

Shetland Charitable Trust

**Trustees' report and consolidated
financial statements**

Charity number SC027025

For the year ended 31 March 2026

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Chair's Introduction

The last 12 months have been a busy one for both the Trust and Trustees as the strategy was implemented and grant awards made from the Large Grant scheme, Small Grant Scheme, and the Innovation Grant Scheme. The trust, via these vehicles, continues to support the quality of life in Shetland through sustained investment in a broad range of charitable activities, including the promotion of health and wellbeing; the provision of community care and support; the advancement of sport, arts, culture and heritage; education, training and employment opportunities; services for children, young people, families, disabled people and carers; mental health and social inclusion initiatives; independent living; community safety and prevention; and the development of the voluntary and community sector.

I would like to thank all Trustees for their contributions and dedication during the last year and thank my fellow committee chairs, Ryan Leith (Audit & Governance Advisory Committee) and Ryan Stevenson (General Purposes Advisory Committee), for their contributions.

The performance of our investments, as detailed in these accounts, indicates an overall return of less than 4%, this figure does vary daily with market volatility. While this level of return remains positive, it falls short of the long-term investment assumption of 7.5% per annum underpinning the Financial Plan. This assumption is intended to provide sufficient long-term growth to preserve the value of the Trust's reserve after allowing for inflation. As a result, the real value of the Trust's reserves reduced over the year.

The Trust is, however, a long-term investor. Periods of stronger and weaker investment performance are an inherent feature of long-term investing, and the Investment Plan has been developed with this in mind. Together with prudent financial planning and risk management, this provides the framework through which the Trust intends to continue delivering the commitments contained within its Strategy, Financial Plan and Disbursement Plan. This long-term approach enables the Trust to continue to commit to significant levels of grant funding and balance its responsibility to preserve resources for future generations of Shetland.

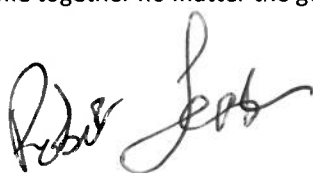
The Capital Works Bridging Loan Scheme continues to be a benefit to organisations with its value being recognised by participating organisations. This scheme continues to support the leveraging of external funds into Shetland for worthwhile community projects.

The Capital Grant Scheme, established to assist key partners with essential repair and maintenance needs, remains in place. While progress has been slower than expected, adjustments have been made in response to feedback. Ongoing discussions between the key partners and the trust help to ensure that the funds and future applications are targeted to the areas of need.

Trust staff continue to perform an excellent job supporting the work of the Trust and Trustees in a highly professional and effective manner, whilst also providing support to the many funded organisations, both current and future. Trust business and meetings have embraced the hybrid style with the technology continually improving to enable Trustees and staff to come together no matter the geography. A truly effective team.

R M Leask
Chair

10 September 2026



Trustees' Report

Section 1: Reference and Administrative Details

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

Trustees

R M Leask, Chair	E Miller
R J Stevenson, Vice Chair	B Mouat
E J Adamson	J T Nicolson
A P Ferguson	R N Risk
S M Gray	A Turnbull
R C Leith	

Chief Executive Dr Ann Black

Bankers Bank of Scotland
117 Commercial Street
Lerwick
ZE1 0DL

Auditor AJB Scholes Limited
St Olaf's Hall, Church Road
Lerwick, Shetland
ZE1 0FD

Solicitors – Governance And charity law	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	Commercial	Dentons 9 Haymarket Square Edinburgh EH3 8RY
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**Investment
Managers** Insight Investment Management (Global) Limited
160 Queen Victoria Street,
London,
EC4V 4LA (Redemption Instruction: 16 May 2025)

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

Schroders Property Managers
1 London Wall Place
London
EC2Y 5AU (Redemption Instruction: 15 August 2024)

Baillie Gifford & Co
3 Haymarket Square
Edinburgh
EH3 8RY

	J. P. Morgan Asset Management 60 Victoria Embankment London EC4Y 0JP (Appointed: 13 February 2025)
	Partners Group 33 Charterhouse Street London EC1M 6HA (Appointed: 13 February 2025)
Custodian	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT
Investment Monitor	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT
Investment Consultants	Isio Group Limited 110 George Street Edinburgh EH2 4LH

Section 2: Structure, Governance and Management

Governing Document

The current Shetland Charitable Trust (the Trust) was established in 1997, thereafter Trustees agreed to adopt a reorganisation scheme approved by OSCR. The Deed of Trust was registered in the Books of Council and Session on 27 September 2012 and updated in 2017, and again in 2019.

The Trust Deed and its schedules:

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

Charitable Status

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

Board of Trustees

The Trust has up to twelve appointed Trustees.

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

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

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

Audit and Governance Advisory Committee

The Audit and Governance Advisory Committee meet at least 3 times each year to oversee the systems of internal controls on financial and governance matters, recruitment of Trustees and risk management. It also reviews the draft annual financial statements and considers reports from the Trust's external auditors.

General Purposes Advisory Committee

The General Purposes Advisory Committee meets at least 4 times each year to oversee the Trust's Strategic and Disbursement Plans. It monitors the service performance of organisations that the Trust provides grant assistance to. It also considers the Trust's public relations and media activity.

