegated Authority. Report enclosed.
16. Deeds Executed. Report enclosed.

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## REPORT

To: Shetland Charitable Trust

Date 28 March 2013

From: Chief Executive

Report: CT1303005

### Adoption of New Administrative Regulations

#### 1. Introduction

1.1 This report seeks the adoption of the Trust's Administrative Regulations, which have been re-drafted to reflect the new governance arrangements of the Trust.

#### 2. Background

2.1 Trustees agreed on 13 September 2012 to adopt the reorganisation scheme as submitted to OSCR and approved on 3 July 2012. A revised Trust Deed was registered in the Books of Council and Session on 27 September 2012.

#### 3. Present Position

3.1 The Trust's Administrative Regulations have been revised substantially to reflect the changes to the Trustee Body resultant from the reorganisation. The revised Administrative Regulations are attached as Appendix A.

#### 4. Financial Implications

4.1 There are no financial implications arising from this report, as there is no proposal to change the remuneration presently paid to Trustees.

#### 5. Recommendations

5.1 Trustees are asked to approve the Administrative Regulations attached as Appendix A.

Reference: EMA/TA1  
Date: 16 January 2013

Report Number CT1302005





**ADMINISTRATIVE REGULATIONS**

*SC027025*

**TURCAN CONNELL**

**SOLICITORS AND ASSET MANAGERS**

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**Shetland Charitable Trust**  
**ADMINISTRATIVE REGULATIONS**

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## **1. CONSTITUTION**

### **1.1 Terms of Reference**

- 1.1.1 The Shetland Charitable Trust (“the Trust”) is a charity registered in Scotland with charity number SC027025. It is governed by its Deed of Trust dated 13<sup>th</sup> and 14<sup>th</sup> September 2012 and registered in the Books of Council and Session on 27<sup>th</sup> September 2012 (“the Deed of Trust”).
- 1.1.2 These Administrative Regulations are granted in furtherance of Clause (FOURTH) of the Deed of Trust (“these Regulations”).

## **2. TRUSTEES OF THE TRUST**

### **2.1 Roles and Duties**

- 2.1.1 Trustees must set and thereafter implement the strategic aims, objectives and direction of the Trust. Trustees must exercise overall control over financial affairs and ensure the completion of the relevant statutory reports, returns and accounts.
- 2.1.2 Trustees must act in the interests of the Trust at all times. They must promote the success of the Trust in the way that they think, in good faith, would be most likely to help the Trust achieve its purposes.
- 2.1.3 Trustees must try, in good faith, to ensure that the Trust acts in a way which is consistent with its purposes as set out in the Deed of Trust.
- 2.1.4 Trustees must act with the care and diligence that it is reasonable to expect of a person who is managing the affairs of another person.
- 2.1.5 Trustees must manage conflicts of interest if they have (or can have) a direct or indirect interest which conflicts or might conflict with the interests of the Trust. They must put the interests of the Trust before those of anyone responsible for their appointment. They must also declare the nature and extent of any interest, direct or indirect, which they have in a proposed transaction or arrangement.
- 2.1.6 Trustees must ensure that the Trust complies with any direction, requirement, notice or duty imposed on it as a result of the Charities and Trustee Investment (Scotland) Act 2005 (“the Charities Act”).
- 2.1.7 Trustees must take any steps that are reasonably practicable to ensure that any breach of duty by a fellow Trustee is corrected and not repeated and also that any Trustee who seriously or persistently breaches his/her duties is removed as a Trustee.
- 2.1.8 Trustees must act within their powers and only exercise those powers for the purposes for which the powers were granted.
- 2.1.9 Trustees must exercise independent judgement. They must not accept benefits from third parties which might give rise to a conflict of interests and which are given because of the Trustee’s position or because of an action (s)he can take.
- 2.1.10 Trustees must attend meetings regularly and, unless a task is delegated, must act together to take decisions affecting the Trust. Trustees nonetheless also retain ultimate responsibility for even delegated decisions.
- 2.1.11 Trustees must act in accordance with not only charity law but the law in general.
- 2.1.12 Trustees must take professional advice where appropriate or necessary.

### **2.2 Code of Conduct**

- 2.2.1 All Trustees shall be required to accept and sign and return to the Trust the ‘Code of Conduct’ set out in Appendix A.
- 2.2.2 Trustees may be subject to another Code of Conduct, for example the Councillors Code of Conduct or a Code of Conduct which applies to him or her by virtue of a professional body of which he or she is a member. In the event that any such code or other duty to which a Trustee is subject to imposes a higher standard than imposed by these Regulations, then that Trustee must follow that higher standard



## **2.3 Appointment of Trustees**

2.3.1 All Trustees shall be appointed, and retire, in accordance with the Schedule of Governance Arrangements appended to the Deed of Trust an extract of which is reproduced as Appendix C.

## **2.4 Induction**

2.4.1 All new Trustees other than those selected or appointed for a second successive term shall receive an induction pack which will include the following:-

- the Trust's Deed of Trust
- the most recent audited accounts
- the Code of Conduct
- the Register of Interest Form
- guidance on duties as Trustees.

In addition, such induction pack may include information on the Trust's strategy and administration and copies of any policies and other guidance as is appropriate to include.

2.4.2 All new Trustees other than those appointed for a second successive term shall have a meeting with at least one of the Chair, the Vice Chair, and the Chief Executive and shall be required to undertake introductory Trustee training which will be provided.

## **2.5 Election of Chair**

2.5.1 The election of the Chair will be the first business transacted at the first Trustees' meeting following the retiral of the outgoing Chair. At that meeting, until the Chair is elected, the outgoing Chair, failing whom a Trustee selected by the meeting, shall preside. A person holding the office of Chair shall be eligible for re-election as Chair for one further term thereafter.

2.5.2 Prior to voting, nominations for the position of Chair shall be sought and nominees shall be permitted to address the meeting as to their candidature. No questions will be permitted in response, and no further nominations will be allowed after voting begins.

2.5.3 If there is only one candidate, (s)he shall be elected. If there is more than one candidate, voting shall be by secret ballot. Regardless of the number of candidates, each Trustee will vote for one candidate at each ballot. After the first ballot, the candidate who secures a clear majority of the total votes cast shall be elected. However, in the case of no clear majority, the lowest scoring candidate shall drop out and the second ballot will take place. This method shall continue until the appointment is made either by clear majority or a choice between two remaining candidates. In the case of an equality of votes, the Chair shall be elected by lot as between those who received equal votes, and proceed on the basis that the person to whom the lot falls upon had received the additional vote.

2.5.4 If a casual vacancy arises in the office of Chair, an election to fill the vacancy shall be held as soon as practicable. The Vice Chair of the Trust shall act as the Chair until such time as a new Chair is elected. The notice of the Trustees' meeting at which the election is to be held shall specify the filling of the vacancy as an item of business and election shall take place in the usual manner.

## **2.6 Duties and Responsibilities of Chair**

- 2.6.1 The duties of the Chair of the Trust are set out below.
- 2.6.2 The Chair's overall purpose is to provide leadership and direction to the Trustees, enabling them to fulfil their responsibilities for the overall governance and strategic direction of the Trust and also for developing the Trust's aims, objectives and goals in accordance with the governing document, legal and regulatory guidelines.
- 2.6.3 The Chair will work with the Chief Executive to ensure that Trustee decisions are acted upon and the Trust is managed in an effective manner.
- 2.6.4 The Chair's main responsibilities are:
- a. chairing Trust meetings;
  - b. leading the trustees and members of the staff to develop strategic plans for the Trust;
  - c. with the Chief Executive, ensuring that the Trust is run in accordance with the decisions of the trustees and the Trust's governing document;
  - d. liaising with the relevant staff to draft agendas for trustee meetings and ensure that the business is covered efficiently and effectively in those meetings.
- 2.6.5 Other duties of the Chair are:
- a. taking action on behalf of the Trust on matters which will not admit of delay;
  - b. speaking with the press or other media on behalf of the Trust;
  - c. acting as "spokesperson" for the Trust in other situations;
  - d. representing the Trust at functions;
  - e. representing the Trust on external bodies.

## **2.7 Vice Chair**

- 2.7.1 A Vice Chair will be elected in the same manner as the Chair. The Vice Chair shall substitute for the Chair as and when required and support the Chair in fulfilling the duties set out above. Anything authorised or required to be done by, to or before the Chair may, in the Chair's absence or where the Chair's authorisation has been granted, be done by, to or before the Vice Chair. The Vice Chair will be eligible for re-election for one further term thereafter.

## **2.8 Advisory Councils or Committees**

- 2.8.1 The Trustees have the power in terms of the Deed of Trust to create an Advisory Council or Councils or Committee or Committees (referred to in these Regulations as "committees") to act along with the Trustees and/or advise them on all or any of the objects of the Trust provided always that the creation, constitution, membership and continuance of any such committees shall be entirely at the discretion of the Trustees.

## **2.9 Conflicts of Interest**

- 2.9.1 Trustees have a duty to manage any conflicts of interest. Conflicts of interest may create problems, such as:
- (a) inhibit free discussion;
  - (b) result in decisions or actions that are not in the interests of the Trust; and
  - (c) risk giving the impression that the Trust has acted improperly.
- 2.9.2 In terms of Section 66 (c) of the Charities Act Trustees must:-
- “in circumstances capable of giving rise to a conflict of interest between the Trust and any person responsible for the appointment of the Trustees:-
- (i) put the interests of the Trust before those of the other person; or
  - (ii) where any other duty prevents the Trustee from doing so, disclose the conflicting interest to the Trust and refrain from participating in any deliberation or decision of the other Trustees with respect to the matter in question.”.
- 2.9.3 In terms of the general law, conflicts of interest also arise in circumstances where there is a conflict or the possibility of a conflict of interest between:-
- (a) the personal interests of a Trustee and those of the Trust; and
  - (b) the concerns of two different organisations to which a Trustee is affiliated.
- 2.9.4 Generally, in deciding whether a conflict, or a potential conflict, of interests exists, Trustees should consider whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it would be likely to prejudice a Trustee’s discussion or decision-making in his/her role as a Trustee.

### **Declarations of Interest**

- 2.9.5 Accordingly, Trustees are asked to declare their interests, as follows:-
- (a) current employment and any previous employment in which they continue to have a financial interest;
  - (b) appointments (voluntary or otherwise) eg trusteeships, directorships, local authority membership, tribunals, etc.;
  - (c) membership of any professional bodies, special interest groups or mutual support organisations;
  - (d) ownership or lease of land and property;
  - (e) ownership and interests in companies (with limits specified);
  - (f) any tenancy of premises owned by the Trust;
  - (g) gifts or hospitality offered by external bodies and whether this was declined or accepted in the last twelve months;
  - (h) any use, or care for a user of, the Trust’s services;
  - (i) any contractual relationship with the Trust or its subsidiary.

Interests will be recorded on the Trust’s Register of Interests, which will be maintained by the Chief Executive.

2.9.7 The information provided will be processed in accordance with data protection principles and data will be processed only to ensure that Trustees act in the best interests of the Trust. The information provided will not be used for any other reason.

#### **Management of Conflicts of Interest at Trustees' Meetings**

2.9.8 Trustees need to declare an interest, refrain from taking part in the deliberations and withdraw from the room in the following circumstances:

- (a) Trustees or a person with whom a Trustee is connected are about to enter into a transaction (for example a contract or a grant, etc) with the Trust.
- (b) the Trustee or a person with whom the Trustee is connected is a user of the Trust's Services.

2.9.9 Where the following persons are "connected" with the Trustee

- (a) Any person
  - (i) to whom the Trustee is married;
  - (ii) who is a civil partner of the Trustee; or
  - (iii) with whom the Trustee is living as husband and wife or, where the Trustee and the other person are of the same sex, in equivalent relationship.
- (b) Any child, parent, grandchild, grandparent, brother or sister of the Trustee (and any spouse of any such person)
- (c) Any institution which is controlled (whether directly or through one or more nominees) by
  - (i) the Trustee;
  - (ii) any person with whom the Trustee is connected by virtue of paragraph (a), (b), (d) or (e) or
  - (iii) two or more persons falling within sub-paragraph (i) or (ii), when taken together.
- (d) A body corporate in which
  - (i) the Trustee has a substantial interest;
  - (ii) any person with whom the Trustee is connected by virtue of paragraph (a), (b), (c) or (e) has a substantial interest or
  - (iii) two or more persons falling within sub-paragraph (i) or (ii) when taken together have a substantial interest.
- (e) A Scottish partnership in which one or more of the partners is
  - (i) the Trustee or
  - (ii) a person with whom the Trustee is virtue of paragraph (a) or (b) connected.

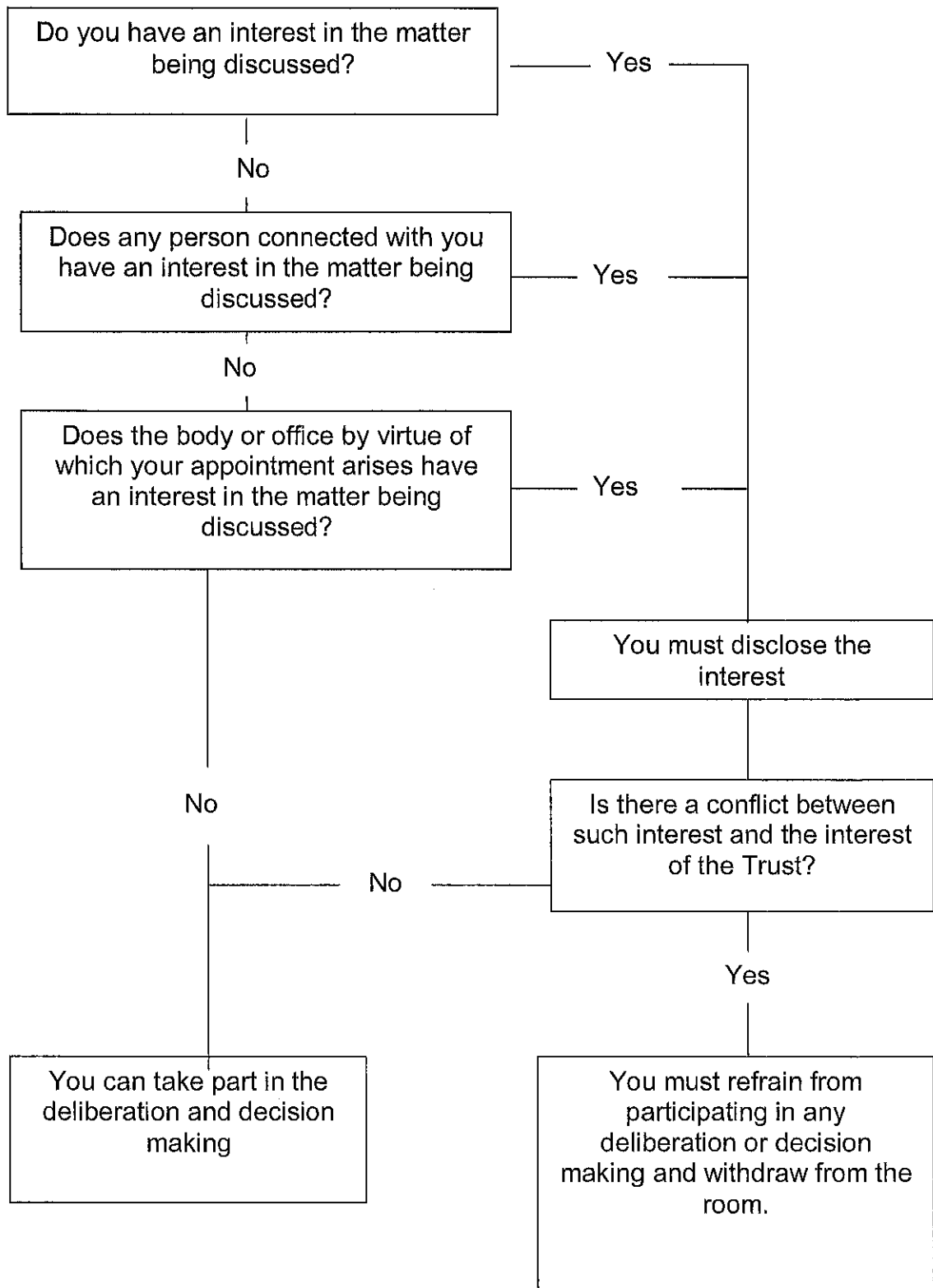
2.9.10 For the purposes of the foregoing a person who is

- (a) (i) another person's stepchild, or
  - (ii) brought up or treated by another person as if the person were a child of the other person,
- is to be treated as that person's child;

- (b) able to secure that the affairs of an institution are conducted in accordance with the person's wishes is to be treated as being in control of the institution; and
- (c)
  - (i) interested in shares comprised in the equity share capital of a body corporate of a nominal value of more than one-fifth of that share capital; or
  - (ii) entitled (whether directly or through one or more nominees) to exercise, or control the exercise of, more than one-fifth of the voting power at any general meeting of a body corporate, is to be treated as having substantial interests in the body corporate.

2.9.11 If a Trustee fails to declare an interest that is known to the Chair of the Trust, the Chair will declare that interest at the outset of the discussion.

2.9.12 The Office of the Scottish Charity Regulator ("OSCR"), established by the Charities Act, has published guidance for Trustees which deals with, amongst other things, the general duties of Trustees and conflicts of interest. It is worth noting that this is OSCR's interpretation of the duties in terms of the Charities Act and does not itself have any binding effect on Trustees. It is however published guidance circulated by OSCR and ought to at least be considered when a decision is being made with regard to whether or not a conflict of interest exists. A flow chart follows, summarising how a Trustee ought to manage Conflicts of Interest.



### **3. MANAGEMENT OF THE TRUST**

#### **3.1. Composition and Function of the Management**

- 3.1.1 Trustees shall ensure that the following services are always available to the Trust:
- Co-ordination and management;
  - Financial services
  - Investment services.
  - Trust and taxation legal services; and
  - Administrative and secretarial services
- 3.1.2 The Trustees shall appoint Senior Management and such professional advisers to carry out the functions of the Trust.
- 3.1.3 Employees and/or officials acting on behalf of the Trust and applicants for employment may not canvass Trustees.
- 3.1.4 No employee and/or official acting on behalf of the Trust may attend any unofficial meeting of a group of Trustees.

## **4. BUSINESS OF THE TRUST**

### **4.1 Trustee Meetings**

- 4.1.1. Dates of Trust meetings will be set and notified to the Trustees in November, for the following year.
- 4.1.2 A special meeting of the Trustees may be called at any time by:  
the Chair of the Trust; or  
on the request of 6 Trustees.
- 4.1.3 On receipt of a requisition under Regulation 4.1.2, the Chief Executive or such other person as is authorised by him/her shall call a special meeting, which shall be held within 14 days of the receipt of such requisition by the Chief Executive or such other person as is authorised by him/her.
- 4.1.4 Unless specified otherwise in these Regulations, no business shall be transacted at a meeting of the Trust unless a quorum is present being at least 6 Trustees present, of which 3 must be Appointed Trustees. In determining whether Trustees are present at a meeting of the Trust, it is irrelevant where any Trustee is or how they communicate with each other.
- 4.1.5 If the Chair finds that the quorum is wanting, the fact shall be announced and a period of 30 minutes shall elapse after which, if a quorum is then wanting, the meeting shall end, and the remaining business be carried forward.
- 4.1.6 No business shall be transacted at a meeting of the Trust other than that specified in the summons relating thereto.
- 4.1.7 Notwithstanding paragraph 4.1.6 hereof, at his or her discretion the Chair may bring forward at a meeting of the Trust any business.
- 4.1.8 Four clear days before a meeting the agenda paper for the meeting shall be sent to the Trustees of the Trust, and no other business, unless the Chair judges it urgent, shall be brought before the meeting.
- 4.1.9 At each Trustee Meeting there shall be a report (verbal or written) tendered by any committees and working groups of the Trust.
- 4.1.10 The minutes of any committee or working group meetings shall be circulated with the papers for Trustee Meetings.

### **4.2 Conduct of Meetings**

- 4.2.1 At a meeting of the Trust the Chair, if present, shall preside. If the Chair is absent, the Vice Chair of the Trust, if present shall preside. If the Chair and Vice Chair are both absent, another Trustee chosen by the Trustees present shall preside.
- 4.2.2 The ruling of the Chair (in which he shall have the benefit of the advice of the Chief Executive or such other person as is authorised by him) as to the construction or application of the Regulations shall not be challenged at any meeting of the Trust. The Chair may at any time, if he or she thinks it desirable in the interests of order, adjourn a meeting or suspend a sitting of the Trust for a time to be named by him or her.
- 4.2.3 Unless otherwise specified herein, all questions coming or arising before the Trust shall be decided by a majority of the Trustees present and voting thereon at a meeting of the Trust.



- 4.2.4 In the case of an equality of votes the person presiding at the meeting shall have a second or casting vote except where the matter which is the subject of the vote relates to the appointment to any particular office or committee or sub-group, in which case the decision shall be by lot.
- 4.2.5 If a Trustee disregards the chair, the Chair may order his/her removal from the room, or suspend the sitting for a specified time.
- 4.2.6 All meetings of the Trust shall be open to the public provided that the Trust may by resolution exclude the public from a meeting (whether during the whole or part of the proceedings) whenever, in the sole opinion of the Trustees, publicity would be prejudicial to the Trust by reason of the confidential nature of the business to be transacted or for other special reasons stated in the resolution and arising from the nature of that business or of the proceedings.
- 4.2.7 After warning, the Chair may order the removal from the room of any member of the public causing disturbance.

### **4.3 Minutes**

- 4.3.1 Minutes will be taken at all Trustees' meetings, all committee meetings, and the Annual General Meeting.
- 4.3.2 In the case of a Trustee or committee meeting, the minutes will be circulated to all Trustees, and submitted to and signed at the next Trustee or committee meeting as appropriate. In the case of the Annual General Meeting, the minutes will be signed by the Chair once approved and circulated to all Trustees with the notice of the following Annual General Meeting. Any minute purporting to be so signed shall be received in evidence without further proof.

### **4.4 Confidentiality**

- 4.4.1 Documents containing information which in the interests of the Trust ought not to be divulged will be marked as confidential.
- 4.4.2 The Chief Executive or such other person as is authorised by him/her shall classify all documents for presentation to the Trust and any committees or sub-groups of the Trust, and mark accordingly those classified as confidential, such classification being subject to the approval of the Trust and/or the relevant committee or sub-group as appropriate. He or she shall remove this marking when it is no longer, in his or her view, required, for a complete document or for part of it. Confidential documents or their contents shall not be referred to in public and their contents shall in no circumstances be quoted in public or divulged. The advice or opinions of employees and/or officials acting on behalf of the Trust, as opposed to factual information provided by them, contained in documents, whether classified or not, shall not be divulged at any time as being those of the employees and/or officials acting on behalf of the Trust.
- 4.4.3 The production in response to a request by a Trustee of a specified document or documents, whether circulated or not, which has not or have not been presented to the Trust or a committee shall be at the discretion of the Chair of the Trust.

## **4.5 Signing of Documents**

4.5.1 Any document to be executed for and on behalf of the Trust shall be signed by any 3 of the 15 Trustees, and these signatures shall be full and sufficient certificate that the document has been duly and validly executed for and on behalf of the Trust in compliance with all the regulations of the Trust.

## **4.6 Expenses**

4.6.1 Each Trustee shall be entitled to reimbursement of all expenses reasonably incurred by him or her in connection with the necessary performance of his or her duties as Trustee.

4.6.2 Any Trustee who wishes to submit an expenses claim for incidental expenses must do so in any format set down by the Chair. Receipts must be attached and where receipts are not available, an explanation must be given for the failure to produce a receipt.

4.6.3 The Chair shall be entitled to introduce a requirement for prior approval of expenses or a cap on the maximum level of permitted expenses in relation to expenses for all or some of the Trustees and in relation to some or all expenses. Where the procedure does not apply uniformly to all Trustees, there must be a reasonable justification for it being introduced in a targeted manner.

4.6.4 It shall be the duty of the Chief Executive's office to keep a record of all expense claims.

## **5. AMENDMENT**

### **5.1 Amendment of Administrative Regulations**

5.1.1 Amendments may be effected by submitting a written proposal to a trust meeting, notice of which has been circulated to all Trustees in advance of the meeting.

## **Appendix A**

### **CODE OF CONDUCT FOR TRUSTEES**

I will respect and uphold the objects of the Trust, as set out in the Deed of Trust.

I recognise that it is included in this ambition that:

#### **General Responsibilities of Trustees**

- I will act within the Deed of Trust and the law and will abide by the policies and procedures of the Trust. It is my responsibility to have a sound knowledge of the contents of the Deed of Trust, the Administrative Regulations, relevant policies, plans and procedures;
- I will support the objects of the Trust and will champion it using any skills or knowledge I have to further that mission, and I will seek expert advice where appropriate;
- I will help to set and maintain the Trust's values and standards;
- I will be an active Trustee, making my skills, experience and knowledge available to the Trust, and I will seek to do what additional work I can outside Trustee meetings, including sitting on sub-committees and sub-groups. I will make sure that I am able to commit sufficient time to ensure that I am an effective member of the Board of Trustees;
- I will respect organisational, board and individual confidentiality, while never using confidentiality as an excuse not to disclose matters that should be transparent and open;
- I will develop and maintain a sound and up-to-date knowledge of the Trust, its financial, risk and business planning and its environment. This will include having an understanding of how the Trust functions, the social, political and economic environment in which it operates, scrutinising its goals and objectives, monitoring the reporting of performance and progress and understanding the nature and extent of its work;
- I will use the Trust's resources responsibly and when claiming expenses will do so in line with the Trust's procedures;
- I will seek to be accountable for my actions as a Trustee of the Trust and will submit myself to whatever scrutiny is appropriate;
- I accept my responsibility to ensure that the Trust is well run and will raise issues and questions in an appropriate and sensitive way to ensure that this is the case.

#### **Managing Interests**

I will not gain, materially or financially, from my involvement with the Trust unless specifically authorised to do so by the board in accordance with the terms of the Charities and Trustee Investment (Scotland) Act 2005, nor will I gain benefits for family, friends or other organisations to which I belong.

I will act in the best interests of the Trust as a whole, and not as a representative of any group. I will consider what is best for the Trust and its present and future beneficiaries and stakeholders and will avoid bringing the Trust into disrepute.

Unless authorised, I will not put myself in a position where my personal interests conflict with my duty to act in the interests of the Trust. Where there is a conflict of interest I will ensure that this is managed effectively in line with the Trust's policy. I understand that a failure to declare a conflict of interest may be considered to be a breach of this code.

I will inform the Chief Executive of any changes to the list of organisations of which I have board level membership or where I have responsibilities which may be seen to conflict with my role as a Trustee of the Trust.

I will inform the Chief Executive if I accept appointments to other organisations.

## **Meetings**

I recognise that as a Trustee it is mandatory to attend all appropriate meetings and other appointments of the Trust or give apologies.

I will prepare fully for all meetings and work for the Trust. This will include reading papers, querying anything I do not understand, thinking through issues before meetings and completing any tasks assigned to me in the agreed time.

I will actively engage in discussion, debate and voting in meetings; contributing in a considered and constructive way, listening carefully, challenging sensitively and avoiding conflict.

I will participate in collective decision making, accept a majority decision of the Board of Trustees and will not act individually unless specifically authorised to do so.

Where I am a member of a committee or sub-group, I will take all reasonable steps to ensure that other Trustees are kept fully up-to-date with information upon which decisions may be taken.

I will take joint responsibility for decisions taken, including those determined by a nominated committee and sub-groups and recognise that I am accountable to stakeholders. I will submit to whatever scrutiny is appropriate.

## **Governance**

I will actively contribute towards improving the governance of the Board, participating in induction and training and sharing ideas for improvement with the Board of Trustees.

I will help to manage the Trust with care, diligence and skill, taking professional advice where appropriate. I understand that I am not expected

to possess expertise other than that which might reasonably be expected of me.

### **Relations with others**

I will endeavour to work considerately and respectfully with all those I come into contact with at the Trust. I will respect diversity, different roles and boundaries, and will avoid causing intentional offence.

I recognise that the roles of Trustees, volunteers and staff of the Trust are different, and I will seek to understand and respect the difference between these roles.

I will seek to support and encourage all those I come into contact with at the Trust who are acting in the Trust's interests. In particular I recognise my responsibility to support the Chair, the Chief Executive and the Senior Management Team.

I will not make public comments about the Trust unless authorised to do so by the Chair or the Chief Executive. Any public comments I make about the Trust will be considered and in line with organisational policy, whether I make them as an individual or as a Trustee.

### **Ceasing to be a Trustee**

I understand that substantial breach of any part of this code may result in procedures being put in motion that may result in my being asked to resign from the Board of Trustees. Should this happen I will be given the opportunity to be heard.

If I wish to resign as a Trustee at any time, I will inform the Chair in advance in writing, stating my reasons for leaving and will agree to participate in a recorded exit interview.

Signed \_\_\_\_\_

Name \_\_\_\_\_

Date \_\_\_\_\_

## NOTES

### For Trustees:

This Code has been written in accordance with the Office of the Scottish Charity Regulator's "Guidance for Trustees", the Scottish Arts' Council's handbook on "Care Diligence and Skill" and The Trustee Network's booklet "Codes of Conduct for Trustees".

The purpose of this Code of Conduct is to ensure consistent application of the values and ethos of the Trust and set out the relevant standards and commitments expected of all Trustees.

### For Prospective Trustees:

All new Trustees will be provided with information about what is expected of them in relation to time commitment, committee membership and involvement outside Trustees' meetings, together with copies of relevant policy documents. Opportunities will be provided to speak to an existing Trustee.

### For the Trust:

The Senior Management Team of the Trust will:

- provide the Board of Trustees with timely and relevant information in order to allow the Board to govern well;
- provide the Board with advice when necessary, ensuring that external professional advisors are available as and when needed;
- work in partnership with the Board to ensure that they fulfil all of their statutory and legal responsibilities;
- invest time, money and other resources in order to help support and further develop good governance;
- provide the Board with the necessary administrative and other support that it will need to govern well, including its development needs; and
- reimburse Trustees' out-of-pocket expenses incurred in the course of their duties as Trustees in accordance with the Trust's procedures. Trustees may waive all or part of these if they so choose. Such expenses will be in line with the Trust's policy. All expense claims to be in accordance with the standing order on expenses.

## Appendix B

### Register of Interest Form

Name: \_\_\_\_\_

As a Trustee of Shetland Charitable Trust, I have set out below my interests in accordance with the Trust's Code of Conduct.

<b>Current employment and any previous employment in which you continue to have a financial interest</b>	
<b>Appointments (voluntary or otherwise) e.g. trusteeships, local authority membership, tribunals etc.</b>	
<b>Membership of any professional bodies, special interest groups or mutual support organisations</b>	
<b>Ownership or lease of land and property</b>	
<b>Investments in unlisted companies, partnerships and other forms of business, major shareholdings</b>	
<b>Any tenancy of land owned by the Trust</b>	
<b>Any gifts of hospitality offered to you by external bodies and whether this was declined or accepted in the last twelve months</b>	
<b>Any contractual relationship with the Trust</b>	
<b>Any use, or care for a user of, the Trust's services</b>	
<b>Any other conflicts not covered by the above</b>	

To the best of my knowledge, the above information is complete and correct.

I undertake to update as necessary the information provided, and to review the accuracy of the information on an annual basis. I give my consent for it to be used for the purposes described in the Code of Conduct and for no other purpose.

Signed:

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Position with Trust:

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Date:

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**Note to Trustees completing the form**

Please give details of the interest and whether it applies to you or, where appropriate, a member of your immediate family or an individual or organisation with which you have a close personal connection.



## Appendix C

### SCHEDULE OF GOVERNANCE ARRANGEMENTS

#### 1 Definitions:-

In this Schedule of Governance Arrangements:-

“Appointed Trustee” means a trustee appointed or re-appointed by the Trustees under Paragraph 4 and shall include the First Appointed Trustees unless the context requires otherwise;

“Appropriate Officer” means the Chief Executive of Shetland Islands Council, or other officer designated by Shetland Islands Council for the purposes of this Schedule;

“Councillor” means an elected member of Shetland Islands Council;

“Councillor Trustee” means a Councillor appointed or re-appointed under Paragraph 5 and shall include the First Councillor Trustees unless the context requires otherwise;

“Existing Trustees” means the granters of the 2012 Deed of Trust and their successors;

“Effective Date” means such date as shall be determined by the Existing Trustees and shall be not later than 31st March 2013 and in the event of no determination by the Existing Trustees, 31st March 2013; per Trustee Meeting of 13<sup>th</sup> December 2012, the Effective Date was determined as 20<sup>th</sup> February 2013.

“First Appointed Trustee” and “First Councillor Trustee” means a trustee appointed as such under Paragraph 9;

“Local Government Election” means an ordinary election of councillors to Shetland Islands Council;

“Schedule” means this Schedule of Governance Arrangements;

“Selection Panel” means such persons appointed by the Trustees under Paragraph 7;

“Shetland Islands Council” means Shetland Islands Council constituted in terms of the Local Government etc (Scotland) Act 1994 and its statutory successors from time to time as such local or other governmental authority representative of the Shetland Islands or the inhabitants of the area;

“Term” means for Appointed Trustees the term of office from the date of appointment until retiral as specified in Paragraph 4(c) and for Councillor Trustees the term of office from the date of appointment until retiral as specified in Paragraph 5(b);

“Trustees” includes Appointed Trustees, First Appointed Trustees, Councillor Trustees and First Councillor Trustees and references to Trustees shall include the Existing Trustees and the Remaining *ex officio* Trustees as defined in sub-paragraph 9(c)(i) unless the context requires otherwise.

## **2 Trustees**

Trustees shall be principally resident in the Shetland Islands and in the event that any Trustee ceases to be so resident such Trustee shall be deemed to have demitted office as a Trustee on the date he ceases to be so resident.

## **3 Number and Body of Trustees**

Subject to the provisions of Paragraph 9 relating to the transition to the new governance arrangements:-

- (a) the Trustees shall normally be fifteen in number and any vacancy shall be promptly filled;
- (b) the body of Trustees shall be made up of seven Councillor Trustees and eight Appointed Trustees;
- (c) notwithstanding any vacancy in the number of Trustees at all times there shall be deemed to be a full complement of Trustees;
- (d) no Trustee may serve for more than two consecutive Terms and once a Trustee has demitted office there must then be a break of at least two years before any subsequent Term. Any Trustee re-appointed following a break of two years will be deemed not to have served any prior term for the purposes of this Schedule.

## **4 Appointed Trustees**

- (a) The Trustees shall, on the recommendation of the Selection Panel, appoint Appointed Trustees.
- (b) Subject to sub-paragraph (c) below, Appointed Trustees shall serve a Term and shall be eligible for re-appointment for one further Term thereafter.
- (c)
  - (i) One half of the First Appointed Trustees appointed under Paragraph 9(a)(i) shall retire on 30th November, 2014 and the remaining one half shall retire on 31st May 2019.
  - (ii) Appointed Trustees appointed on the retirement of the First Appointed Trustees due to retire on 30th November 2014 shall retire on 31st May 2019.
  - (iii) Appointed Trustees appointed as and from 31st May, 2019 shall retire on the 31st May occurring every fourth year after 31st May, 2019.
- (d) In the event (i) that all vacancies have not been filled, or (ii) of any vacancy occurring by the death, resignation or otherwise of any Appointed Trustee before the completion of his Term, on the recommendation of the Selection Panel, the Trustees may appoint any person to fill the vacancy and such Appointed Trustee shall retire when the Term of the vacancy being filled would in ordinary course have expired and shall be deemed to have served one Term on such retirement.

- (e) No Councillor may be an Appointed Trustee and in the event that any Appointed Trustee, during his Term is elected as a Councillor, he will demit office as an Appointed Trustee.