Investment Advisory Committee

The Investment Advisory Committee meets at least 4 times each year to oversee the Trust's Investment Plan and its implementation. It also monitors the performance of external and local investments.

Management and Administration

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

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

The Trust's procedures are governed by a set of Administrative Regulations.

Minutes

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

Subsidiary Companies

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

Shetland Heat Energy and Power Limited (SHEAP) SC181964	Neil Fraser Derek Leask William Spence Colin Clark Tom Wills Justin Rhodes
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C.T. Shetland (T.M.) Limited is a dormant company whose present purpose is to register and own certification trademarks, for example knitwear trademarks.

C. T. Shetland (T.M.) Limited SC072648	R N Risk
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SCT Renewables Limited has a 90% interest in Viking Energy Shetland LLP 'the Shetland Partner' in the Viking Energy Partnership.

SCT Renewables Limited SC256581	R J Stevenson
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Risk Management

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

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

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

Trustees approved the risk assessment for 2026/27 on 19 February 2026. The four area of activity and potential risks are detailed below:

No.	Risk	Lead Committee
1	Supporting Charitable and Community Organisations	General Purposes Advisory Committee
2	Investment and Asset Management	Investment Advisory Committee
3	Governance and Management of SCT	Audit and Governance Advisory Committee
4	External Relations	General Purposes Advisory Committee

Disclosure of information to auditor

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

Section 3: Objectives and Activity

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

The Trust's 5-year strategy was approved by Trustees in February 2024.

Building on insights from the previous period, the new strategy aims to enhance quality of life in Shetland through five key goals:

- Community Wellbeing
- Individual Wellbeing
- Everyone Matters
- Generational Fairness
- Enabling Strong and Resilient Organisations

These goals are underpinned by the guiding principles of equality, inclusion and accessibility; sustainability; outcome-led approaches; and collaboration.

Operational Plans

The Strategy guided the development of the Financial Plan, Investment Plan and Disbursement Plan for the period 2025-2030.

Financial and Investment Plans

The Financial Plan for 2025–2030, targets a medium-term return of 7.5% per annum to support planned expenditure and preserve the real value of reserves.

The Trust also has an Investment Plan developed with support from its advisers. This plan introduces infrastructure equity and private credit as new asset classes and phases out property and diversified growth mandates. Following a competitive process, new fund managers, Partners Group and JP Morgan, were appointed. The Investment Plan allocates assets as follows: 70% equities, 15% private credit, and 15% infrastructure equity.

Disbursement Plan and Grant Schemes

The Disbursement Plan for 2025–2030, increased the maximum grant allocation to £52.6 million over five years. The Large Grant Scheme awarded £9.7 million to 26 organisations in 2025/26, which included 2 new awardees. For FY26/27 funding awarded increased to £10.04 million, to 28 organisations, which included 3 new awardees.

The Small Grant Scheme remains open to applications throughout the year, complemented by an Innovation Grant Scheme designed to help organisations explore and pilot new ideas. Progress on the Capital Grant Scheme has been slower than anticipated, however applications are currently being assessed, and new awards are anticipated in autumn 2026.

Financial Objectives

The Trustees have endorsed a long-term financial strategy aimed at preserving the real value of the reserves by limiting annual expenditure to the average investment growth above inflation. In 2024, they approved a Financial Plan for 1 April 2025 to 31 March 2030, which relies on this growth to fund annual expenditures. This approach ensures that inflation-protected reserves are maintained for future generations, consistent with the Trust's purpose. For the 2025-2030 Strategy period, the Financial Plan assumes an average annual return of 4% above inflation.

A maximum budget of £13.11 million has been set for the year ending 31 March 2027, in line with the Financial Plan for 2025-2030. This framework also safeguards the Trust's funds against adverse investment performance.

Budgets

Each year, the Board approves a budget for the forthcoming financial year. The budget, actual expenditure, and prior year comparisons are provided in the table on pages 7 and 8.

Section 4: Achievements and Performance

During the year ended 31 March 2026, the Trust provided grant funding to support a wide range of social, leisure, cultural, heritage, and environmental activity across Shetland.

Core and project funding was awarded to the following organisations:

- **Shetland Recreational Trust** – to support leisure and sports facilities throughout Shetland.
- **Rural Care Model** – to enhance community care services exceeding typical local authority provision.
- **Shetland Amenity Trust** – to sustain heritage and cultural services.
- **Shetland Arts Development Agency** – to deliver programmes in dance, drama, theatre, film, literature, music, crafts, and visual arts.
- **Shetland Islands Citizens Advice Bureau** – to provide general and targeted advice services, including a dedicated fuel poverty service.
- **COPE Ltd** – to offer placements, training, and employment for adults with learning and physical disabilities.
- **Voluntary Action Shetland** – to support the voluntary sector through advisory services, operation of Market House, and Shetland Carers.
- **Shetland Women's Aid** – to expand support and therapy services for women, children, and young people, including safe accommodation.
- **Royal Voluntary Service** – to enhance community projects for elderly and disabled people.
- **Mind Your Head** – to support mental health programmes for those below the threshold for medical intervention.
- **Shetland Link Up** – to provide a meeting place and support for individuals affected by mental health issues.
- **Shetland Befriending Scheme CYP** – to offer befriending for young people, promoting welfare and development.
- **Shetland Community Bike Project** – to provide support employment, training and volunteering for individuals facing barriers to work.
- **Shetland Care Attendant Scheme** – to provide in-home respite for carers through professional care services.
- **Shetland Rape Crisis** – to strengthen core provision, prevention, advocacy, and therapeutic support services.
- **GAADA** – to support community art initiatives, particularly for individuals with disabilities.
- **Ability Shetland** – to provide direct support to disabled children, adults and their families through groups, clubs and outreach support.
- **Moving On Employment Service** – to deliver a transition service helping young people achieve employment goals.