## **5 Councillor Trustees**

- (a) Shetland Islands Council may by notice in writing, signed on its behalf by an Appropriate Officer and given to the Trust appoint a Councillor Trustee or Councillor Trustees.
- (b) Councillor Trustees shall retire one calendar month after the date of the Local Government Election next following the date on which they took up office as a Councillor Trustee.
- (c) In the event that a Councillor Trustee, other than a Councillor Trustee retiring as a Councillor on the day on which the poll is held at the Local Government Election next following the day on which he was elected, ceases to be a Councillor whether by death, resignation as a Councillor or otherwise he shall be deemed to have demitted office as a Trustee on such date as he demits office as Councillor.
- (d) In the event (i) that all vacancies have not been filled following either the Effective Date or a Local Government Election, or (ii) of any vacancy occurring in the number of Councillor Trustees whether by death, resignation as a Trustee, demitting office in terms of sub-paragraph (c) above or otherwise of such Councillor Trustee before the completion of his Term, Shetland Islands Council may appoint a Councillor to fill such vacancy and such Councillor Trustee shall retire one calendar month after the date of the Local Government Election next following the date on which he took up office as a Councillor Trustee and shall be deemed to have served one Term on such retiral.

## **6 Quorum, Chair and Trustees' Meetings**

- (a) No business shall be transacted at a meeting of the Trustees unless a quorum is present and any and all such business shall be decided by a majority of the Trustees present and voting thereon. In the event of an equality of votes, the Chair of the Trust, or in his absence the Vice-Chair, or in the absence of both, the person presiding at the meeting shall have the second or casting vote.
- (b) The quorum for a meeting of the Trustees shall be six of whom at least three must be Appointed Trustees.
- (c) There shall be a Chair and Vice Chair of the Trust. The Chair and Vice Chair shall be elected by the Trustees for the remainder of their current Term and shall be eligible for re-election for a further Term thereafter.
- (d) Trustees shall be required to attend in person at least one-half of Trustee meetings in each financial year of the Trust and if they do not such failure to attend may be treated as grounds on which the remaining Trustees may remove such Trustee by a resolution passed by a 75% majority of those attending and voting thereon.

## **7 Selection Panel**

- (a) The Trustees shall establish a Selection Panel to guide the Trustees in relation to the selection of appropriate individuals for appointment as Appointed Trustees.
- (b)
  - (i) The Selection Panel established in relation to the selection of individuals for appointment as the First Appointed Trustees shall comprise an independent Chair appointed by the Trustees but who shall not be a Trustee of the Trust and two existing Trustees at least one of whom must not be a Councillor.
  - (ii) Thereafter, the Selection Panel so established shall comprise an independent Chair appointed by the Trustees but who shall not be a Trustee of the Trust and two Trustees at least one of whom must be an Appointed Trustee.

## **8 Annual General Meetings**

- (a) An Annual General Meeting shall be held in public once in every financial year at such time (within a period of not more than 15 months after the holding of the last Annual General Meeting) and place as may be determined by the Trustees.
- (b) The Chair, or in his absence for any reason the Vice-Chair, or in the absence of both for any reason a Trustee present and chosen by the other Trustees present shall preside as Chair of the Annual General Meeting.
- (c) At least 21 clear days' notice must be given of the Annual General Meeting, such notice being published on the Trust's website and in a local newspaper specifying the time and place of the meeting.
- (d) The purpose of the Annual General Meeting will be to present the Annual Report of the Trustees and such other business as the Trustees may decide.

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**REPORT****To:** Shetland Charitable Trust

28 March 2013

**From:** Chief Executive  
**Risk Management – Annual Review****Report:** CT1303006**1 Introduction and Key Decisions**

- 1.1 Trustees are asked to consider the Risk Management Assessment, and agree the potential risks which have been identified, the likelihood of them occurring, the severity of impact (should they occur) and the action list which identifies the steps which need to be taken to mitigate those risks.

**2 Background**

- 2.1 The most recent Statement of Recommended Practice (SORP) for the preparation of the Trust's Annual Report and Accounts requires the Trust to make a statement confirming that:

"...the major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to mitigate those risks."

- 2.2 Although many aspects of Risk Management are already imbedded in the management of the Trust's business, it is considered good practice to adopt a formal, systematic evaluation of risk on a regular basis.
- 2.3 The Trust's Risk Management Assessment is now reviewed quarterly by officers, and annually by a sub group of Trustees. The final draft Assessment is then presented to all Trustees for comment and subsequent approval.

**3 Risk Management Framework**

- 3.1 The Risk Management Assessment for the Trust is included at Appendix 1. The potential risks facing the Trust, are considered under the following headings:

- Governance and Management
- Compliance Risks (Laws and Regulation)
- Operational Risks
- Financial Risks
- Environmental / External Factors

3.2 Appendix 1 also explains the potential impact of each of the risks identified, should that event occur.

3.3 The next step is to consider the likelihood of that potential risk occurring. The definitions used are:

<b>Descriptor</b>	<b>Description</b>
Almost certain	I would not be at all surprised if this happened within the next few months
Likely	I think this could occur sometime in the coming year or so
Possible	I think this could maybe occur at some point, but not necessarily in the immediate future
Unlikely	I would be mildly surprised if this occurred, but cannot entirely rule out the possibility
Rare	I would be very surprised to see this happen, but cannot entirely rule out the possibility

3.4 It is also then necessary to think about how severe the impact will be on the business of the Trust, should the event occur. The severity of impact has been categorised from “insignificant” to “catastrophic” using the following classifications:

- Insignificant
- Minor
- Significant
- Major
- Catastrophic

for their potential impact on: personal safety; property loss or damage; failure to provide statutory service or breach of legal requirements; financial loss or increased cost of working; disruption in service; personal privacy infringement; environmental; community and embarrassment.

3.5 The Risks are then plotted on a Residual Risk Rating Matrix and, for simplicity, the matrix classifies risks as either red, amber or green. The degree of urgency and importance increases as you move along the matrix from a “rare and insignificant” risk to an “almost certain catastrophic” risk. This is the scoring system that was used.

### Residual Risk Rating Matrix: Framework

S E V E R E I T Y	F R E Q U E N C Y				
	Rare	Unlikely	Possible	Likely	Almost Certain
Insignificant				4	
Minor			6	8	
Significant		6	9		
Major	4	8			
Catastrophic					

3.6 The Trust's Risk Management Assessment is reviewed quarterly at officer level, and annually at Trustee level. The risks identified are categorised below.

### Residual Risk Rating Matrix: Shetland Charitable Trust

S E V E R E I T Y	F R E Q U E N C Y				
	Rare	Unlikely	Possible	Likely	Almost Certain
Insignificant				0	
Minor			0	0	
Significant		9	2		
Major	1	1			
Catastrophic					

3.7 The Trust has identified 33 potential risks, which may impact on the business of the Trust. In this review, 1 has been classified as Red, 12 as Amber and 19 as Green.

3.8 Priority will be given to tackling any issue which has a high likelihood of occurring and a significant impact on service delivery should it occur.

3.9 The one Red risk is to do with loss of charitable status. This is classified as "I would be very surprised to see this happen, but cannot entirely rule out the possibility". However the consequence for the Trust would be catastrophic, so it has been retained on the register.

## 4 Financial Implications

4.1 There are no financial implications associated with this report.

## 5 Recommendations

5.1 I recommend that Trustees

- (a) approve the Risk Management Assessment set out in Appendix 1;
- (b) note that progress on any actions will be reported to Trustees, from time to time;
- (c) agree that the major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks; and
- (d) note that Risk Management will be considered as part of the Trust's overall review of its administrative systems.

Shetland Charitable Trust  
EMA/TA20

Report No CT1303006-f



Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
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**Governance and Management**

Charitable Status removed [RED]	<ul style="list-style-type: none"> <li>Wind up SCT</li> </ul>	Rare	Catastrophic	<ul style="list-style-type: none"> <li>Continuing to seek legal advice as appropriate</li> <li>Reorganised Trustee body which complies with current legislation</li> </ul>
The charity lacks direction, strategy and forward planning [AMBER]	<ul style="list-style-type: none"> <li>The charity drifts with no clear objectives, priorities or plans.</li> <li>The relationship between what should be provided as core services and what the Trust should support as valued added services remains unclear.</li> <li>Issues are addressed piecemeal with no strategic reference.</li> <li>Needs of beneficiaries not fully addressed.</li> <li>Financial management difficulties.</li> <li>Loss of reputation</li> </ul>	Unlikely	significant	<ul style="list-style-type: none"> <li>The Trust has a long term approach to financial planning, which feeds a 3-Year Budget Strategy</li> <li>Regular Management Accounts and Investment Reports are presented to Trustees and discussed</li> <li>A system of service performance monitoring has been established the Annual Report</li> <li>Review strategic Plan</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
<p>Trustee body lacks relevant skills or commitment [AMBER]</p>	<ul style="list-style-type: none"> <li>Charity becomes moribund or fails to achieve its purpose</li> <li>Decisions are made by-passing the Board</li> <li>Resentment or apathy amongst staff</li> <li>Poor value for money on service delivery</li> </ul>	<p>Unlikely</p>	<p>Significant</p>	<ul style="list-style-type: none"> <li>Skills list for new trustees, to identify gaps and take remedial action – training or bought in expertise</li> <li>Competence Framework and Job Descriptions</li> <li>Trustee Training – induction and ongoing (personal development plans)</li> <li>Trustees to be encouraged to access national organisations/websites etc.</li> <li>Risk management framework reviewed quarterly by officers and annually by Trustees</li> </ul>
<p>Board of Trustees dominated by one or two individuals or by connected individuals [AMBER]</p>	<ul style="list-style-type: none"> <li>Decisions may be taken outside of Trustee body</li> <li>External political interference</li> <li>Trustees' external interests may give rise to conflicts of interest, or the perception of conflict</li> <li>Pursuit of personal agendas</li> <li>Culture of secrecy and deference</li> <li>Arbitrary over-riding of control mechanisms</li> </ul>	<p>Unlikely</p>	<p>Significant</p>	<ul style="list-style-type: none"> <li>Understanding of trust law.</li> <li>Protocol for disclosure of potential conflicts of interest in place.</li> <li>Procedures for not participating in certain decisions in place.</li> <li>Procedural framework for meetings and recording decisions</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Trustees are benefiting from charity (eg remuneration) <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Reputation, morale and ethos</li> <li>• Impact on overall control systems</li> <li>• Conflicts of interest</li> <li>• Regulatory action</li> </ul>	Rare	Minor	<ul style="list-style-type: none"> <li>• Ensure legal authority for payment or benefit</li> <li>• Ensure procedures for scrutiny and sign-off in place</li> </ul>
Conflicts of Interest <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>• Risks of conflicts of interest arising in a small community:-                             <ul style="list-style-type: none"> <li>○ from some SIC councillors being Trustees of the SCT.</li> <li>○ from Trustees of the SCT undertaking multiple roles in the small community</li> </ul> </li> <li>• Charity unable to pursue its own interests and agenda</li> <li>• Decisions may not be based on relevant considerations and may be challenged</li> <li>• Impact on reputation – reputational damage and financial loss</li> </ul>	Unlikely	Significant	<ul style="list-style-type: none"> <li>• Understanding of Trust Law</li> <li>• New governance arrangements in place</li> <li>• Protocol for disclosure of potential conflicts of interest</li> <li>• Procedures for standing down on certain decisions.</li> <li>• Institute of Directors' report on review of the governance of SCT subsidiary companies completed June 2012</li> <li>• Commissioned specialist advice on restructuring and appropriate deployment of SCT staff to avoid conflicts of interest</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
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**Compliance Risk (law and regulation)**

Compliance with legislation and regulations <ul style="list-style-type: none"> <li>Data Protection</li> <li>Employment Law</li> <li>Human Rights</li> <li>Equality</li> <li>Health and Safety</li> </ul> <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>Fines or penalties.</li> <li>Action for negligence.</li> <li>Reputational risks</li> </ul>	Rare	Significant	<ul style="list-style-type: none"> <li>Identify key legal and regulatory requirements.</li> <li>Allocate responsibility for key compliance procedures.</li> <li>Service Level Agreements in place</li> <li>Legal Advisers employed</li> </ul>
Compliance with Charity Law <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>Action for negligence.</li> <li>Reputational risks</li> </ul>	Possible	Significant	<ul style="list-style-type: none"> <li>Identify key legal and regulatory requirements</li> <li>New governance arrangements in place</li> </ul>
Regulatory reporting requirements <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>Regulatory action.</li> <li>Reputational risks.</li> </ul>	Rare	Minor	<ul style="list-style-type: none"> <li>Compliance procedures and allocation of staff responsibilities.</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Professional advice <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Errors or omissions</li> <li>• Failure to meet deadlines</li> <li>• Failure to address local service needs or compliance risks.</li> </ul>	Rare	Significant	<ul style="list-style-type: none"> <li>• Service Level Agreements in place and annually reviewed</li> <li>• Contracts regularly reviewed</li> <li>• Legal Adviser / External Audit arrangements. Regularly reviewed</li> <li>• Insurance provision regularly reviewed</li> </ul>
Organisational structure <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Lack of information flow and poor decision making</li> <li>• Remoteness from operational activities</li> <li>• Uncertainty as to roles and duties.</li> <li>• Decisions made at inappropriate level or excessive bureaucracy</li> </ul>	Rare	Insignificant	<ul style="list-style-type: none"> <li>• Organisational chart and clear understanding of roles and duties</li> <li>• Delegation and monitoring consistent with good practice and constitutional or legal requirements</li> <li>• Review of structure and constitutional change</li> </ul>
Activities potentially outside objects, powers or terms of gift (restricted funds) <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Loss of funds available for beneficiary class</li> <li>• Potential for breach of trust and regulatory action</li> <li>• Taxation implications (if non-</li> </ul>	Rare	Significant	<ul style="list-style-type: none"> <li>• Protocol for reviewing new projects to ensure consistency with objects, powers and Budget Strategy</li> <li>• Legal adviser</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Loss of key staff [AMBER]	<p>qualifying expenditure)</p> <ul style="list-style-type: none"> <li>• Experience or skills lost.</li> <li>• Operational impact on key projects and priorities.</li> <li>• Loss of contact base and corporate knowledge.</li> </ul>	Possible	Significant	<ul style="list-style-type: none"> <li>• Documentation of systems, plans and projects regularly reviewed.</li> <li>• Training programmes.</li> <li>• Notice periods and handovers.</li> <li>• Recruitment processes</li> </ul>
Reporting to trustees (accuracy, timeliness and relevance) [GREEN]	<ul style="list-style-type: none"> <li>• Inadequate information resulting in poor quality decision making.</li> <li>• Failure of Board to fulfil its control functions.</li> <li>• Board becomes remote and ill informed.</li> </ul>	Rate	Minor	<ul style="list-style-type: none"> <li>• Proper strategic planning, objective setting and budgeting processes.</li> <li>• Timely and accurate service performance reporting.</li> <li>• Timely and accurate financial reporting.</li> <li>• Proper project assessment and authorisation procedures.</li> <li>• Regular contact between trustees, the Chief Executive and the Chairman</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
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**Operational Risk**

Contract risk <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>Unclear contractual / partnership relationship with funded organisations</li> <li>Potential indirect subsidy of public provision.</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>Application Form / Service Level Agreement with funded organisations.</li> <li>Performance Monitoring arrangements documented and reviewed annually</li> <li>Regularly reviewed and updated</li> </ul>
Service provision – beneficiary satisfaction <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>Beneficiary complaints.</li> <li>Negligence claims.</li> <li>Reputational risks.</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>Service performance monitoring procedures.</li> <li>Complaints procedures.</li> </ul>
New project or service delivery and development <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>Compatibility with SCT objects, plans and priorities.</li> <li>Inadequate assessment of need</li> <li>Funding and financial viability and sustainability</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>Project Appraisal procedures</li> <li>Application Forms / Service Level Agreements</li> <li>Role of Service Co-ordinator as defined in the Trustee handbook</li> <li>Performance monitoring</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
				procedures.
Capacity and Use of Resources, including tangible fixed assets <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Under-utilised or lack of building / office space</li> <li>• Spare capacity not being utilised</li> <li>• Buildings not properly maintained</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>• Building and Plan Inspection Programme</li> <li>• Repairs and Maintenance Programme</li> </ul>
Security of assets <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Loss or damage.</li> <li>• Theft of assets.</li> <li>• Infringements of intellectual property rights.</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>• Review of security.</li> <li>• Asset Register</li> <li>• Facilities Management arrangements</li> <li>• Safe custody arrangements for title documents.</li> <li>• Insurance Reviews</li> </ul>



Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
<p>Employment issues [GREEN]</p>	<ul style="list-style-type: none"> <li>• Employment disputes</li> <li>• Health and Safety issues</li> <li>• Claims for injury, stress, harassment, unfair dismissal</li> <li>• Equal opportunities issues</li> <li>• Adequacy of staff training</li> <li>• Child protection issues</li> <li>• Low Morale</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>• Recruitment processes</li> <li>• Job training and development</li> <li>• Job descriptions / tasks</li> <li>• Reviews Health and safety training</li> </ul>
<p>Health, Safety and Environment [GREEN]</p>	<ul style="list-style-type: none"> <li>• Staff injury</li> <li>• Product or service liability</li> <li>• Ability to operate</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>• Compliance with law and regulation</li> <li>• Training</li> <li>• Risk Assessments and Reporting procedures</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Disaster recovery and planning – business continuity <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Computer system failures or loss of data.</li> <li>• Destruction of property, equipment, records through fire, flood or similar damage.</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>• IS recovery plan.</li> <li>• Data back up procedures and precautions.</li> <li>• Disaster recovery plan for alternative accommodation.</li> <li>• Insurance Cover</li> </ul>
Procedural and systems documentation <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Lack of awareness of procedures and policies.</li> <li>• Actions taken without proper authority.</li> </ul>	Rare	Significant	<ul style="list-style-type: none"> <li>• Proper documentation of policies and procedures.</li> <li>• Audit and review systems in place and regularly reviewed.</li> </ul>
Information Technology <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>• Systems fail to meet operational need.</li> <li>• Failure to innovate or update systems.</li> <li>• Loss/corruption of data</li> <li>• Lack of technical support.</li> </ul>	Rare	Insignificant	<ul style="list-style-type: none"> <li>• Use of service level agreements and support contracts.</li> <li>• Disaster recovery procedures.</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Insurance Cover Inadequate <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>Financial loss</li> </ul>	Rare	Insignificant	<ul style="list-style-type: none"> <li>Service Level Agreement (Insurance and Risk)</li> <li>Annual Insurance Review</li> </ul>

**Financial Risks**

Budgetary control and financial reporting <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>The spending programme could become unaffordable or unsustainable</li> <li>Budget does not match key objectives and priorities.</li> <li>Decisions made based on unreliable data.</li> </ul>	Unlikely	Significant	<ul style="list-style-type: none"> <li>Targets set out in 3 year Budget Strategy.</li> <li>Budgets linked to business planning and Trust objectives.</li> <li>Timely and accurate monitoring and reporting for all aspects of the Trust's business.</li> </ul>
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Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Protection of Reserves / Endowment and Dependency on income sources <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>The spending programme may not be affordable or sustainable</li> <li>Inability to meet commitments or planned objectives.</li> <li>Financial loss through inappropriate or speculative investments</li> <li>Financial loss through lack of investment advice or lack of diversity</li> <li>Inability to meet commitments or key objectives.</li> <li>Ability to function as going concern.</li> </ul>	Unlikely	Major	<ul style="list-style-type: none"> <li>Reserves / Investment Strategy</li> <li>Investment Adviser / Fund Management contracts</li> <li>3 Year Budget Strategy</li> <li>Regular Reporting of Investment Performance</li> <li>Performance review of beneficiaries</li> <li>5 year maintenance plan</li> <li>Selection and review of fund managers</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Inappropriate or loss-making non-charitable activities <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>Resources and energy diverted from core activities.</li> <li>Regulatory action, and accountability.</li> <li>Reputational risk if publicised.</li> </ul>	Unlikely	Significant	<ul style="list-style-type: none"> <li>Adequate authorisation procedures for any funding provided by charity (prudence, proper advice, investment criteria)</li> <li>Legal Adviser</li> </ul>
Fraud or error <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>Financial loss.</li> <li>Reputational risk.</li> <li>Regulatory action</li> </ul>	Rare	Major	<ul style="list-style-type: none"> <li>Financial control procedures.</li> <li>Segregation of duties.</li> <li>Authorisation limits.</li> <li>Security of Assets</li> <li>Insurable Risks</li> </ul>
<b>Environmental / External factors</b>				
Contaminated Land <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>Potential financial and other liabilities</li> </ul>	Unlikely	Significant	<ul style="list-style-type: none"> <li>Restoration clauses</li> </ul>

Potential risk	Potential impact	Likelihood of occurrence	Severity of Impact	Steps to mitigate risk
Failure to communicate <b>[GREEN]</b>	<ul style="list-style-type: none"> <li>Impact on beneficiaries</li> <li>Impact on morale of staff.</li> <li>Adverse publicity / Public Perception</li> </ul>	Unlikely	Minor	<ul style="list-style-type: none"> <li>Complaints Procedure</li> <li>Media Strategy and Support in place</li> <li>Website established and kept up to date</li> </ul>
Failure to plan for demographic changes <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>Impact of demographic distribution of beneficiaries.</li> <li>Increasing beneficiary class – older people and people in need</li> </ul>	Unlikely	Significant	<ul style="list-style-type: none"> <li>Profiling and understanding of beneficiary needs</li> <li>Use of actuarial analysis to establish future funding requirements</li> </ul>
Failure to secure value for money from current arrangements <b>[AMBER]</b>	<ul style="list-style-type: none"> <li>Inefficient use of funds</li> </ul>	Unlikely	Significant	<ul style="list-style-type: none"> <li>Application Forms</li> <li>Performance Monitoring</li> <li>Financial and Management Reports and Information</li> </ul>

## **REPORT**

**To:** Shetland Charitable Trust

Date 28 March 2013

**From:** Chief Executive

Report: CT1303007

### **Recommended Disbursements The Swan Trust – Retention of Surplus**

#### **1. Introduction**

- 1.1 This report concerns a request by the Swan Trust to retain a surplus grant balance from 2011/12 for a specific purpose.

#### **2. Background**

- 2.1 The Swan Trust (Registered Charity Number SC017598) was established in 1991 to acquire and restore the Shetland Fifie "Swan". The Swan is used to take parties of schoolchildren, young people and adults on trips for recreational and educational purposes.
- 2.2 Shetland Charitable Trust supports the Swan by assisting with its revenue funding, and by part funding its planned maintenance programme. A revenue grant of £44,650 was awarded in 2011/12.

#### **3. Present Position**

- 3.1 The Swan Trust's accounts indicated that they had an underspend for the year of some £21,245. This was due to two factors. Partly due to the fact that the Tall Ships race visited Lerwick in 2011, the Swan Trust's income from grants, charters and donations was some £15,000 higher than budgeted. Crew costs were also less than expected due to the fact that the part time paid staff were unavailable for some of the sailing season and volunteers were used to cover. (The Swan Trust has indicated that the level of volunteer use at that time was not sustainable in the long term.)
- 3.2 The surplus grant balance would normally be repayable to the Charitable Trust. However, the Swan Trust has asked to retain the balance for the purpose of carrying out improvements to the engine room.
- 3.3 The Swan Trust has supplied a detailed report on the history and current usage of the Swan together with details of the proposed work to the engine room. The report is attached as Appendix 1. They have indicated that in addition to replacing equipment whose age is causing concern, they will take the opportunity to improve the configuration of the engine room.

- 3.4 Costings indicate that the total cost is more than the sum requested, but the Swan Trust have indicated that the work can be completed in phases if necessary, with the first phase taking place over the 2013/14 winter.

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

- 4.1 There are no budget implications arising from this report, as the funds were part of the 2011/12 budget.

#### **5. Conclusion**

- 5.1 The Swan Trust has been successful in raising additional funds, and have spent less than expected. It is therefore recommended that they be allowed to retain the balance on this occasion, for a specific purpose, which will improve their operation.

#### **6. Recommendation**

- 6.1 Trustees are recommended to approve the retention of the surplus grant balance of £21,245 by the Swan Trust, for expenditure in the year to 31 March 2014 for the purpose outlined in paragraph 3.2 and detailed in Appendix 1.

Reference: EMA/DC10  
Date: 15 March 2013

Report Number CT1303007



## **PROPOSED REFURBISHMENT OF THE SWAN'S ENGINE ROOM 2014**

### **1. PREAMBLE**

In 1989 local business man Keith Parkes lifted the wreck of the Swan from the dock in Hartlepool Harbour and decided to refurbish the vessel. In March 1990 she was advertised for sale in the Shetland Times. The Swan was then purchased by the newly formed Swan Trust in the spring of 1991, a delivery crew was arranged and she arrived in Lerwick on Friday 13<sup>th</sup> April of the same year.

The Trust decided to refurbish the vessel to a standard so that she would qualify for a sailing certificate from the MCA which would mean that the objects and purposes of the Trust could be achieved – namely to encourage and facilitate interested parties, particularly young people, to sail on the Swan, thereby teaching and keeping alive the techniques of sailing and working a traditional Fifie such as the Swan.

### **2. ORIGINAL REFURBISHMENT**

During the vessel refurbishment the engine room was built to the required standard complete with steel watertight bulkheads. Everything that could be salvaged from the vessel was re-used in the conversion; thus the fuel tanks that were onboard were installed in a best fit way.

### **3. FUTURE NEEDS AND IMPROVEMENTS**

**3.1 Fuel Tanks** - The Trustees now feel that the old tanks need closer attention as there is some surface rust apparent. It is difficult to assess their condition especially between the boat's hull and the back walls of the tanks where inspection is difficult due to lack of access. Furthermore the tanks are now old. The exact date of manufacture is not known but it is known that they are at least 24 years old as they were second hand in 1989.

**3.2 Generator** – The other concern in the engine room is the present generator which is approximately 10 years old and last year was somewhat temperamental. It would stop for no apparent reason and has gradually become increasingly unreliable. There has been a significant amount of expenditure on inspections and repairs over the past two seasons.

The Swan now takes trainees to various Tall Ship and youth training events which include trips to the Norwegian Boat Festivals, Nordic sail and other Scandinavian boating events around the Baltic Sea. This involves travelling long distances often to European and Scandinavian countries where cost of stores and engineering maintenance support is very expensive. Therefore there is a high dependency on reliable fridges, freezers and cooking facilities to provide catering for 15 people

for periods of three to four weeks at a time. The boats batteries cannot support the demand for the necessary equipment and the availability of a reliable generator is essential for a safe and successful trip.

We are therefore arranging to install a new generator before the start of the 2013 season. The new generator has been purchased and paid from existing funds and are in the process of installing it at this time. The new generator can produce 9.5 kW which would be required at peak demand times.

It would be very useful to have a second generator available. This second generator would be smaller at around 6kW and would be used in period when the load demand was not so heavy eg in port or overnight periods. Having a second smaller generator would also mean that if the generator failed then the smaller set would be available to keep all the boats essential navigation equipment and stores operational until the next port is reached and repairs can be implemented.

#### **4. COSTS**

We have asked for quotes for the following items:

1. An additional 6kW generator
2. Replacement fuel tanks to be made from stainless steel with the same capacity as the existing tanks. Included in the fuel tank refurbishment would be features for additional storage space for oil, filters and other engine consumables. Also storage space for essential tools and maintenance equipment for which safe adequate storage up to the present time has been difficult especially during expected rough weather on the longer trips.

The Swan continues to be a success and the diary for 2013 is again looking like being very busy. The Swan Trustees feel that there is a need to continually upgrade the vessel and equipment so that the Swan can achieve aims and aspirations for the young people of Shetland and ensure the safety of the vessel and everyone onboard.

Allister Rendall

Chairman

## REPORT

To: Shetland Charitable Trust

Date 28 March 2013

From: Chief Executive

Report: CT1302008

### **General Administration Establishment of Committees/Working Groups**

#### **1. Introduction**

1.1 This report is presented to seek Trustees' approval to set up a working group to look at ways in which the Trust could function more efficiently and effectively. This could include investigating the possibility of setting up committees to deal with specific aspects of the Trust's business.

#### **2. Background**

2.1 Trustees agreed on 13 September 2012 to adopt the reorganisation scheme as submitted to OSCR and approved on 3 July 2012. A revised Trust Deed was registered in the Books of Council and Session on 27 September 2012. The new Trustee body consists of seven Trustees appointed by the Shetland Islands Council and eight independent Trustees selected by a Selection Panel.

#### **3. Present Position**

3.1 Clause 4 of the Schedule of Powers annexed to the Deed of Trust allows the Trust to create Advisory Councils or Committees if it so wishes. It is proposed to look at the possibility of creating a number of committees to examine and advise on key areas of the Trust business. These areas are:-

- investments
- disbursements
- administration

3.2 The working group would look at the business of the Trust, and if appropriate, develop the remit and appointment of any such committees, which would be brought to the Trust for approval.

3.3 If Trustees agree, nominations are sought for up to five Trustees to sit on this working group, with the Chair and Vice Chair, a maximum of seven.

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

- 4.1 Establishment of this working group and any subsequent committees may have the effect of increasing the number of meetings attended by Trustees, with a corresponding small increase in the amount of expenses paid out.

#### **5. Recommendations**

- 5.1 Trustees are asked to approve the creation of a working group referred to in paragraph 3.
- 5.2 Subject to 5.1 above, Trustees are asked to nominate up to five Trustees to serve on the working group, with the Chair and Vice Chair, the recommendations of which will be reported to Trustees for approval on 23 May 2013.

Reference: EMA/TA1  
Date: 17 January 2013

Report Number CT1302008

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## REPORT

To: Shetland Charitable Trust

28 March 2013

From: Financial Controller

Report: CT1303009

### **Subsidiary Company Administration Articles for Shetland Leasing and Property Developments Ltd**

#### **1. Introduction**

- 1.1 This report asks that the Trust, acting as sole shareholder of Shetland Leasing and Property Developments Limited, SLAP, approves new Articles of Association for the company.
- 1.2 The Articles control the internal workings of a limited company, such as SLAP.

#### **2. Background**

- 2.1 Trustees agreed to various changes designed to separate the activities of SLAP (an investment) from those of the Trust (the investor) at their meeting on 13 September 2012. The key change was the recruitment of a smaller, more commercially orientated Board.
- 2.2 Trustees agreed that, in line with recommendations from the Institute of Directors, the new SLAP Non-Executive Directors should be paid £150 per day. The existing Articles of SLAP would not permit this and it was agreed that they should be changed to allow the Non-Executive Directors to be paid.
- 2.3 It was also agreed in September 2012 that the Articles should be changed to reduce the quorum of SLAP from three (impractical with a Board of three) to a majority of the directors, so two for SLAP at present.

#### **3. Present Position**

- 3.1 It soon became clear that rather than amending the existing Articles (which date from the early 1980s), a new draft was needed. This

brings the company's Articles up to date with legislation and also introduces flexibility about how business is done, giving the Board the opportunity to benefit from modern communications.

- 3.2 The Institute of Directors had also recommended that the sole shareholder should have the explicit power to remove a Director and reserve the right to direct the company. These shareholder rights are already there through the Companies Act, but the opportunity has been taken to make them explicit through the draft Articles.
- 3.3 The draft Articles have been adopted by SLAP (i.e. the new Board) and SLAP recommends that the Trust, as sole shareholder approves them. Maclay, Murray & Spens commercial law solicitors have drafted the Articles.
- 3.4 Should Trustees agree that the Trust as sole shareholder should approve the new Articles for SLAP, this can be done by:
  - i) agreeing that the draft minute extract, Appendix A, be accepted and included in the minutes of this meeting;
  - ii) agreeing that the Written Resolution of Shetland Leasing and Property Developments Limited, Appendix B, be signed on behalf of the Trust.
- 3.5 The draft new Articles are included as Appendix C.

#### **4. Conclusion and Financial Implications**

- 4.1 Revised Articles are required by SLAP to put into effect decisions of Trustees and to modernise the operation of the company. The draft Articles, Appendix C, have been adopted by the company, and the SLAP Board recommends that Shetland Charitable Trust, as sole shareholder, approves them by Written Resolution.
- 4.2 There are no financial implications here for the Trust beyond a small amount of officer time.

#### **5. Recommendation**

- 5.1 I recommend that Trustees agree that Shetland Charitable Trust, as sole shareholder of SLAP, approves the new Articles for SLAP, Appendix C, by following the steps in 3.4 i) and ii) above.

**EXTRACT TEXT FOR INSERTION**  
**INTO THE MINUTES OF A MEETING OF**  
**SHETLAND CHARITABLE TRUST (THE “TRUST”)**  
**TO BE HELD ON 28 MARCH 2013**

**1. WRITTEN RESOLUTION OF SHETLAND LEASING AND PROPERTY DEVELOPMENTS LIMITED (THE “COMPANY”) TO ADOPT NEW ARTICLES OF ASSOCIATION OF THE COMPANY AND A STANDING ORDER IN RELATION TO THE APPOINTMENT OF ADDITIONAL DIRECTORS OF THE COMPANY**

1.1 The chairman explained that the board of directors of the Company had held a board meeting on [14 February] 2013 to consider the proposed adoption of: (i) new articles of association of the Company (the “**New Articles**”) to the exclusion of the Company's existing articles of association; and (ii) a standing order concerning the appointment of directors to the board of directors of the Company (the “**Standing Order**”). The board meeting had been held following discussions regarding the New Articles and the Standing Order among the directors, the company secretary and the Company’s solicitors, Maclay Murray & Spens LLP.

1.2 The chairman further explained that the directors of the Company had resolved at such meeting to circulate a written resolution (the “**Written Resolution**”) to the Trust, as sole shareholder of the Company, for its consideration.

1.3 The chairman tabled to the meeting the Written Resolution which was being proposed by the directors of the Company pursuant to Chapter 2 of Part 13 of the Companies Act 2006 and noted that the following resolutions were being proposed:

**Resolution 1 (Special)**

**“THAT the articles of association attached hereto and marked “A” for the purposes of identification be adopted as the new articles of association of the Company to the exclusion of the Company's existing articles of association.”**

**Resolution 2 (Ordinary)**

“THAT subject to the passing of resolution 1 (above), the following standing order be adopted pursuant to article 8.3 of the articles of association of the Company (being those articles of association adopted pursuant to resolution 1 (above)):

*Standing Order*

*1. The Company’s intention shall be to stagger the appointment of additional directors to the board of directors of the Company in order to ensure continuity between generations of directors and an orderly transition of experience and know-how from one generation of directors to the next.”*

- 1.4 The chairman tabled the New Articles and the Trustees considered in detail the terms of the New Articles.
- 1.5 Following due and careful consideration, IT WAS RESOLVED that the terms of the New Articles, the Standing Order and the Written Resolution are approved and that *[any three Trustees of the Trust be authorised to sign and date]* the Written Resolution for and on behalf of the Trust and to return it to the Company.



**PRIVATE COMPANY LIMITED BY SHARES**  
**WRITTEN RESOLUTION OF**  
**SHETLAND LEASING AND PROPERTY DEVELOPMENTS LIMITED**  
**(REGISTERED NO. SC071854)**

**CIRCULATION DATE: 28 March 2013**

Pursuant to Chapter 2 of Part 13 of the Companies Act 2006, the directors of Shetland Leasing and Developments Limited (the “**Company**”) propose the following resolutions, resolution 1 as a special resolution and resolution 2 as an ordinary resolution:

**Resolution 1**

“**THAT** the articles of association attached hereto and marked “Appendix C” for the purposes of identification be adopted as the new articles of association of the Company to the exclusion of the Company's existing articles of association.”

**Resolution 2**

“**THAT** subject to the passing of resolution 1 (above), the following standing order be adopted pursuant to article 8.3 of the articles of association of the Company (being those articles of association adopted pursuant to resolution 1 (above)):

**Standing Order**

*1. The Company's intention shall be to stagger the appointment of additional directors to the board of directors of the Company in order to ensure continuity between generations of directors and an orderly transition of experience and know-how from one generation of directors to the next.”*

Please read the notes at the end of this document before signifying your agreement to these resolutions.

The undersigned, persons entitled to vote on the above resolutions on the circulation date, hereby irrevocably agrees to these resolutions.