- **Who Cares? Scotland** – to continue support for care-experienced children, young people, and young adults.
- **OPEN** – to maintain peer education, mentoring, research, Da Café, and steering group activity.
- **The Swan Trust** – to assist with the maintenance, operation, and promotion of the Swan sailing vessel.
- **Alzheimer Scotland** – to sustain dementia support activities in Shetland through continued funding of a Dementia Adviser.
- **Dogs Against Drugs** – to deliver drug education programmes in schools.
- **Clan Cancer Support** – to provide a dedicated Children and Families Service supporting young people through cancer.
- **Voluntary Action Shetland – Shetland Carers** – to support unpaid carers with health, wellbeing, and respite opportunities.
- **Shetland Community Connections** – to expand capacity for Self-Directed Support for young people transitioning to adulthood.
- **Shetland Befriending Scheme 16+** – to support individuals over 16 managing independent living.

Charitable Expenditure

	2025/26 budget	Actual spend to 31 March 2026	Actual spend to 31 March 2025
	£	£	£
<u>Large Grant Scheme Awards</u>			
Shetland Recreational Trust	3,690,000	3,490,658	3,750,493
SIC Rural Care Model	1,820,000	1,820,000	1,986,200
Shetland Amenity Trust	1,300,000	1,300,000	1,261,700
Shetland Arts Development Agency	1,050,000	1,018,547	886,945
Shetland Islands Citizens Advice Bureau	335,000	335,000	286,000
COPE Ltd	265,000	265,000	242,300
Voluntary Action Shetland (VAS) – Core, Market House and Shetland Carers	265,000	240,000	230,300
Shetland Women's Aid	140,000	140,000	105,100
Ability Shetland	90,000	90,000	33,500
Shetland Care Attendant Scheme	75,000	75,000	54,300
Mind Your Head	66,000	66,000	63,500
Shetland Link Up	61,000	61,000	58,000
Royal Voluntary Service	60,000	60,000	67,400
Shetland Befriending Scheme – CYP, 16+	78,000	78,000	69,800
Shetland Bike Project	55,000	55,000	-
Shetland Rape Crisis	41,000	41,000	48,000
OPEN	40,000	40,000	32,900
Moving On	40,000	40,000	37,700
Who Cares? Scotland	37,000	18,500	35,300
GAADA	31,000	31,000	30,000
The Swan Trust	31,000	31,000	29,700
Clan Cancer Support	30,000	30,000	20,500
Alzheimer Scotland	24,000	24,000	23,000
Dogs Against Drugs	22,000	22,000	21,500
Shetland Community Connections	19,000	19,000	17,700
Sub Total Organisations	9,665,000	9,390,705	9,391,838
<u>Grant Schemes</u>			
Small & Innovation Grant Scheme	150,000	77,331	47,200
Belmont Built Heritage Grant Scheme	-	215,940	-
Sub Total Schemes	150,000	293,271	47,200
Surplus Grants Refunded	-	(12,529)	(13,396)
Sub-total charitable expenditure	9,815,000	9,671,447	9,425,642
Trust Administration, including governance costs	1,088,000	1,079,245	846,110
Total	10,903,000	10,750,692	10,271,752

The Trust permits funded organisations to retain reserves equivalent to up to three months of their grant to cover unforeseen expenses and support cash flow management. It has also collaborated with these organisations to establish a service performance reporting system. In September 2025, the Trustees reviewed a detailed progress report outlining the impact of the Trust's funding on individuals and communities. They were satisfied that most organisations were meeting their proposed outcomes.

Additionally, the Trust operates a Capital Works Bridging Loan Scheme, established in 2010, to provide interest-free, short-term loans to community organisations undertaking capital projects. This scheme supports organisations that have secured grant funding but can only claim grants upon project completion. It helps to mitigate cash flow challenges and enables these community projects to proceed without delay.

Section 5: Financial Review

Investment and Financial Overview

The Board invests the Trust's reserves to generate income for charitable purposes while safeguarding their real value over time. As at 31 March 2026, the value of these invested reserves (excluding Donated Properties) stood at approximately £437 million, a modest increase from £432 million in 2025.

The Trust's income is primarily derived from global investments, which generated £14.3 million in returns over the year (2025 - £11.3 million). Additionally, around £0.3 million was earned from investments in Shetland during 2025/26 (2025 - £0.4 million).

Under the Trust Deed, all funds are unrestricted, and there is no distinction between capital and revenue. Investment gains are allocated to Expendable Endowment, and grant expenditure is charged through general funds. Transfers between funds are accounting allocations rather than cash movements.

To minimise risk, the Trust maintains a well-diversified portfolio and obtains professional advice on asset allocation. Trustees exercise discretion in applying these unrestricted reserves in accordance with the Trust's objectives and Financial Plan.