\_\_\_\_\_  
Trustee of Shetland Charitable Trust 2013

\_\_\_\_\_  
Trustee of Shetland Charitable Trust 2013

\_\_\_\_\_  
Trustee of Shetland Charitable Trust 2013

**NOTES**

1. If you agree to these resolutions, please indicate your agreement by signing and dating this document where indicated above and returning it to the Company.
2. Unless by the date falling 28 days after the circulation date sufficient agreement has been received for these resolutions to pass, they will lapse.

[MMS DRAFT: 07.02.2013]

**ARTICLES OF ASSOCIATION**  
**of**  
**SHETLAND LEASING AND PROPERTY DEVELOPMENTS**  
**LIMITED**

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**re: Adopted by special resolution passed on ● 2013**

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**THE COMPANIES ACT 2006**

**PRIVATE COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION**

of

**SHETLAND LEASING AND PROPERTY DEVELOPMENTS LIMITED**

**(Registered No: SC071854)**

(Adopted by Special Resolution passed on ● 2013)

**PART 1**

**INTERPRETATION AND LIMITATION OF LIABILITY**

**1. DEFINED TERMS**

1.1 In these articles, unless the context requires otherwise:

**“Act”** means the Companies Act 2006;

**“alternate” or “alternate director”** has the meaning given in article 23;

**“articles”** means these articles of association;

**“bankruptcy”** includes individual insolvency proceedings in a jurisdiction other than Scotland which have an effect similar to that of bankruptcy or sequestration;

**“Chairman”** has the meaning given in article 16;

**“chairman of the directors’ meeting”** has the meaning given in article 16;

**“chairman of the general meeting”** has the meaning given in article 47.3;

**“Companies Acts”** means the Companies Acts (as defined in section 2 of the Act ), in so far as they apply to the company;

<b>“company”</b>	means Shetland Leasing and Property Developments Limited (registered number SC071854);
<b>“company’s lien”</b>	has the meaning given in article 32;
<b>“director”</b>	means a director of the company, and includes any person occupying the position of director, by whatever name called;
<b>“distribution recipient”</b>	has the meaning given in article 39;
<b>“document”</b>	includes, unless otherwise specified, any document sent or supplied in electronic form;
<b>“electronic form”</b>	has the meaning given in section 1168 of the Act;
<b>“fully paid”</b>	in relation to a share, means that the nominal value and any premium to be paid to the company in respect of that share have been paid to the company;
<b>“hard copy form”</b>	has the meaning given in section 1168 of the Act;
<b>“holder”</b>	in relation to shares means the person whose name is entered in the register of members as the holder of the shares;
<b>“instrument”</b>	means a document in hard copy form;
<b>“lien enforcement notice”</b>	has the meaning given in article 33;
<b>“ordinary resolution”</b>	has the meaning given in section 282 of the Act;
<b>“paid”</b>	means paid or credited as paid;
<b>“parent”</b>	means any company or partnership or trust or body corporate of which the company is for the time being a wholly owned subsidiary or which is the registered holder of all the shares issued in the capital of the company from time to time;
<b>“participate”</b>	in relation to a directors’ meeting, has the meaning given in article 14;
<b>“proxy notice”</b>	has the meaning given in article 56;



<b>“shareholder”</b>	means a person who is the holder of a share;
<b>“shares”</b>	means shares in the company;
<b>“special resolution”</b>	has the meaning given in section 283 of the Act;
<b>“subscriber share”</b>	means a share taken on the formation of the company by a subscriber of the company’s memorandum;
<b>“subsidiary”</b>	has the meaning given in section 1159 of the Act;
<b>“transmittee”</b>	means a person entitled to a share by reason of the death or bankruptcy of a shareholder or otherwise by operation of law; and
<b>“writing”</b>	means the representation or reproduction of words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise.

- 1.2 Unless the context otherwise requires, other words or expressions contained in these articles bear the same meaning as in the Act as in force on the date when these articles become binding on the company.
- 1.3 Headings in these articles are used for convenience only and shall not affect the construction or interpretation of these articles.
- 1.4 A reference in these articles to an **“article”** is a reference to the relevant article of these articles unless expressly provided otherwise.
- 1.5 Unless expressly provided otherwise, a reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force from time to time, taking account of any subordinate legislation from time to time made under it and any amendment or re-enactment, and includes any statute, statutory provision or subordinate legislation which it amends or re-enacts.
- 1.6 Any phrase introduced by the terms **“including”**, **“include”**, **“in particular”** or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

## 2. **LIABILITY OF SHAREHOLDERS**

The liability of the shareholders is limited to the amount, if any, unpaid on the shares held by them.

3. **EXCLUSION OF PRESCRIBED ARTICLES**

No regulations or articles prescribed by regulations under any statute concerning companies shall form part of the articles of the company and all such regulations and articles are hereby excluded.

4. **NAME OF COMPANY**

For the purposes of section 77 of the Act, the directors may change the name of the company by a decision taken in accordance with article 11.

**PART 2**

**DIRECTORS**

**DIRECTORS' POWERS AND RESPONSIBILITIES**

5. **DIRECTORS' GENERAL AUTHORITY**

Subject to these articles, the directors are responsible for the management of the company's business, for which purpose they may exercise all the powers of the company. The specific powers referred to in articles 6 and 7 below are without prejudice to the generality of this article.

6. **BORROWING POWERS**

6.1 Subject to article 6.2, the directors may exercise all the powers of the company to:

6.1.1 borrow or raise money without limit as to amount and upon such terms and in such manner as they think fit;

6.1.2 mortgage or charge the whole or any part of the company's undertaking, property and uncalled capital; and

6.1.3 issue debentures, debenture stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

6.2 If the company has for the time being a parent:

6.2.1 the power to borrow money from the bankers of the company shall be exercisable by the directors only within such limits as shall from time to time be intimated in writing to the directors and to such bankers by such parent; and

6.2.2 the directors shall not without the prior consent in writing of the parent have power to exercise any of the other powers conferred by this article.

## 7. **EMPLOYEE BENEFITS**

- 7.1 If the company has for the time being a parent, the powers conferred by this article 7 shall be exercisable only with the prior consent in writing of the parent.
- 7.2 The directors may establish or concur or join with any relevant undertakings in establishing and making contributions out of the company's moneys to any relevant scheme.
- 7.3 The directors may pay, enter into agreements to pay or make grants (revocable or irrevocable and either subject or not subject to any terms and conditions) of pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any relevant scheme. Any such pension or benefit may, as the directors consider desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.
- 7.4 In this article:
- 7.4.1 “**employees**” includes any director who may hold or have held any executive office or other office or place of profit, or have been appointed to exercise special powers or authorities;
- 7.4.2 “**relevant scheme**” means any scheme or fund for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees and ex-employees of the company (and any other participating undertaking) and their dependents, or any class or classes of such persons; and
- 7.4.3 “**relevant undertaking**” means the parent undertaking of the company or subsidiary undertakings of such parent undertaking or undertakings with which the company is associated in business.

## 8. **PARENT'S RESERVE POWER**

- 8.1 The parent may, by special resolution, direct the directors to take, or refrain from taking, specified action.
- 8.2 No such special resolution invalidates anything which the directors have done before the passing of the resolution.
- 8.3 Without prejudice to the other provisions of this article 8, the parent may from time to time specify in writing standing orders or bye-laws regarding matters including the conduct of the

company's business and the appointment of directors, which in each case the company and the directors shall be required to adhere to following receipt.

8.4 If the company has for the time being a parent, then without prejudice to the other provisions of these articles the following provisions shall apply (and to the extent of any inconsistency shall have over-riding effect as against all other provisions of these articles, with the exception of article 8.2):

8.4.1 all or any of the powers of the directors shall be removed, restricted, varied, altered or otherwise regulated in such respects and to such extent as the parent may by notice to the company from time to time prescribe; and

8.4.2 any appointment, removal, consent or notice pursuant to the terms of these articles shall be in writing served on the company and signed by the parent or on its behalf by any person duly authorised for the purpose. No person dealing with the company shall be concerned to see or enquire as to whether the powers of the directors have been in any way restricted hereunder or as to whether any requisite consent of the parent has been obtained and no obligation incurred or security given or transaction effected by the company to or with any third party shall be invalid or ineffectual unless the third party had at the time express notice that the incurring of such obligations or the giving of such security or the effecting of such transaction was in excess of the powers of the directors.

## 9. **DIRECTORS MAY DELEGATE**

9.1 Subject to these articles, the directors may delegate any of the powers which are conferred on them under these articles:

9.1.1 to such person or committee;

9.1.2 by such means (including by power of attorney);

9.1.3 to such an extent;

9.1.4 in relation to such matters or territories; and

9.1.5 on such terms and conditions;

as they think fit.

9.2 If the directors so specify, any such delegation may authorise further delegation of the directors' powers by any person to whom they are delegated.

9.3 The directors may revoke any delegation in whole or part, or alter its terms and conditions.

## 10. **COMMITTEES**

10.1 Committees to which the directors delegate any of their powers must follow procedures which are based as far as they are applicable on those provisions of these articles which govern the taking of decisions by directors.

10.2 The directors may make rules of procedure for all or any committees, which prevail over rules derived from these articles if they are not consistent with them.

## **DECISION-MAKING BY DIRECTORS**

### 11. **DIRECTORS TO TAKE DECISIONS COLLECTIVELY**

The general rule about decision-making by directors is that any decision of the directors must be either a majority decision at a meeting or a written resolution in accordance with article 12.

### 12. **WRITTEN RESOLUTIONS BY DIRECTORS**

12.1 A decision of the directors may take the form of a resolution in writing, to which each eligible director has indicated agreement in writing, whether by signing a copy of the resolution or otherwise.

12.2 References in this article to eligible directors are to directors who would have been entitled to vote on the matter, and whose vote would be counted under these articles, had it been proposed as a resolution at a directors' meeting.

12.3 A decision may not be taken in accordance with this article if the eligible directors would not have formed a quorum at such a meeting.

### 13. **CALLING A DIRECTORS' MEETING**

13.1 Any director or the parent may call a directors' meeting by giving notice of the meeting to the directors or by authorising the company secretary (if any) to give such notice.

13.2 Notice of any directors' meeting must indicate:

13.2.1 its proposed date and time;

13.2.2 where it is to take place; and

- 13.2.3 if it is anticipated that directors participating in the meeting will not be in the same place, how it is proposed that they should communicate with each other during the meeting.
- 13.3 Notice of a directors' meeting must be given to each director, but need not be in writing.
- 13.4 Notice of a directors' meeting need not be given to directors who waive their entitlement to notice of that meeting, by giving notice to that effect to the company. Where such notice is given after the meeting has been held, that does not affect the validity of the meeting, or of any business conducted at it.
14. **PARTICIPATION IN DIRECTORS' MEETINGS**
- 14.1 Subject to these articles, directors "**participate**" in a directors' meeting, or part of a directors' meeting, when:
- 14.1.1 the meeting has been called and takes place in accordance with these articles; and
- 14.1.2 they can each communicate to the others any information or opinions they have on any particular item of the business of the meeting.
- 14.2 In determining whether directors are participating in a directors' meeting, it is irrelevant where any director is or how they communicate with each other.
- 14.3 If all the directors participating in a meeting are not in the same place, they may decide that the meeting is to be treated as taking place wherever any of them is.
15. **QUORUM FOR DIRECTORS' MEETINGS**
- 15.1 At a directors' meeting, unless a quorum is participating, no proposal is to be voted on, except a proposal to call another meeting.
- 15.2 Subject to article 15.3, the quorum for directors' meetings may be fixed from time to time by ordinary resolution of the shareholders, but otherwise the quorum shall be the greater of (a) two directors; and (b) one-half of the then-current number of serving directors (rounded up to the nearest whole number). As at the date on which these articles were adopted the quorum was two directors.
- 15.3 For the purposes of any meeting (or part of a meeting) held to consider or decide on any matter in which one or more directors have an interest, if there is only one director in office who would, if present, be counted in the quorum at that meeting (or part of a meeting), the quorum is one.

15.4 If the total number of directors for the time being in office is less than the quorum required, the directors must not take any decision other than a decision:

15.4.1 to appoint further directors, subject to the parent's written approval of such directors;  
or

15.4.2 to call a general meeting so as to enable the shareholders to appoint further directors.

## 16. CHAIRING OF DIRECTORS' MEETINGS

16.1 The Chairman shall chair meetings of the directors.

16.2 If there is no Chairman, or if the Chairman is not participating in a directors' meeting within ten minutes of the time at which it was to start, or is otherwise unwilling to chair the meeting, the participating directors must appoint one of themselves to chair it.

16.3 The person chairing a meeting in accordance with this article is referred to as the "**chairman of the directors' meeting**".

16.4 The Chairman shall be appointed and removed by the directors. The directors shall be permitted to determine the intended duration of the Chairman's term of office, which subject to the other provisions of this article 16.4 is expected to be no longer than two years.

## 17. CASTING VOTE

17.1 If the numbers of votes for and against a proposal are equal, the chairman of the directors' meeting has a casting vote.

17.2 But this does not apply if, in accordance with these articles, the chairman of the directors' meeting is not to be counted as participating in the decision-making process for quorum or voting purposes.

## 18. DIRECTORS' DUTIES

18.1 If the company has for the time being a parent, a director may act in accordance with any directions given by the parent and (without prejudice to his other duties) shall not be in breach of any duty to the company to exercise independent judgment by so doing.

18.2 A director may be a director or other officer of, or employed by, or otherwise interested in, any parent of the company or any subsidiary undertaking of such parent, provided that he has disclosed the matter to the other directors (to the extent that they are not already aware of the matter) and in such case:

- 18.2.1 he shall not be accountable to the company for any profit, remuneration or benefit realised by or accruing to him in consequence of any such office, employment or interest, and no transaction or arrangement shall be liable to be avoided, by reason of his office as a director of the company or of the fiduciary relationship thereby established; and
- 18.2.2 if he has obtained any information, otherwise than as a director of the company, in respect of which he owes a duty of confidentiality to the parent or subsidiary undertaking (as the case may be), the director is under no obligation to disclose such information to the company or to use or apply such information in performing his duties as a director of the company where to do so would be a breach of that duty of confidentiality.
- 18.3 Without prejudice to article 18.2, provided that the matter has been authorised by the directors in accordance with section 175 of the Act or by resolution of the shareholders, a director may be in any situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company and which he would otherwise be under a duty to avoid pursuant to section 175 of the Act (“**authorised conflict situation**”). For this purpose, a conflict of interest includes a conflict of interest and duty and a conflict of duties.
- 18.4 A director shall not be accountable to the company for any profit, remuneration or benefit realised by or accruing to him in consequence of any authorised conflict situation, and no transaction or arrangement shall be liable to be avoided, by reason of his office or of the fiduciary relationship thereby established.
- 18.5 Any authorisation pursuant to article 18.3 shall be for such duration and subject to such terms and conditions as the directors or shareholders (as the case may be) shall determine and may be varied or terminated at any time. In particular, but without limitation, any such authorisation may (but need not) provide that:
- 18.5.1 if the director has obtained any information in relation to the matter which has been authorised, otherwise than as a director of the company, in respect of which he owes a duty of confidentiality to another person, the director is under no obligation to disclose such information to the company or to use or apply such information in performing his duties as a director of the company where to do so would be a breach of that duty of confidentiality; and/or
- 18.5.2 the director shall not be given any information relating to the matter which has been authorised; and/or



- 18.5.3 if a proposed decision of the directors is concerned with the matter which has been authorised, the director is not to be counted as participating in the decision-making process for quorum or voting purposes.
- 18.6 A director is not to be counted as participating in the decision-making process for quorum or voting purposes:
- 18.6.1 in respect of any decision of the directors to authorise a matter in accordance with section 175 of the Act pursuant to article 18.3; or
- 18.6.2 in respect of any decision relating to an authorised conflict situation where the terms of the authorisation do not permit this; or
- 18.6.3 in respect of any decision, other than a decision of the directors to authorise a matter in accordance with section 175 of the Act or which relates to an authorised conflict situation, in which he has an interest unless:
- (a) his interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
  - (b) he has disclosed the nature and extent of his interest to the other directors (to the extent that they are not already aware of it).
- 18.7 For the purposes of this article, references to proposed decisions and decision-making processes include any directors' meeting or part of a directors' meeting.
- 18.8 Subject to article 18.9, if a question arises in relation to a proposed decision of the directors or of a committee of directors as to the right of a director to participate in the decision-making process for voting or quorum purposes, the question may be referred to the chairman of the directors' meeting whose ruling in relation to any director other than himself is to be final and conclusive.
- 18.9 If a question arises in relation to a proposed decision of the directors or of a committee of directors as to the right of the chairman of the directors' meeting to participate in the decision-making process for voting or quorum purposes, the question is to be decided by a decision of the directors excluding the chairman of the directors' meeting.

## 19. **RECORDS OF DECISIONS TO BE KEPT**

The directors must ensure that the company keeps a record, in accordance with section 1135 of the Act, for at least ten years from the date of the decision recorded, of every decision taken by the directors, whether at a meeting or otherwise.

## 20. DIRECTORS' DISCRETION TO MAKE FURTHER RULES

Subject to these articles, the directors may make any rule which they think fit about how they take decisions, and about how such rules are to be recorded or communicated to directors.

## APPOINTMENT OF DIRECTORS

### 21. METHODS OF APPOINTING DIRECTORS

21.1 Unless and until otherwise determined by ordinary resolution of the Company, the number of directors shall not be less than three and the maximum number of directors shall be seven.

21.2 Any person who is willing to act as a director, and is permitted by law to do so, may be appointed to be a director, subject to the prior written consent of the parent in accordance with article 21.3.

21.3 If the company has for the time being a parent, the power to appoint or remove directors resides exclusively in the parent. Any such appointment or removal shall be effected by notice in writing and shall be effective forthwith upon the receipt of such notice by the company.