Review of Spending

During 2025/26 the Trust spent £12.9 million (2025 - £11.9 million) on grant making, support costs and expenditure on raising funds, in line with the approved budget for the year. Grant making expenditure for the year was £9.7 million (2025 - £9.4 million). The maximum budget to support charitable activity for 2026/27 has been set at £13.11 million.

Investment Review

The Trust's capital is invested externally through four fund managers at the year end. The investment portfolio continues to evolve in line with the Trust's long term investment strategy. During the financial year, the redemption of the Diversified Growth mandate was successfully completed, while the redemption of the Property mandate progressed as planned and is expected to take up to five years to complete. The appointment of Partners Group to manage the Trust's Private Credit mandate was also successfully implemented during the year.

In addition to its externally managed investment portfolio, the Trust holds investments in three locally based subsidiary companies and continues to receive rental income from land at the Sullom Voe Terminal.

Externally Managed Investments

The market value of the Trust's external investments is £437.0 million (2025 – £432.3 million). A breakdown of the Trust's external investments is detailed below:

Manager	Mandate	Market Value	Market Value
		2026 (£m)	2025 (£m)
Bailie Gifford	Active Equities	190.3	196.8
Black Rock	Passive Equities	122.8	109.5
Schroders	UK Property	50.1	76.4
Insight	Diversified Growth	-	49.6
Partners Group	Private Credit	73.8	-
Total		437.0	432.3

The growth in investment values combined with dividend income resulted in a profit of £14.3 million for the year (2025: £11.3 million), representing a return of 3.7% (2025: 2.6%).

International equity markets performed strongly through much of 2025/26, supported by resilient economic growth, easing monetary policy expectations and continued optimism around technology. Markets entered 2026 with positive momentum and equities recorded further gains into late February. However, the escalation of conflict triggered significant market volatility during March, leading to a sharp decline in equities and impacting the gains accumulated earlier in the financial year.

The Trust's Financial Plan 2025-2030 is based on achieving a medium-term return of 7.5% per annum, necessary to fund planned expenditure and maintain the real value of reserves. In addition, the Trust sets composite benchmark for each fund manager to evaluate their performance. The table below presents the overall returns achieved relative to these benchmarks.

Annualised Performance over	Actual Return %	Benchmark %	Over / Under Performance %
1 Year	3.7	15.8	(12.1)
3 Years	7.7	11.6	(3.9)
5 Years	2.2	9.2	(6.9)

The return over the fiscal year, three-year and five-year period is below the composite benchmark, and returns exceed the Financial Plan target over the three-year period only.

Local Investments

Shetland Heat Energy and Power Limited (SHEAP) is a wholly owned subsidiary of the Trust, set up to operate the Lerwick District Heating Scheme. SHEAP has over 1,200 customers receiving heat and the company generated income of around £3.4 million in 2025/26.

SCT Renewables Limited is a 100% owned subsidiary of the Trust. Viking Energy Shetland LLP is a 90% owned subsidiary of SCT Renewables Limited and the Trust has invested £10.0 million as at 31 March 2026. It is a partner in the Viking Energy project, which is a wind farm project in central Shetland.

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

Decisions about Investments

The Board is legally required to seek appropriate advice and to exercise the prudence expected of a commercial investor when managing the Trust's capital. This requires careful consideration of returns, capital growth, and risk across all investments, whether in global markets or local assets. The Trust must ensure its investments are

managed to generate income and grow in value, maintaining a commercial standard without applying charitable concessions.

The Trust's Investment Plan for 2025–2030, approved in 2024, allocates assets as follows: 70% equities, 15% private credit, and 15% infrastructure equity. This Plan is designed to maintain diversification and support long-term growth in returns. During the financial year, the redemption of the Diversified Growth mandate was successfully completed, while the redemption of the Property mandate progressed as planned and is expected to take up to five years to complete. The appointment of Partners Group to manage the Trust's Private Credit mandate was also successfully implemented during the year.

Section 6: Going Forward

The implementation of the Trust's Strategy is supported by a five-year Financial and Disbursement Plan, which projects total disbursements of £52.6 million over the 2025–2030 period, representing a 20% increase in grant allocations compared to the previous five-year strategy.

The Trust's Investment Plan and prudent financial stewardship are intended to support delivery of these commitments throughout the strategy period. By adopting a planned five-year approach to charitable disbursements, the Trust seeks to provide funded organisations with greater certainty and stability, enabling them to plan and deliver essential services that improve quality of life across Shetland.

A central element of the new strategy is strengthening engagement with recipient organisations and supporting the development of strong and resilient organisations. Regular quarterly meetings with major Trust-funded organisations have evolved into substantive discussions on current challenges and future priorities, while a process to engage with other Large Grant Scheme recipients is being developed. The Trust remains committed to continually developing and refining its grant-making approach to maximise charitable benefit while supporting the long-term sustainability and resilience of organisations serving Shetland.

R M Leask
Chair



10 September 2026

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Shetland Charitable Trust (the 'charity') and its subsidiaries (the 'group') for the year ended 31 March 2026 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated Balance Sheet, the Trust Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2026 and of the group's and the parent charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities set out on page 11, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities and Trustee Investment (Scotland) Act 2005 and regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the charity's governing document and tax legislation. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing the financial statements including the Trustees' Report, remaining alert to new or unusual transactions which may not be in accordance with the governing documents.