21.4 If the company does not for the time being have a parent:

21.4.1 a director may be appointed by ordinary resolution, or by a decision of the directors;

21.4.2 in any case where the company has no directors, then any shareholder may call a general meeting (or instruct the company secretary, if any, to do so) for the purpose of appointing one or more directors; and

21.4.3 in any case where, as a result of death or bankruptcy, the company has no shareholders and no directors, the transmittee(s) of the last shareholder to have died or to have a bankruptcy order made against him (as the case may be) have the right, by notice in writing, to appoint a person who is willing to act and is permitted by law to do so to be a director.

### 22. TERMINATION OF DIRECTOR'S APPOINTMENT

A person ceases to be a director as soon as:

22.1 that person ceases to be a director by virtue of any provision of the Act or is prohibited from being a director by law;

22.2 that person retires in accordance with article 23 and is not re-appointed to office in accordance with article 23;

- 22.3 a bankruptcy order is made against that person;
- 22.4 a composition is made with that person's creditors generally in satisfaction of that person's debts;
- 22.5 a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- 22.6 by reason of that person's mental health, a court makes an order which wholly or partly prevents that person from personally exercising any powers or rights which that person would otherwise have;
- 22.7 if the company has for the time being a parent, notification is received by the company from the parent removing that person as a director; or
- 22.8 notification is received by the company from the director that the director is resigning from office, and such resignation has taken effect in accordance with its terms.

23. **RETIREMENT OF DIRECTORS**

- 23.1 Subject to the other provisions of these articles, each director shall serve a three year term of office beginning on their date of appointment and shall (subject to prior written agreement between the director and the company and the prior written approval of the parent) be eligible on the conclusion thereof to serve no more than one subsequent three year term of office whether consecutively or otherwise. Accordingly, no director shall serve in office for longer than six years whether consecutively or otherwise.
- 23.2 Subject to article 23.1, the retirement of a director shall take effect on the third anniversary of their date of appointment, although a retiring director who is re-appointed will continue in office without a break.

24. **DIRECTORS' REMUNERATION**

- 24.1 Directors may undertake any services for the company that the directors decide.
- 24.2 Directors are entitled to such remuneration as the directors determine:
- 24.2.1 for their services to the company as directors; and
- 24.2.2 for any other service which they undertake for the company,
- provided in each case that the parent has approved the same in writing.

24.3 Subject to these articles, a director's remuneration may:

24.3.1 take any form; and

24.3.2 include any arrangements in connection with the payment of a pension, allowance or gratuity, or any death, sickness or disability benefits, to or in respect of that director.

24.4 Unless the directors decide otherwise, directors' remuneration accrues from day to day.

**25. DIRECTORS' EXPENSES**

The company may pay any reasonable expenses which the directors, and the company secretary (if any), properly incur in connection with their attendance at:

25.1 meetings of directors or committees of directors;

25.2 general meetings; or

25.3 separate meetings of the holders of any class of shares or of debentures of the company;

or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the company.

**PART 3**

**SHARES AND DISTRIBUTIONS**

**SHARES**

**26. ALL SHARES TO BE FULLY PAID UP**

26.1 No share is to be issued for less than the aggregate of its nominal value and any premium to be paid to the company in consideration for its issue.

26.2 This does not apply to the subscriber shares.

**27. POWERS TO ISSUE DIFFERENT CLASSES OF SHARE**

27.1 Without prejudice to the rights attached to any existing share, the company may issue shares with such rights or restrictions as may be determined by the directors.

27.2 In particular, the company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the company or the holder, and the directors may determine the terms, conditions and manner of redemption of any such shares.

**28. ALLOTMENT OF SHARES**

- 28.1 Subject to the Companies Acts, and provided that if the company has for the time being a parent the prior consent in writing of the parent has been obtained, the directors may allot, grant options over or otherwise dispose of shares to such persons at such times and generally on such terms and conditions as they think fit.
- 28.2 Section 561 of the Act, or any statutory modification or re-enactment thereof for the time being in force, shall not apply to an allotment of any equity security by the company.

**29. TRUSTS MAY BE RECOGNISED**

- 29.1 The company shall be entitled to recognise in such manner and to such extent as it may think fit any trust in respect of any shares. However, the company shall not be bound to recognise any such trust, even if it has express notice of it, except as required by the Companies Acts.
- 29.2 Notwithstanding any such recognition, the company shall not be bound to see to the execution, administration or observance of any trust, whether expressed, implied or constructive, in respect of any shares, and shall be entitled to recognise and give effect to the acts and deeds of the holder of such shares as if they were the absolute owners thereof.
- 29.3 For the purposes of this article, “trust” includes any right or interest (whether equitable, contingent, future, partial or otherwise) in respect of any share, or any fractional part of a share, other than an absolute right of the holder to the entirety of the same.

**30. SHARE CERTIFICATES**

- 30.1 The company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds.
- 30.2 Every certificate must specify:
- 30.2.1 in respect of how many shares, of what class, it is issued;
  - 30.2.2 the nominal value of those shares;
  - 30.2.3 that the shares are fully paid (or, in the case of the subscriber shares, the amount paid up on them); and
  - 30.2.4 any distinguishing numbers assigned to them.
- 30.3 No certificate may be issued in respect of shares of more than one class.

- 30.4 If more than one person holds a share, only one certificate may be issued in respect of it.
- 30.5 Certificates must be executed in accordance with the Companies Acts.

31. **REPLACEMENT SHARE CERTIFICATES**

- 31.1 If a certificate issued in respect of a shareholder's shares is:

- 31.1.1 damaged or defaced; or
- 31.1.2 said to be lost, stolen or destroyed;

that shareholder is entitled to be issued with a replacement certificate in respect of the same shares.

- 31.2 A shareholder exercising the right to be issued with such a replacement certificate:

- 31.2.1 may at the same time exercise the right to be issued with a single certificate or separate certificates;
- 31.2.2 must return the certificate which is to be replaced to the company if it is damaged or defaced; and
- 31.2.3 must comply with such conditions as to evidence, indemnity and the payment of a reasonable fee as the directors decide.

32. **COMPANY'S LIEN OVER SHARES**

- 32.1 The company has a lien (the "**company's lien**") over every share, whether or not fully paid, which is registered in the name of any person indebted or under any liability to the company, whether he is the sole registered holder or one of several joint holders, for all monies payable by him (either alone or jointly with any other person) to the company, whether payable immediately or at some time in the future.

- 32.2 The company's lien over a share:

- 32.2.1 takes priority over any third party's interest in that share; and
- 32.2.2 extends to any dividend or other money payable by the company in respect of that share and (if the lien is enforced and the share is sold by the company) the proceeds of sale of that share.

- 32.3 The directors may at any time decide that a share which is or would otherwise be subject to the company's lien shall not be subject to it, either wholly or in part.

33. **ENFORCEMENT OF THE COMPANY'S LIEN**

33.1 Subject to the provisions of this article, if:

33.1.1 a lien enforcement notice has been given in respect of a share; and

33.1.2 the person to whom the notice was given has failed to comply with it;

the company may sell that share in such manner as the directors decide.

33.2 A "**lien enforcement notice**":

33.2.1 may only be given in respect of a share which is subject to the company's lien, in respect of which a sum is payable and the due date for payment of that sum has passed;

33.2.2 must specify the share concerned;

33.2.3 must require payment of the sum payable within 14 clear days of the notice (that is, excluding the date on which the notice is given and the date on which that 14 day period expires);

33.2.4 must be addressed either to the holder of the share or to a person entitled to it by reason of the holder's death, bankruptcy or otherwise; and

33.2.5 must state the company's intention to sell the share if the notice is not complied with.

33.3 Where shares are sold under this article:

33.3.1 the directors may authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser; and

33.3.2 the transferee is not bound to see to the application of the consideration, and the transferee's title is not affected by any irregularity in or invalidity of the process leading to the sale.

33.4 The net proceeds of any such sale (after payment of the costs of sale and any other costs of enforcing the lien) must be applied:

33.4.1 first, in payment of so much of the sum for which the lien exists as was payable at the date of the lien enforcement notice;

33.4.2 second, to the person entitled to the shares at the date of the sale, but only after the certificate for the shares sold has been surrendered to the company for cancellation or an indemnity in a form reasonably satisfactory to the directors has been given for any

lost certificates, and subject to a lien equivalent to the company's lien over the shares before the sale for any monies payable by him (either alone or jointly with any other person) to the company after the date of the lien enforcement notice.

33.5 A statutory declaration by a director or the company secretary that the declarant is a director or the company secretary and that a share has been sold to satisfy the company's lien on a specified date:

33.5.1 is conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share; and

33.5.2 subject to compliance with any other formalities of transfer required by these articles or by law, constitutes a good title to the share.

#### 34. **SHARE TRANSFERS**

34.1 Shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor.

34.2 No fee may be charged for registering any instrument of transfer or other document relating to or affecting the title to any share.

34.3 The company may retain any instrument of transfer which is registered.

34.4 The transferor remains the holder of a share until the transferee's name is entered in the register of members as holder of it.

34.5 The directors shall register any transfer of a share, which is presented for registration duly stamped.

#### 35. **TRANSMISSION OF SHARES**

35.1 If title to a share passes to a transferee, the company may only recognise the transferee as having any title to that share.

35.2 A transferee who produces such evidence of entitlement to shares as the directors may properly require:

35.2.1 may, subject to these articles, choose either to become the holder of those shares or to have them transferred to another person; and

35.2.2 subject to these articles, and pending any transfer of the shares to another person, has the same rights as the holder had.



35.3 But transmittees do not have the right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which they are entitled, by reason of the holder's death or bankruptcy or otherwise, unless they become the holders of those shares.

**36. EXERCISE OF TRANSMITTEES' RIGHTS**

36.1 Transmittees who wish to become the holders of shares to which they have become entitled must notify the company in writing of that wish.

36.2 If the transmitttee wishes to have a share transferred to another person, the transmitttee must execute an instrument of transfer in respect of it.

36.3 Any transfer made or executed under this article is to be treated as if it were made or executed by the person from whom the transmitttee has derived rights in respect of the share, and as if the event which gave rise to the transmission had not occurred.

**37. TRANSMITTEES BOUND BY PRIOR NOTICES**

If a notice is given to a shareholder in respect of shares and a transmitttee is entitled to those shares, the transmitttee is bound by the notice if it was given to the shareholder before the transmitttee's name, or the name of any person to whom the transmitttee transfers those shares, has been entered in the register of members.

**DIVIDENDS AND OTHER DISTRIBUTIONS**

**38. PROCEDURE FOR DECLARING DIVIDENDS**

38.1 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends.

38.2 A dividend must not be declared unless the directors have made a recommendation as to its amount. Such a dividend must not exceed the amount recommended by the directors.

38.3 No dividend may be declared or paid unless it is in accordance with shareholders' respective rights.

38.4 Unless the shareholders' resolution to declare or directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each shareholder's holding of shares on the date of the resolution or decision to declare or pay it.

38.5 If the company's share capital is divided into different classes, no interim dividend may be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear.

38.6 The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment.

38.7 If the directors act in good faith, they do not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on shares with deferred or non-preferred rights.

### 39. **PAYMENT OF DIVIDENDS AND OTHER DISTRIBUTIONS**

39.1 Where a dividend or other sum which is a distribution is payable in respect of a share, it must be paid by one or more of the following means:

39.1.1 transfer to a bank or building society account specified by the distribution recipient in writing;

39.1.2 sending a cheque made payable to the distribution recipient by post to the distribution recipient at the distribution recipient's registered address (if the distribution recipient is a holder of the share), or (in any other case) to an address specified by the distribution recipient in writing;

39.1.3 sending a cheque made payable to such person by post to such person at such address as the distribution recipient has specified in writing; or

39.1.4 any other means of payment as the directors agree with the distribution recipient in writing.

39.2 In these articles, the “**distribution recipient**” means, in respect of a share in respect of which a dividend or other sum is payable:

39.2.1 the holder of the share; or

39.2.2 if the share has two or more joint holders, whichever of them is named first in the register of members; or

39.2.3 if the holder is no longer entitled to the share by reason of death or bankruptcy, or otherwise by operation of law, the transmittee.

### 40. **NO INTEREST ON DISTRIBUTIONS**

The company may not pay interest on any dividend or other sum payable in respect of a share unless otherwise provided by:

40.1 the terms on which the share was issued; or

40.2 the provisions of another agreement between the holder of that share and the company.

#### 41. **UNCLAIMED DISTRIBUTIONS**

41.1 All dividends or other sums which are:

41.1.1 payable in respect of shares; and

41.1.2 unclaimed after having been declared or become payable;

may be invested or otherwise made use of by the directors for the benefit of the company until claimed.

41.2 The payment of any such dividend or other sum into a separate account does not make the company a trustee in respect of it.

41.3 If:

41.3.1 twelve years have passed from the date on which a dividend or other sum became due for payment; and

41.3.2 the distribution recipient has not claimed it;

the distribution recipient is no longer entitled to that dividend or other sum and it ceases to remain owing by the company.

#### 42. **NON-CASH DISTRIBUTIONS**

42.1 Subject to the terms of issue of the share in question, the company may, by ordinary resolution on the recommendation of the directors, decide to pay all or part of a dividend or other distribution payable in respect of a share by transferring non-cash assets of equivalent value (including, without limitation, shares or other securities in any company).

42.2 For the purposes of paying a non-cash distribution, the directors may make whatever arrangements they think fit, including, where any difficulty arises regarding the distribution:

42.2.1 fixing the value of any assets;

42.2.2 paying cash to any distribution recipient on the basis of that value in order to adjust the rights of recipients; and

42.2.3 vesting any assets in trustees.

#### 43. WAIVER OF DISTRIBUTIONS

Distribution recipients may waive their entitlement to a dividend or other distribution payable in respect of a share by giving the company notice in writing to that effect, but if:

- 43.1 the share has more than one holder; or
  - 43.2 more than one person is entitled to the share, whether by reason of the death or bankruptcy of one or more joint holders, or otherwise,
- the notice is not effective unless it is expressed to be given, and signed, by all the holders or persons otherwise entitled to the share.

#### CAPITALISATION OF PROFITS

#### 44. AUTHORITY TO CAPITALISE AND APPROPRIATION OF CAPITALISED SUMS

- 44.1 Subject to these articles, the directors may, if they are so authorised by an ordinary resolution:
  - 44.1.1 decide to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying a preferential dividend, or any sum standing to the credit of the company's share premium account or capital redemption reserve; and
  - 44.1.2 appropriate any sum which they so decide to capitalise (a "**capitalised sum**") to the persons who would have been entitled to it if it were distributed by way of dividend (the "**persons entitled**") and in the same proportions.
- 44.2 Capitalised sums must be applied:
  - 44.2.1 on behalf of the persons entitled; and
  - 44.2.2 in the same proportions as a dividend would have been distributed to them.
- 44.3 Any capitalised sum may be applied in paying up new shares of a nominal amount equal to the capitalised sum which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 44.4 A capitalised sum which was appropriated from profits available for distribution may be applied in paying up new debentures of the company which are then allotted credited as fully paid to the persons entitled or as they may direct.
- 44.5 Subject to these articles the directors may:

- 44.5.1 apply capitalised sums in accordance with articles 44.3 and 44.4 partly in one way and partly in another;
- 44.5.2 make such arrangements as they think fit to deal with shares or debentures becoming distributable in fractions under this article (including the issuing of fractional certificates or the making of cash payments); and
- 44.5.3 authorise any person to enter into an agreement with the company on behalf of all the persons entitled which is binding on them in respect of the allotment of shares and debentures to them under this article.

## **PART 4**

### **DECISION-MAKING BY SHAREHOLDERS**

#### **ORGANISATION OF GENERAL MEETINGS**

##### **45. ATTENDANCE AND SPEAKING AT GENERAL MEETINGS**

- 45.1 A person is able to exercise the right to speak at a general meeting when that person is in a position to communicate to all those attending the meeting, during the meeting, any information or opinions which that person has on the business of the meeting.
- 45.2 A person is able to exercise the right to vote at a general meeting when:
  - 45.2.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and
  - 45.2.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.
- 45.3 The directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at it.
- 45.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending it are in the same place as each other.
- 45.5 Two or more persons who are not in the same place as each other attend a general meeting if their circumstances are such that if they have (or were to have) rights to speak and vote at that meeting, they are (or would be) able to exercise them.

**46. QUORUM FOR GENERAL MEETINGS**

- 46.1 The quorum for general meetings is one shareholder present in person or by proxy or by corporate representative (as is the case).
- 46.2 No business other than the appointment of the chairman of the general meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum.

**47. CHAIRING GENERAL MEETINGS**

- 47.1 The Chairman shall chair general meetings.
- 47.2 If there is no Chairman, or if the Chairman is unwilling to chair the meeting or is not present within ten minutes of the time at which a meeting was due to start:
- 47.2.1 the directors present; or
- 47.2.2 (if no directors are present), the meeting;
- must appoint a director or shareholder to chair the meeting, and the appointment of the chairman of the general meeting must be the first business of the meeting.
- 47.3 The person chairing a meeting in accordance with this article is referred to as the “**chairman of the general meeting**”.

**48. ATTENDANCE AND SPEAKING BY DIRECTORS AND NON-SHAREHOLDERS**

- 48.1 Directors may attend and speak at general meetings, whether or not they are shareholders.
- 48.2 The chairman of the general meeting may permit other persons who are not:
- 48.2.1 shareholders of the company; or
- 48.2.2 otherwise entitled to exercise the rights of shareholders in relation to general meetings, to attend and speak at a general meeting.

**49. NOTICE PERIOD FOR GENERAL MEETINGS**

In accordance with the Act, not less than fourteen clear days’ notice (that is, excluding the day of the meeting and the day on which the notice is given) must be given of a general meeting.

## 50. **ADJOURNMENT**

50.1 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the chairman of the general meeting must adjourn it.

50.2 The chairman of the general meeting may adjourn a general meeting at which a quorum is present if:

50.2.1 the meeting consents to an adjournment; or

50.2.2 it appears to the chairman of the general meeting that an adjournment is necessary to protect the safety of any person attending the meeting or ensure that the business of the meeting is conducted in an orderly manner.

50.3 The chairman of the general meeting must adjourn a general meeting if directed to do so by the meeting.

50.4 When adjourning a general meeting, the chairman of the general meeting must:

50.4.1 either specify the time and place to which it is adjourned or state that it is to continue at a time and place to be fixed by the directors; and

50.4.2 have regard to any directions as to the time and place of any adjournment which have been given by the meeting.