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

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

Due to the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

Use of our report

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


AJB Scholes Ltd

Statutory Auditor

Chartered Accountants

St Olaf's Hall

Church Road

Lerwick

Shetland

ZE1 0FD

10 September 2026

AJB Scholes Ltd is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities

for the year ended 31 March 2026

		Unrestricted funds			
	Note	General funds £000	Expendable endowment £000	2026 Total £000	2025 Total £000
Income and endowments from					
Other trading activities	6	3,394	-	3,394	3,282
Investments	5	3,197	-	3,197	3,393
Donations		-	-	-	-
Rental income		280	-	280	393
Other income		176	-	176	16
Total income and endowments		7,047	-	7,047	7,084
Expenditure on					
Expenditure on raising funds	6	(3,102)	-	(3,102)	(2,981)
Investment Management		-	(2,190)	(2,190)	(1,639)
Charitable activity	2	(10,747)	-	(10,747)	(10,289)
Total expenditure		(13,849)	(2,190)	(16,039)	(14,909)
Net profits on investments	10	-	14,331	14,331	11,347
Net income/(expenditure)		(6,802)	12,141	5,339	3,522
Gross transfers between funds	10,11	7,108	(7,108)	-	-
Other recognised gains and losses					
Actuarial (losses)/gains in defined benefit pension scheme	15	-	-	-	405
Non-controlling interest share of net income/ expenditure		-	-	-	-
Net movement in funds attributable to the charity		306	5,033	5,339	3,927
Fund balances brought forward attributable to the charity	10,11	974	448,887	449,861	445,934
Fund balances carried forward attributable to the charity	10,11	1,280	453,920	455,200	449,861
Non-controlling interest share of net income/ expenditure		(1)	-	(1)	(1)
Other changes in non-controlling interests		-	-	-	-
Fund balances brought forward attributable to non-controlling interest		812	-	812	813
Fund balances carried forward attributable to non-controlling interests		811	-	811	812
Total group funds carried forward	10, 11	<u>2,091</u>	<u>453,920</u>	<u>456,011</u>	<u>450,673</u>

Trust statement of financial activities

for the year ended 31 March 2026

	Note	Unrestricted funds		2026 Total £000	2025 Total £000
		General funds £000	Expendable endowment £000		
Income and endowments from					
Income from investments	5	3,197	-	3,197	3,393
Other investment income (Gift Aid receipts from subsidiary undertakings)		20	-	20	-
Rental income		280	-	280	393
Other income		150	-	150	15
Total income and endowments		3,647	-	3,647	3,801
Expenditure on:					
Expenditure on raising funds		-	(2,190)	(2,190)	(1,639)
Provision made against equity investment	6	(5)	-	(5)	(11)
Charitable activity	2	(10,750)	-	(10,750)	(10,289)
Total expenditure		(10,755)	(2,190)	(12,945)	(11,939)
Profit / (Loss) on investment assets	10	-	14,331	14,331	11,347
Net income/(expenditure)		(7,108)	12,141	5,033	3,209
Gross transfers between funds	10,11	7,108	(7,108)	-	-
Other recognised gains/(losses)					
Actuarial gains/(losses) in defined benefit pension scheme	15	-	-	-	405
Net movement in funds		-	5,033	5,033	3,614
Total funds brought forward	10,11	-	448,887	448,887	445,273
Fund balances carried forward		-	453,920	453,920	448,887

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

The notes on pages 20 to 34 form a part of the financial statements.

Consolidated balance sheet

as at 31 March 2026

	Note	2026 £000	2026 £000	2025 £000	2025 £000
Fixed assets					
Tangible assets	4		5,296		5,117
Investments	5	436,965		432,299	
Programme-related investments	6	6,661		6,651	
			443,626		438,950
Total fixed assets			448,922		444,067
Current assets					
Stocks		142		143	
Debtors	7	1,624		2,329	
Cash at bank and in hand		9,649		10,007	
Total current assets		11,415		12,479	
Creditors: amounts falling due within one year	8	(3,803)		(5,458)	
Net current assets			7,612		7,021
Total assets less current liabilities			456,534		451,088
Provisions for liabilities and charges	9		(523)		(415)
Net assets excluding pension liability			456,011		450,673
Pension liability	15		-		-
Net assets including pension liability			456,011		450,673
Represented by:					
Expendable endowment	10		453,920		448,887
Unrestricted income funds:	11				
General funds			-		-
Trading funds			1,280		974
Unrestricted income funds excluding pension reserve			1,280		974
Pension reserve	15		-		-
Total unrestricted income funds	11		1,280		974
Group funds attributable to the Charity			455,200		449,861
Non-controlling interest			811		812
Total group funds			456,011		450,673

These financial statements were approved by the Trustees on 10 September 2026 and were signed on their behalf by:

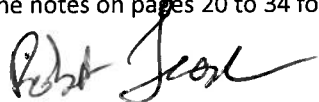
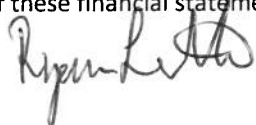
R M Leask

Chair

R C Leith

Trustee

The notes on pages 20 to 34 form a part of these financial statements.