50.5 If the continuation of an adjourned meeting is to take place more than 14 days after it was adjourned, the company must give at least 7 clear days' notice of it (that is, excluding the day of the adjourned meeting and the day on which the notice is given):

50.5.1 to the same persons to whom notice of the company's general meetings is required to be given; and

50.5.2 containing the same information which such notice is required to contain.

50.6 No business may be transacted at an adjourned general meeting which could not properly have been transacted at the meeting if the adjournment had not taken place.

## 51. **ANNUAL GENERAL MEETINGS**

The company shall not be required to hold an annual general meeting in any year unless the parent specifies otherwise in writing.

## 52. **WRITTEN RESOLUTIONS BY SHAREHOLDERS**

Subject to the provisions of the Act, a resolution in writing signed by all the members of the company for the time being entitled to receive notice of and to attend and vote at a general meeting at which such resolution was to be proposed, or by their duly appointed attorneys or representatives shall be as valid and effectual as if it had been passed at a general meeting of the company duly convened and held. Any such resolution may consist of several documents in the title form each signed by one or more of the members or their duly appointed attorneys or representatives. The signature in the case of a corporate body which is a member shall be sufficient if made by a director or the secretary or a partner or trustee thereof or by its duly appointed attorneys or representatives.

## **VOTING AT GENERAL MEETINGS**

### 53. **VOTING: GENERAL**

A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with these articles.

### 54. **ERRORS AND DISPUTES**

54.1 No objection may be raised to the qualification of any person voting at a general meeting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting is valid.

54.2 Any such objection must be referred to the chairman of the general meeting, whose decision is final.

### 55. **POLL VOTES**

55.1 A poll on a resolution may be demanded:

55.1.1 in advance of the general meeting where it is to be put to the vote; or

55.1.2 at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.

55.2 A poll may be demanded by any person having the right to vote on the resolution.

55.3 A demand for a poll may be withdrawn if:

55.3.1 the poll has not yet been taken; and



55.3.2 the chairman of the general meeting consents to the withdrawal.

55.4 Polls must be taken immediately and in such manner as the chairman of the general meeting directs.

56. **CONTENT OF PROXY NOTICES**

56.1 Proxies may only validly be appointed by a notice in writing (a “**proxy notice**”) which:

56.1.1 states the name and address of the shareholder appointing the proxy;

56.1.2 identifies the person appointed to be that shareholder’s proxy and the general meeting in relation to which that person is appointed;

56.1.3 is signed by or on behalf of the shareholder appointing the proxy, or is authenticated in such manner as the directors may determine; and

56.1.4 is delivered to the company in accordance with these articles and any instructions contained in the notice of the general meeting to which they relate.

56.2 The company may require proxy notices to be delivered in a particular form, and may specify different forms for different purposes.

56.3 Proxy notices may specify how the proxy appointed under them is to vote (or that the proxy is to abstain from voting) on one or more resolutions.

56.4 Unless a proxy notice indicates otherwise, it must be treated as:

56.4.1 allowing the person appointed under it as a proxy discretion as to how to vote on any ancillary or procedural resolutions put to the meeting; and

56.4.2 appointing that person as a proxy in relation to any adjournment of the general meeting to which it relates as well as the meeting itself.

57. **DELIVERY OF PROXY NOTICES**

57.1 A person who is entitled to attend, speak or vote (either on a show of hands or on a poll) at a general meeting remains so entitled in respect of that meeting or any adjournment of it, even though a valid proxy notice has been delivered to the company by or on behalf of that person.

57.2 A proxy notice shall be invalid unless it is received (together with such evidence as the directors may require in relation to any authority under which it is executed) by the company before the

commencement of the meeting or adjourned meeting which the proxy is to attend or the time appointed for taking the poll at which the proxy is to vote.

- 57.3 An appointment under a proxy notice may be revoked by delivering to the company a notice in writing given by or on behalf of the person by whom or on whose behalf the proxy notice was given.
- 57.4 A notice revoking a proxy appointment or the appointment of a duly authorised representative of a corporation only takes effect if it is delivered before the start of the meeting or adjourned meeting to which it relates or, in the case of a poll, the time appointed for taking the poll.
- 57.5 If a proxy notice is not executed by the person appointing the proxy, it must be accompanied by written evidence of the authority of the person who executed it to execute it on the appointor's behalf.

## 58. **AMENDMENTS TO RESOLUTIONS**

- 58.1 An ordinary resolution to be proposed at a general meeting may be amended by ordinary resolution if:
- 58.1.1 notice of the proposed amendment is given to the company in writing by a person entitled to vote at the general meeting at which it is to be proposed not less than 48 hours before the meeting is to take place (or such later time as the chairman of the general meeting may determine); and
  - 58.1.2 the proposed amendment does not, in the reasonable opinion of the chairman of the general meeting, materially alter the scope of the resolution.
- 58.2 A special resolution to be proposed at a general meeting may be amended by ordinary resolution, if:
- 58.2.1 the chairman of the general meeting proposes the amendment at the general meeting at which the resolution is to be proposed; and
  - 58.2.2 the amendment does not go beyond what is necessary to correct a grammatical or other non-substantive error in the resolution.
- 58.3 If the chairman of the general meeting, acting in good faith, wrongly decides that an amendment to a resolution is out of order, the chairman's error does not invalidate the vote on that resolution.

**PART 5****ADMINISTRATIVE ARRANGEMENTS****59. COMPANY SECRETARY**

The directors shall be permitted to appoint one or more persons to the office of company secretary or joint company secretary (as is the case), but shall not be required to appoint a company secretary (joint or otherwise) unless the parent specifies otherwise in writing.

**60. MEANS OF COMMUNICATION TO BE USED**

60.1 Subject to these articles, anything sent or supplied by or to the company under these articles may be sent or supplied in any way in which the Act provides for documents or information which are authorised or required by any provision of that Act to be sent or supplied by or to the company.

60.2 This article 60.2 applies to anything sent or supplied by the company to any shareholder or by any shareholder to the company:

60.2.1 where it is sent by post (whether in hard copy or electronic form) and the sender or supplier is able to show that it was properly addressed, prepaid and posted, it is deemed to have been received by the proposed recipient 48 hours after it was posted to an address in the United Kingdom or 5 days after posting to an address outside the United Kingdom;

60.2.2 where it is sent or supplied by electronic means and the sender or supplier is able to show that it was properly addressed, it is deemed to have been received by the proposed recipient at the time it was sent.

60.3 Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been duly given to a person from whom he derives his title.

60.4 Subject to these articles, any notice or document to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such notices or documents for the time being.

60.5 A director may agree with the company that notices or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours.

61. **COMPANY SEAL**

The company shall not have a common seal.

62. **RIGHT TO INSPECT ACCOUNTS AND OTHER RECORDS**

Every shareholder is entitled to inspect any of the company's accounting or other records or documents merely by virtue of being a shareholder.

63. **PROVISION FOR EMPLOYEES ON CESSATION OF BUSINESS**

The directors may decide to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries (other than a director or former director or shadow director) in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

**DIRECTORS' INDEMNITY AND INSURANCE**

64. **INDEMNITY**

64.1 Subject to article 64.2, but without prejudice to any indemnity to which a relevant officer is otherwise entitled, each relevant officer of the company shall be indemnified out of the company's assets against all losses or liabilities which he may sustain or incur:

64.1.1 in or about the execution of the duties of his office or otherwise in relation thereto;

64.1.2 in connection with any negligence, default, breach of duty or breach of trust in relation to the company or an associated company;

64.1.3 in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act ).

64.2 This article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Companies Acts or by any other provision of law.

64.3 In this article:

64.3.1 companies are "**associated**" if one is a subsidiary of the other or both are subsidiaries of the same body corporate; and

64.3.2 a "**relevant officer**" means any director or secretary, or former director or secretary, of the company or an associated company.

65. **INSURANCE**

65.1 The directors may decide to purchase and maintain insurance, at the expense of the company, for the benefit of any relevant officer or employee in respect of any relevant loss.

65.2 In this article:

65.2.1 a “**relevant officer or employee**” means any director, secretary or employee, or former director, secretary or employee, of the company or an associated company;

65.2.2 a “**relevant loss**” means any loss or liability which has been or may be incurred by a relevant officer or employee in connection with that officer’s or employee’s duties or powers in relation to the company, any associated company or any pension fund or employees’ share scheme of the company or associated company; and

65.2.3 companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate.



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## REPORT

To: Shetland Charitable Trust

Date 28 March 2013

From: Chief Executive

Report: CT1303010

### **Springfield Holiday Chalet Future of Service**

#### **1. Introduction**

- 1.1 This report concerns the future of Springfield Chalet, which is presently used as a holiday home for people with special needs.

#### **2. Background**

- 2.1 Springfield Holiday Chalet was bought in 1982 by the British Red Cross, using a grant from the then Shetland Islands Council Charitable Trust. They ran it for 20 years before a review of their operations concluded that it did not fit with their business, so they indicated that they wished to relinquish it.
- 2.2 In accordance with the grant conditions, the ownership of the chalet passed back to the Trust at no consideration, and the Trust advertised for a new partner to operate it. The successful applicant was Shetland Welfare Trust, and they ran the chalet from 2004 to being disbanded in 2005.
- 2.3 The Trust then re-advertised for a partner to take on the administration but did not receive any replies. Rather than give up the service, the Trust took on to do the administration from 1 April 2005. However despite efforts from Trust staff, it was felt that they did not have the time or the expertise to promote the service, and insufficient contact with the client group to be able to market the facility effectively.
- 2.4 On 23 June 2011, Trustees agreed to look again for a partner organisation to administer the service (Min Ref CT1106036), and Disability Shetland undertook the service on a trial basis.

#### **3. Present Position**

- 3.1 Disability Shetland took on the management of the chalet on 1 April 2012 for a trial period of one year. The Trust allocated an administration fee of £1,500 for one year only, to assist with the cost

of establishing the service, and hopefully growing the client base, as the facility was under-used.

- 3.2 Disability Shetland worked hard to promote the service, and used volunteers to improve the service to users.
- 3.3 After operating the chalet for one summer, Disability Shetland has indicated that despite their best efforts the amount of usage (70 bed nights and 2 day visits from May to December 2012) means that the service cannot be run sustainably. They therefore wish to exit the arrangement with effect from 1 April 2013.
- 3.4 There are a number of factors to explain why demand has dwindled.
  - Current legislation has allowed the people who might have used Springfield to access privately run properties;
  - Shrinking public budgets mean that some people who used to have subsidised breaks at Springfield no longer receive that facility;
  - Users' expectations may not be met by the standard of the current facility
- 3.5 One possibility which has been considered is to make Springfield even more specialised for people with physical disabilities, but this would be very expensive. Furthermore, individual needs vary greatly, and it would be difficult to put in place a facility which was suitable for a sufficiently large client group to make this a good use of Trust funds.

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

- 4.1 The chalet presently costs £1,500 per year in net revenue costs, and about £800 in annual maintenance costs. Selling the property will realise a lump sum for the trust.

#### **5. Conclusion**

- 5.1 Demand for the service provided at Springfield has dwindled to the point where it is not seen as good use of Trust funds to continue with the service.

#### **6. Recommendations**

- 6.1 Trustees are recommended to instruct officers to sell the Springfield Chalet for the best possible price.



## REPORT

To: Shetland Charitable Trust

28 March 2013

From: Financial Controller

Report No: CT1303011

### MANAGEMENT ACCOUNTS – NINE MONTHS ENDED 31 DECEMBER 2012

#### 1 Introduction and Key Decisions

- 1.1 This report presents the Trust's Management Accounts to the end of December 2012, for noting. These Management Accounts deal with revenue budgets and expenditure.

#### 2 Management Accounts

- 2.1 Table 1 below shows the Summary Budget for the Charitable Trust for 2012/13 and the expenditure in the nine months to 31 December 2012.

**Table 1: Summary Management Accounts 2012/13**

Item	Current Budget £m	Spend to Dec 12 £m
<b>Charitable Expenditure</b>		
Schemes and Organisations	8.5	7.0
Maintenance/Capital Programme	1.7	0.9
One-Off Projects	0.2	0.1
Operating Costs	0.5	0.4
<b>Total</b>	<b>10.9</b>	<b>8.4</b>

- 2.2 A more detailed analysis of the expenditure programmes is set out in Appendix 1.
- 2.3 The total budget for Schemes and Organisations is £8.5 million, of which £7.0 million has been spent to date. Where the running costs of projects are greater than £20,000, grant assistance is paid out in 2 stages - the first payment is made in April and the second is subject to a review of the organisation's accounts from the previous year.

- 2.4 The Maintenance Funding Programme includes £1.6 million which is paid to the major Trusts in two instalments with 50% of the budget being paid at the beginning of the year on submission of their maintenance programme for the year. The second instalment will be paid on receipt of a satisfactory statement of the first six months' expenditure.
- 2.5 Table 2 below sets out the revisions/enhancements to the original budget for 2012/13 to give the current budget.

**Table 2: Budget Amendments**

<b>Original Budget Presented 21 February 2012</b>	<b>10,920,017</b>
<b>Approvals</b>	<b>Presented 29 March 2012</b>
	Shetland Folk Festival Society
	18,000
<b>Enhancement</b>	<b>SRT – Sandwich Pool Roof</b>
	Balance c/fwd to cover retention
	29,366
<b>Revised budget as at 31 December 2012</b>	<b><u>£10,967,383</u></b>

- 2.6 Budget Virements have been effected as follows:-

£500 from the Supplies and Services Budget into the Professional Membership Fees Budget;

£500 from the Bank Charges Budget into the Administration Budget;

£6,500 from the Trustees' Allowances Budget into the Travel and Subsistence Budget, Trustees' Expenses Budget and the Miscellaneous Budget;

£10,000 from the Bought in Finance Budget and £1,000 from the Water Rates Budget into the Training and Staff Development Budget, Professional Fees Other Budget and the Energy Costs Budget.

**3 Financial Implications**

- 3.1 No direct financial implications flow from this information report.

**4 Recommendations**

- 4.1 I recommend that Trustees note the satisfactory financial performance to December 2012, as shown in the Management Accounts in Appendix 1.

Financial Controller  
Shetland Charitable Trust  
Our Ref:LF/DA5

Report No: CT1303011  
Date: 14 March 2013

## Shetland Charitable Trust Management Accounts

### Charitable Expenditure : Period to 31 December 2012

	Current 12 month budget	Actual spend to 31 Dec	year to date variance
	£	£	£
Shetland Amenity Trust	1,052,728	1,052,728	0
Shetland Arts Development Agency	696,038	696,038	0
Shetland Recreational Trust	2,518,550	2,518,550	0
<b><u>Other Charitable Organisations</u></b>			
Disability Shetland Recreation Club	12,641	12,641	0
The Swan Trust	44,650	44,650	0
VAS - New Shetlander	670	670	0
Shetland Churches Council Trust	54,055	54,055	0
Shetland Youth Information Service	188,840	188,840	0
Shetland Befriending Scheme	54,418	54,418	0
Citizens Advice Bureau	147,383	147,383	0
COPE Limited	154,967	154,967	0
Couple Counselling Shetland	12,000	12,000	0
Shetland Link Up	47,994	47,994	0
Voluntary Action Shetland	144,367	144,367	0
Festival Grants	30,000 *	30,000	0
Local Charitable Organisations	14,000	7,552	6,448
Womens Royal Voluntary Service	47,622	47,622	0
Alternative Psychological Therapies	26,212	0	26,212
<b>Sub Total Charitable Organisations</b>	<b>5,247,135</b>	<b>5,214,475</b>	<b>32,660</b>
<b><u>Schemes</u></b>			
Community Development Grants	14,272	5,250	9,022
Community Support Grants	72,321	56,400	15,921
Arts Grant Scheme	35,000	27,139	7,861
Sheltered Housing Heating	25,500	0	25,500
Senior Citizens Clubs	20,000	18,515	1,485
Support to Rural Care Model	2,491,000	1,245,500	1,245,500
Social Assistance Grants	35,000	2,695	32,305
Buses for Elderly and Disabled	49,980	29,155	20,825
Supported Employment	8,000	0	8,000
<b>Sub Total Schemes</b>	<b>2,751,073</b>	<b>1,384,654</b>	<b>1,366,419</b>
<b><u>Direct Schemes</u></b>			
Springfield	1,500	1,746	-246
Xmas grant Scheme	487,000	392,735	94,265
Planned Maintenance	1,711,549	919,183	792,366
<b>Sub Total Direct Schemes</b>	<b>2,200,049</b>	<b>1,313,663</b>	<b>886,386</b>
<b><u>One-Off Projects</u></b>			
SRT - Sandwick Pool Roof - Retention	29,366	0	29,366
SRT - Scalloway Pool Roof	200,000	131,117	68,883
<b>Sub Total One-Off Projects</b>	<b>229,366</b>	<b>131,117</b>	<b>98,249</b>
Trust Administration	539,760	408,594	131,166
Surplus Grants Refunded	0	-10,432	10,432
<b>Total</b>	<b>10,967,383</b>	<b>8,442,072</b>	<b>2,525,312</b>

**Shetland Charitable Trust Management Accounts**  
**Management and Administration : Period to 31 December 2012**

	Current 12 month budget £	Actual spend to 31 Dec £	year to date variance £
<b><u>Staffing Costs</u></b>			
Basic Pay and Allowances	350,000	243,030	106,970
Professional Membership Fees	1,500 v	784	716
Travel and Subsistence	10,000 v	7,461	2,539
Training and Staff Development	10,000 v	5,359	4,641
<b>Sub Total Staffing Costs</b>	<b>371,500</b>	<b>256,635</b>	<b>114,865</b>
<b><u>Operating Costs</u></b>			
Insurance	10,000	9,892	108
Administration	3,500 v	1,710	1,790
Supplies and Services	4,500 v	4,215	285
Bank Charges	500 v	331	169
Professional Fees: Other	6,000 v	8,267	-2,267
Miscellaneous Items	2,000 v	1,553	447
External Audit Fees	25,000	26,317	-1,317
Trustees' Allowances	1,000 v	622	378
Trustees' Expenses	8,000 v	3,184	4,816
Legal Fees	80,000	90,604	-10,604
Trustee Selection Costs	20,000	2,640	17,360
<b>Sub Total Operating Costs</b>	<b>160,500</b>	<b>149,337</b>	<b>11,163</b>
<b><u>Property Costs</u></b>			
Energy Costs	5,000 v	3,591	1,409
Water Rates	2,000 v	851	1,149
Cleaning	3,500	904	2,596
<b>Sub Total Property Costs</b>	<b>10,500</b>	<b>5,347</b>	<b>5,153</b>
<b>Supplies Service</b>	<b>-70,000</b>	<b>-52,500</b>	<b>-17,500</b>
<b><u>Bought In Services</u></b>			
Finance	33,000 v	26,520	6,480
Internal Audit	9,000	0	9,000
Committee Services	12,000	12,000	0
Computer Services	9,100	9,096	4
Messenger Service	2,000	0	2,000
Insurance Admin	2,160	2,160	0
<b>Sub Total Bought In Services</b>	<b>67,260</b>	<b>49,776</b>	<b>17,484</b>
<b>Total</b>	<b>539,760</b>	<b>408,594</b>	<b>131,166</b>

\* These budgets have been modified by subsequent decisions of the Trust

v These budgets have been modified by virements



## REPORT

To: Shetland Charitable Trust

28 March 2013

From: Financial Controller

Report: CT1303012

### FUND MANAGER TRANSACTIONS

#### 1. Introduction

1.1 Shetland Islands Council provides Treasury support to Shetland Charitable Trust under the terms of a Service Level Agreement (SLA).