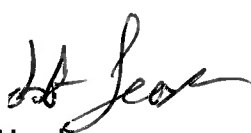



Trust balance sheet

as at 31 March 2026

	Note	2026 £000	2026 £000	2025 £000	2025 £000
Fixed assets					
Tangible assets	4		23		23
Investments	5	436,965		432,299	
Programme-related investments	6	12,311		12,316	
			449,276		446,615
Total fixed assets			449,299		444,638
Current assets					
Debtors	7	842		1,349	
Cash at bank and in hand		6,478		7,039	
Total current assets		7,320		8,388	
Creditors: amounts falling due within one year	8	(2,699)		(4,139)	
Net Current Assets			4,621		4,249
Total assets less current liabilities			453,920		448,887
Provision for liabilities and charges	9		-		-
Net assets excluding pension liability			453,920		448,887
Pension liability	15		-		-
Net assets including pension liability			453,920		448,887
Represented by:					
Expendable endowment	10		453,920		448,887
Unrestricted income funds:					
General funds	11		-		-
Pension reserve	15		-		-
Total unrestricted income funds	11		-		-
Total Trust funds			453,920		448,887

These financial statements were approved by the Trustees on 10 September 2026 and were signed on their behalf by:



R M Leask
Chair



R C Leith
Trustee

The notes on pages 20 to 35 form a part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2026

Cash flows from operating activity	Note	2026 £000	2025 £000
Net outgoing resources before other recognised gains and losses		5,369	3,521
<i>Adjustments for:</i>			
Investment income and interest receivable		(3,197)	(3,393)
Less rental income		(300)	(393)
Depreciation and impairment of tangible fixed assets	4	242	261
Loss on fixed assets	4	63	19
Movement in pension liability, excluding actuarial gains and losses	14	(31)	17
(Gains)/Losses on investment assets	10	(14,331)	(11,347)
(Increase)/Decrease in stock		1	(66)
(Increase)/Decrease in debtors	7	262	(32)
(Decrease)/Increase in creditors	8	(1,656)	(699)
Increase in provisions	9	107	103
Net cash flow from operating activity		(13,471)	(12,009)
Cash flow from investment activity			
Purchase of managed funds investments	5	(79,716)	(14,070)
Purchase of tangible fixed assets	4	(483)	(545)
Sale of managed funds investments	5	158,026	25,224
Net movement in cash flows attributable to managed fund Investments	5	(68,645)	(1,268)
Investments:			
Movement in Programme related investment	6	(10)	(12)
Investment income and interest received		3,197	3,393
Rental income		300	393
Movement in capital works bridging loans	7	444	(200)
Net cash flow from investing activity		13,113	12,915
Net increase in cash and cash equivalents		(358)	906
Cash and cash equivalents at 1 April		<u>10,007</u>	<u>9,102</u>
Cash and cash equivalents at 31 March		<u>9,649</u>	<u>10,007</u>

Notes to the financial statements

1 Accounting policies

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

1.1 Basis of preparation

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

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

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

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

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

Judgements made by the Trustees, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 17. The charity's business activity, together with the factors likely to affect its future development, performance and position are set out in the Trustee's Report on pages 2 to 10. The financial position of the charity, its cash flows, liquidity position and borrowing facilities are described in the financial statements on pages 16 to 20. In addition, pages 5 and 6 of the Trustees report include the charity's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

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

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

1.2 Basis of consolidation

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

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

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

1.3 Fund accounting

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

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

1.4 Income and endowments from other trading activity and rental income

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

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

Investments

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

1.5 Expenditure

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

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

Cost of generating funds

The cost of generating funds represents fund managers' fees.

Governance costs

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

1.6 Basic financial instruments

Trade and other debtors/creditors

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

Investments in preference and ordinary shares

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

Cash and cash equivalents

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

1.7 Grants

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

1.8 Investments

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

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

1.9 Tangible fixed assets and depreciation

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

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

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

The asset value of the Sullom Voe site is now fully depreciated.

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

1.10 Investment properties

The Trust holds no investment properties.

1.11 Taxation

The Trust is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Trust is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. There is no similar exemption for VAT.

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

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

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

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

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

1.12 Employee benefits

Defined benefit plans

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

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

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

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

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

1.13 Stock

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

1.14 Cash and cash equivalents

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

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

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

Charitable activity

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

	2026	2025
	£000	£000
General funds		
Payments to charitable organisations	9,391	9,392
Small & Innovation Grant Scheme	77	47
Belmont Built Heritage Grant Scheme	216	-
Charitable grants repaid	(13)	(13)
Total charitable grants	9,671	9,426
Support costs, including governance costs (below)	1,107	846
Pension adjustments	(31)	17
Total charitable expenditure – general funds	10,747	10,289
Expendable endowment		
Depreciation	-	-
Total resources expended on charitable activity	10,747	10,289

Further details of the group's charitable expenditure are included in Section 4 of the Trustees' Report.

Support costs

Support costs for the year of £954,028 (2025: £693,035) principally represent administration expenses and are all deemed to be attributable to the group's charitable activity. Included within administration expenses is £347,487 (2025: £322,111) in respect of staff costs (see note 3), of which nil (2025: £nil) was charged to subsidiaries.

Governance costs

Governance costs totalling £125,216 (2025: £153,074) comprise the costs associated with the Trust's compliance with charity regulation and good practice. They include £42,000 (2025: £40,000) representing an appropriate apportionment of salary costs based on the proportion of the Chief Executives time spent on governance, together with Trustees' expenses (note 3), and audit fees (note 2) of £27,690 (2025: £26,808).

	Group and charity	
	Total	Total
	2026	2025
	£000	£000
Allocation of staff and support costs, including Trustees' allowance and expenses (see note 3)	42	40
Other costs	56	86
External auditor's remuneration:		
Audit of these financial statements	28	27
Audit of subsidiary undertakings (excluded from charitable governance costs)	19	18
Other services: taxation in relation to subsidiary undertakings	10	6
Total governance costs	155	177

3 Staff numbers and costs

The group had an average of sixteen employees during the year (2025: fifteen). The aggregate payroll cost of these employees was as follows:

	2026	2025
	£000	£000
Wages and salaries	859	763
Social security costs	105	86
Pension costs	106	96
	1,070	945

Employee costs totalling nil (2025: £nil) were charged by Shetland Charitable Trust in respect of work performed by its subsidiary companies. Twelve employees worked wholly or mainly on Shetland Heat Energy and Powers Limited's activity during the year. One employee worked part-time on SCT Renewables Limited's activity during the year.

Two employees (2025: two) emoluments totalling between £100,000 and £109,999.

Unfunded retirement benefits accruing to members of staff under a defined benefit pension scheme; contributions in 2025/26 totalled £4,107.

Included above are the emoluments paid to key management personnel comprising three employees totalling £276,131 (2025: three employees totalling £260,675) and £39,042 (2025: £32,055) in social security costs and £42,771 (2025: £41,130) in pension contributions. Key management personnel's remuneration is set by reference to the Local Authority salary bands.

Expenses totalling £nil (2025: £nil) were reimbursed or paid on behalf of Trustees during the year.

4 Tangible fixed assets

Group	Land and buildings	District heating scheme infrastructure	Other plant, machinery and AUC	Total
Cost or valuation	£000	£000	£000	£000
At beginning of year	11,411	6,056	1,979	19,446
Additions	-	328	156	484
Disposals	-	-	(63)	(63)
At end of year	11,411	6,384	2,072	19,867
Depreciation				
At beginning of year	(11,388)	(1,539)	(1,402)	(14,329)
Eliminated on Disposals	-	-	55	55
Charge for year	-	(209)	(88)	(297)
At end of year	(11,388)	(1,748)	(1,435)	(14,571)
Net book value				
At 31 March 2026	23	4,636	637	5,296
At 31 March 2025	23	4,517	577	5,117

Land and buildings comprise the Sullom Voe site and six rural care homes donated by Shetland Welfare Trust in 2007. Due to their specialised nature and rural locations, no reliable market valuation can be determined in their existing use. Accordingly, the Trustees recognised the properties at original cost, in accordance with the Trust's accounting policy for tangible fixed assets, as a reasonable estimate of fair value on donation. The properties continue to be used in furtherance of the Trust's charitable objectives.

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

Charity	Land and buildings	Donated Assets	Total
	£000	£000	£000
Cost			
At beginning and end of year	2,252	9,159	11,411
Depreciation			
At beginning of year	(2,252)	(9,136)	(11,388)
Charge for year	-	-	-
At end of year	(2,252)	(9,136)	(11,388)
Net book value			
At 31 March 2026	-	23	23
At 31 March 2025	-	23	23

5 Managed funds

	2026	2026	2025	2025
Group and Charity	Market	Cost	Market	Cost
	Value		Value	
	£000	£000	£000	£000
Equities	246,403	128,511	306,306	156,402
Diversified Investment Fund units	-	-	49,600	42,402
Property units	46,661	47,329	74,922	71,291
Private Credit	73,816	70,000	-	-
Total investments	366,880	245,880	430,828	270,094
Cash on deposit and in hand	70,085	70,085	1,471	1,471
	436,965	315,965	432,299	271,566

At 31 March 2026, the Trust's Managed Funds held an elevated cash balance in preparation for investment in a new infrastructure equity mandate managed by J.P. Morgan. The investment was committed on 1 April 2026 and sufficient cash was therefore required at the year end to ensure the commitment could be funded.

	2026	2025
	£000	£000
<i>Reconciliation of market value of investments</i>		
Market value at beginning of year	432,299	430,837
Investments purchased	79,716	14,070
Investments sold	(103,444)	(11,231)
Paydowns	(518)	(6,333)
Total unrealised gains on managed fund investments	(39,733)	3,687
Movement in investment managers' cash balances, accrued income and expenses	68,645	1,268
Market value at end of year	436,965	432,299

As at 31 March 2026, the Trust's funds other than programme-related investments are managed by BlackRock Global Investors, Baillie Gifford & Co., Schroders Property Managers and Partners Group. The split of the portfolio between the investment managers is as follows:

	2026	2026	2025	2025
	Market	Cost	Market	Cost
	value		value	
	£000	£000	£000	£000
Insight Investment Management	-	-	49,600	42,402
BlackRock Global Investors	122,758	100,728	109,512	98,039
Baillie Gifford	190,302	94,480	196,795	58,364
Schroders Property Managers	50,088	50,756	76,392	72,761
Partners Group	73,817	70,001	-	-
	436,965	315,965	432,299	271,566

5 Managed Funds

Investment income of £3.197 million was received during the year, comprising dividends, interest and other income generated by the Trust's investment portfolio. This income was retained within the investment portfolio, either reinvested or held by the Trust's fund managers pending reinvestment.