#### 2. Investment Decisions

2.1 Appendix A lists the investment decisions made by Insight Investment Management Limited during the period from 1st November to 31st January 2013.

2.2 Appendix B lists the investment decisions made by BlackRock during the period from 1st November to 31st January 2013.

2.3 Schroder Investment Management Limited made no purchases or sales between 1st November and 31st January 2013.

2.4 These appendices list purchases in order of transaction size and sales in order of the size of the gain or loss made on the transaction.

2.5 The Fund Managers make investment decisions based on the terms of Investment Management Agreements.

#### 3. Movement on Charitable Trust Funds

3.1 The following table shows the movement on the Charitable Trust funds for the current financial year, 2012/13, up to 15th March 2013:

	£ million
Mkt Value at 1 Apr 2012	174.1
Market Movement	22.2
Injection/(Withdrawal)	(7.8)
Mkt Value at 15 Mar 2013	<u>188.5</u>

(These are unaudited figures and are for information only.)

#### 4. Recommendation

4.1 The Trustees are asked to note this report.

## INSIGHT INVESTMENT MGMT REPORT - PURCHASES

NAME OF SECURITY	AREA	DATE	NUMBER OF UNITS	PURCHASE PRICE (£)
UNITED KINGDOM				
UK(GOVT OF) 4.5% STK 07/12/2042 GBP0.01	QF GB GB	30/01/2013	1,253,000.00	1,526,454.72
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	16/01/2013	186,000.00	644,103.12
UK(GOVT OF) 4.5% STK 07/12/2042 GBP0.01	QF GB GB	30/01/2013	520,345.00	633,832.25
UK(GOVT OF) 4.5% STK 07/12/2042 GBP0.01	QF GB GB	30/01/2013	458,007.00	556,890.71
UK(GOVT OF) 1.25% I/L STK 22/11/17 GBP	QF GIL GB	30/01/2013	344,000.00	550,747.21
UK(GOVT OF) 2.5% I/L STK 26/07/16 GBP	QF GIL GB	17/01/2013	133,000.00	461,535.27
UK(GOVT OF) 1.25% I/L STK 22/11/17 GBP	QF GIL GB	16/11/2012	317,000.00	457,692.22
UK(GOVT OF) 4.5% STK 07/12/2042 GBP0.01	QF GB GB	30/01/2013	325,216.00	396,080.57
UK(GOVT OF) 4.5% STK 07/12/2042 GBP0.01	QF GB GB	30/01/2013	325,216.00	395,852.92
UK(GOVT OF) 4.5% STK 07/12/2042 GBP0.01	QF GB GB	30/01/2013	325,216.00	395,852.92
UK(GOVT OF) 4.75% STK 7/12/2030 GBP0.01	QF GB GB	20/11/2012	278,430.00	365,210.51
UK(GOVT OF) 4.75% STK 7/12/2030 GBP0.01	QF GB GB	20/11/2012	278,430.00	365,210.51
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	15/01/2013	185,000.00	247,615.51
ILF GBP LIQUIDITY FD	DEP	06/12/2012	170,000.00	170,000.00
UK(GOVT OF) 0.125% I/L STK 3/44 GBP	QF GIL GB	15/11/2012	167,000.00	162,710.15
UK(GOVT OF) 4.75% STK 7/12/2030 GBP0.01	QF GB GB	20/11/2012	113,140.00	148,403.25
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	15/11/2012	26,000.00	96,618.60
UK(GOVT OF) 0.75% I/L STK 22/3/34 GBP	QF GIL GB	06/12/2012	75,000.00	90,148.82
UK(GOVT OF) 0.75% I/L STK 22/3/34 GBP	QF GIL GB	18/01/2013	68,000.00	85,708.82
ILF GBP LIQUIDITY FD	DEP	31/01/2013	70,000.00	70,000.00
UK(GOVT OF) 0.75% I/L STK 22/3/34 GBP	QF GIL GB	06/12/2012	58,000.00	69,599.08
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	28/11/2012	51,000.00	64,469.51
ILF GBP LIQUIDITY FD	DEP	10/12/2012	60,000.00	60,000.00
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	14/11/2012	13,000.00	48,269.78
UK(GOVT OF) 0.125% I/L STK 22 MAR 2029 GBP0.01	QF GIL GB	30/01/2013	40,000.00	44,264.12
ILF GBP LIQUIDITY FD	DEP	21/01/2013	20,000.00	20,000.00
ILF GBP LIQUIDITY FD	DEP	22/11/2012	15,000.00	15,000.00
ILF GBP LIQUIDITY FD	DEP	07/12/2012	10,000.00	10,000.00
ILF GBP LIQUIDITY FD	DEP	22/01/2013	10,000.00	10,000.00
ILF GBP LIQUIDITY FD	DEP	28/01/2013	10,000.00	10,000.00
ILF GBP LIQUIDITY FD	DEP	02/11/2012	5,000.00	5,000.00
ILF GBP LIQUIDITY FD	DEP	01/11/2012	2,077.25	2,077.20
ILF GBP LIQUIDITY FD	DEP	03/12/2012	1,734.20	1,734.22
ILF GBP LIQUIDITY FD	DEP	02/01/2013	1,715.75	1,715.66
TOTAL UNITED KINGDOM				<u>8,182,797.65</u>
OVERSEAS				
NO OVERSEAS INVESTMENTS PURCHASED				
TOTAL OVERSEAS				<u>0.00</u>

## INSIGHT INVESTMENT MGMT REPORT - SALES

NAME OF SECURITY	AREA	DATE	NUMBER OF UNITS	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
	QF = quoted fixed UF = unquoted fixed				
<b>UNITED KINGDOM</b>					
UK(GOVT OF) 0.25% I/L STK 22/3/52	QF GIL GB	15/01/2013	226,000.00	248,119.28	30,788.28
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	17/01/2013	121,000.00	459,204.68	30,392.02
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	30/01/2013	102,000.00	386,321.94	24,843.50
UK(GOVT OF) 0.125% I/L STK 3/44 GBP	QF GIL GB	30/01/2013	153,000.00	161,559.48	11,385.35
UK(GOVT OF) 1.25% I/L STK 22/11/17 GBP	QF GIL GB	16/01/2013	317,000.00	465,384.29	7,692.07
UK(GOVT OF) 2.5% I/L STK 16/04/20 GBP	QF GIL GB	30/01/2013	28,000.00	105,980.28	6,750.91
UK(GOVT OF) 0.125% I/L STK 22 MAR 2029 GBP0.01	QF GIL GB	16/11/2012	430,000.00	458,486.02	6,806.19
UK(GOVT OF) 0.125% I/L STK 22 MAR 2029 GBP0.01	QF GIL GB	18/01/2013	96,000.00	106,755.24	5,870.44
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	15/11/2012	49,000.00	88,436.20	5,792.11
UK(GOVT OF) 0.75% I/L STK 22/3/34 GBP	QF GIL GB	05/12/2012	58,000.00	69,897.85	5,460.63
UK(GOVT OF) 1.25% I/L STK 22/11/55 GBP	QF GIL GB	28/11/2012	25,472.00	46,555.98	3,594.54
UK(GOVT OF) 0.125% I/L STK 22 MAR 2029 GBP0.01	QF GIL GB	20/11/2012	275,472.00	292,893.81	3,404.88
UK(GOVT OF) 0.125% I/L STK 22 MAR 2029 GBP0.01	QF GIL GB	20/11/2012	275,472.00	292,893.81	3,404.88
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	05/12/2012	80,000.00	101,778.92	1,591.48
UK(GOVT OF) 0.125% I/L STK 22 MAR 2029 GBP0.01	QF GIL GB	20/11/2012	114,056.00	121,269.30	1,409.75
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	15/11/2012	77,000.00	97,588.27	1,401.36
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	15/11/2012	58,000.00	73,410.17	957.69
UK(GOVT OF) 0.625% I/L STK 22/03/40 GBP	QF GIL GB	14/11/2012	39,000.00	49,392.28	674.23
UK(GOVT OF) 1.25% I/L STK 22/11/2032	QF GIL GB	06/12/2012	71,000.00	100,436.13	470.50
ILF GBP LIQUIDITY FD	DEP	29/11/2012	15,000.00	15,000.00	0.00
ILF GBP LIQUIDITY FD	DEP	17/01/2013	185,000.00	185,000.00	-0.01
ILF GBP LIQUIDITY FD	DEP	23/11/2012	185,000.00	185,000.00	-0.01
TSY 3 3/4% 2021 T-GILT 3.75% 7/9/2021 GBP	QF GB GB	30/01/2013	2,061,000.00	2,368,501.20	-85,861.26
<b>TOTAL UNITED KINGDOM</b>				<b>6,479,865.13</b>	<b>66,629.52</b>
<b>OVERSEAS</b>					
EURO INV BANK 6.25% BDS 15/4/2014 GBP1000	QF GB XB	30/01/2013	1,378,000.00	1,470,119.30	-5,980.52
<b>TOTAL OVERSEAS</b>				<b>1,470,119.30</b>	<b>-5,980.52</b>

**BLACKROCK REPORT - PURCHASES**

NAME OF SECURITY	AREA	DATE	NUMBER OF SHARES	PURCHASE PRICE (£)
	<small>QE = quoted equity UE = unquoted equity</small>			

**UNITED KINGDOM**

NO UK INVESTMENTS PURCHASED

TOTAL UNITED KINGDOM	<u>0.00</u>
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**OVERSEAS**

NO OVERSEAS INVESTMENTS PURCHASED

TOTAL OVERSEAS	<u>0.00</u>
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**BLACKROCK REPORT - SALES**

NAME OF SECURITY	AREA	DATE	NUMBER OF SHARES	SELLING PRICE (£)	PROFIT/ (LOSS) (£)
	<small>QE = quoted equity UE = unquoted equity</small>				

**UNITED KINGDOM**

NO UK INVESTMENTS SOLD

TOTAL UNITED KINGDOM	<u>0.00</u>	<u>0.00</u>
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**OVERSEAS**

BLACKROCK AM (IE) BGI PACIFIC RIM INDEX ACC	UE UT IE	07/12/2012	36,264.65	950,000.00	359,943.56
BLACKROCK AM (IE) BGI NORTH AMERICAN IDXNAV	UE UT IE	07/12/2012	98,948.76	950,000.00	261,645.87
BLACKROCK AM (IE) IDX SELECTION EURO EX UK AC	UE UT IE	07/12/2012	86,237.71	1,100,000.00	95,845.63
TOTAL OVERSEAS				<u>3,000,000.00</u>	<u>717,435.06</u>



## REPORT

To Shetland Charitable Trust

28 March 2013

From: Chief Executive

Report No. CT1303013

### RECOMMENDED DISBURSEMENTS – SOCIAL CARE

#### 1. Background

- 1.1 This report concerns approvals by the Council's Director of Community Care Services in the period to 11 March 2013, in terms of Report Number CT/030/94, which was approved by the Trustees on 8 April 1994.

#### 2. Social Assistance Grant Scheme - £2801.98

- 2.1 The Director of Community Care approved the following:-

	(£)
5 Social Assistance Grant of up to £2,000 (Appendix A)	2,801.98

- 2.2 The grants would be allocated from the Social Assistance Grant Scheme budget head.

#### 3. Recommendations

- 3.1 Trustees are asked to note the Social Assistance Grants referred to in paragraph 2.1, totalling £2,801.98

Shetland Charitable Trust  
Date: 15 March 2013  
Ref: EM/DS1

Report No: CT1303013

## Appendix A

### SOCIAL ASSISTANCE GRANT SCHEME at 11 March 2013

Funds available in 2012/2013	£ 35,000.00
Less previously allocated	£ 2,794.72

Less the following: -

<u>Reference</u>	<u>Amount</u>
12/13 13	£ 160.00
12/13 14	£ 392.00
12/13 15	£1,710.00
12/13 16	£ 290.00
12/13 17	£ 249.98

(2) Approval by Director of Community Care £ 2,801.98

Balance of Funds remaining £ 29,403.30

I confirm the above grants have been approved, for the relief of vulnerable persons in need by reason of age, ill health, disability or financial hardship.

Director of Community Care Services  
Agent for the Trustees of Shetland Charitable Trust

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**REPORT****To:** Shetland Charitable Trust

18 March 2013

**From:** Chief Executive

Report No. CT1303014

**RECOMMENDED DISBURSEMENTS – APPROVALS****1. Background**

- 1.1 On 30 March 2000, Trustees approved a report which authorised the then Director of Education and Community Services to act on behalf of the Trust and approve applications for community development and community support grants to organisations operating within Shetland. (Min. Ref. CT/19/00)
- 1.2 On 8 February 2006, Trustees approved a report which authorised the then Head of Service – Community Development to act on behalf of the Trust and approve applications for community arts grants to organisations and individuals operating within Shetland. (Min. Ref. CT/02/06)
- 1.3 It is a requirement that all approvals are reported to subsequent Trust Meetings.

**2. Community Support Grants - £13,457**

- 2.1 The following community support grants were approved by the Director of Development Services in the period from 27 November 2012 to 15 March 2013:-

<b>Name of Organisation/ Individual</b>	<b>Grant Approved (£)</b>
Peerie Breeks	806.00
Virkie Mother & Toddler Group	324.00
Scalloway Parent and Toddler Group	978.00
Mossbank Community and Youth Centre	11,349.00

**3. Community Arts Grants - £2,380**

3.1 The following community arts grants were approved by the Director of Development Services, in consultation with Shetland Arts, in the period 27 November 2012 to 15 March 2013: -

<b>Name of Organisation</b>	<b>Grant Approved (£)</b>
Mrs Elizabeth Garrick	120.00
Northern Focus Parkour	1,102.00
Mrs Sarah Munro obo Caitlin Munro	205.00
Mrs Valerie Wishart obo Sophie Wishart	211.00
Mrs Janis Adamson obo Hannah Adamson	152.00
Mrs Elizabeth Garrick	270.00
Mrs Val Turner	320.00

**4. Recommendation**

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

Our Ref: EM/DA1  
Date: 18 March 2013

Report Number 1303014

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## REPORT

To: Shetland Charitable Trust

28 March 2013

From: Financial Controller

Report: CT1303015

### CAPITAL WORKS BRIDGING LOAN SCHEME

#### 1. Introduction

- 1.1 This report updates Trustees on the Capital Works Bridging Loan Scheme.

#### 2. The Scheme

- 2.1 Trustees agreed, in the spring of 2010, to make up to £1 million available interest free to alleviate cash flow problems experienced by community organisations when waiting for funding from EU/Scottish Government SRDP/LEADER/ERDF grants to come through.
- 2.2 Funding for capital projects is only released once work has been completed and invoices paid. This creates an almost insurmountable cashflow burden for most organisations.

#### 3. Update

- 3.1 Appendix A lists each bridging loan made to date. Twelve organisations have received a bridging loan, seven have fully repaid their loans and one has made a part payment. In total £993,192 has been repaid. £492,740 remains due to be repaid by five organisations as they receive their grants.
- 3.2 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 not be forgotten that the provision of interest free loans does mean that the capital involved is not generating investment return. The lost return to the Trust is potentially about £35,000 pa.

**5. Conclusion**

5.1 Twelve capital projects undertaken by community groups throughout Shetland might not have happened without the support of the Trust's scheme.

**6. Recommendation**

6.1 I recommend that Trustees note this report.

Reference: JPG/mj DC14  
Date: 8 March 2013

Report Number CT1303015

Shetland Charitable Trust Capital Works Bridging Loan

CT1303015 – Appendix A

PROJECT	BRIDGING LOAN £	REPAID £	DUE TO SCT £	NOTE
Burravoe Pier	25,650	25,650		
Ollaberry Hall	110,000	110,000		
Bressay Sports Park	114,537	114,537		
Scalloway Museum	345,000	134,500	210,500	The Scalloway Museum is open and in use. Partial repayments of the bridging loan have been received. A further significant repayment is expected before 31 March 2013.
Fair Isle Hall	62,000	62,000		
Sandsayre Pier	170,000	170,000		
Sandness Hall	100,000	100,000		
Northmavine Club	26,640		26,640	The new Amenity Building at the Northmavine Club is complete and open to the public. The bridging loan is expected to be repaid shortly.
Hillswick Hall	100,000		100,000	The Hillswick Hall refurbishment project is underway.
Fetlar Electric Minibus	35,600		35,600	The electric minibus is on order and is likely to enter service in early 2013.
Mareel	276,505	276,505		
Sumburgh Lighthouse	120,000		120,000	
<b>TOTALS</b>	<b>1,485,932</b>	<b>993,192</b>	<b>492,740</b>	