6 Programme-related investments

	Group		Charity	
	2026	2025	2026	2025
	£000	£000	£000	£000
Equity (below)	6,661	6,651	12,311	12,316
	6,661	6,651	12,311	12,316

Equity – Group	Shares in subsidiary undertakings £000
Cost	
At beginning of year	7,970
Cost at end of year	<u>7,970</u>
Provisions	
At beginning of year	(1,319)
Provided in year	10
Provisions at end of year	<u>(1,309)</u>
Net book value	
At 31 March 2026	<u>6,661</u>
At 31 March 2025	<u>6,651</u>

Equity – Charity	Investments in subsidiary undertakings £000
Cost	
At beginning of year	15,041
Cost at end of year	<u>15,041</u>
Provisions	
At beginning of year	(2,725)
Provided in year	(5)
Provisions at end of year	<u>(2,730)</u>
Net book value	
At 31 March 2026	<u>12,311</u>
At 31 March 2025	<u>12,316</u>

Programme-related investments (continued)

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

	2026	2026	2026	2026	2025
	SHEAP	SCT R	VES	Total	Total
	£000	£000	£000	£000	£000
Turnover	3,397	-	-	3,397	3,285
Cost of sales	(1,432)	-	-	(1,432)	(1,396)
Gross profit	1,965	-	-	1,965	1,889
Administration expenses	(1,549)	(5)	(31)	(1,585)	(1,513)
Depreciation on investment properties	-	-	-	-	-
Provision made against equity investment	-	(5)	-	(5)	(11)
Operating profit/(loss)	416	(10)	(31)	375	365
Gain on disposal of investment properties	-	-	-	-	-
Interest receivable and similar income	15	-	26	41	18
Profit/(loss) on ordinary activity before taxation	431	(10)	(5)	416	383
Tax on profit/(loss) on ordinary activity	(110)	-	-	(110)	(105)
Profit/(loss) on ordinary activity after taxation being profit/(loss) for the financial year	321	(10)	(5)	306	278
Gift Aid payment to Shetland Charitable Trust	(20)	-	-	(20)	-
Retained (loss)/profit for the year after Gift Aid payment	301	(10)	(5)	286	278

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

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

	2026	2025
	Total	Total
	£000	£000
Cost of sales	1,432	1,396
Administration expenses	1,601	1,498
Tax charge on profit on ordinary activity	110	105
Interest receivable and similar income	(41)	(18)
	3,102	2,981

The assets and liabilities of the subsidiaries before consolidation were:

	2026	2026	2026	2026	2025
	SHEAP	SCT R	VES	Total	Total
	£000	£000	£000	£000	£000
Tangible fixed assets	5,273	-	-	5,273	5,094
Investments	-	7,303	6,650	13,953	13,957
Current assets	2,622	3	1,469	4,094	4,090
Current liabilities	(1,093)	(6)	(5)	(1,104)	(1,318)
Provisions for liabilities and charges	(523)	-	-	(523)	(415)
Total net assets	6,279	7,300	8,114	21,693	21,408
Called up share capital	1,000	10,052	8,114	19,166	19,172
Profit and loss account	2,601	(2,752)	-	(151)	(575)
Capital contribution reserve	2,678	-	-	2,678	2,811
Revaluation reserve	-	-	-	-	-
Total reserves	6,279	7,300	8,114	21,693	21,408

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

7 Debtors

	Group		Charity	
	2026	2025	2026	2025
	£000	£000	£000	£000
Trade debtors	705	821	-	-
Prepayments and accrued income	74	166	49	112
Other debtors	52	105	-	-
Programme-related loans	793	1,237	793	1,237
	1,624	2,329	842	1,349

8 Creditors: amounts falling due within one year

	Group		Charity	
	2026	2025	2026	2025
	£000	£000	£000	£000
Trade creditors	995	1,218	42	25
Other tax and social security	20	16	-	-
Other creditors and accruals	2,788	4,224	2,657	4,114
	3,803	5,458	2,699	4,139

9 Provisions for liabilities and charges

	Group		Charity	
	2026	2025	2026	2025
	£000	£000	£000	£000
At beginning of year	(384)	(279)	-	-
Credit for year	(110)	(105)	-	-
At end of year	(494)	(384)	-	-

In addition, a provision of £28,628 (2025: £30,935) was made in respect of Capital Grants.

The deferred tax liability arising within the Trust's subsidiary companies at the year-end of £494,163 (2025: £383,867) is analysed as follows:

Group	Assets		Liabilities		Net	
	2026	2025	2026	2025	2026	2025
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	-	-	494	384	494	384
Net tax (assets) / liabilities	-	-	494	384	494	384

10 Expendable endowment

	Group		Charity	
	2026	2025	2026	2025
At beginning of year	448,887	445,661	448,887	445,661
Outgoing resources	(2,190)	(1,639)	(2,190)	(1,639)
Gain/(Loss) in the year	14,331	11,347	14,331	11,347
Transfers	(7,108)	(6,482)	(7,108)	(6,482)
At end of year	453,920	448,887	453,920	448,887

11 Unrestricted income funds

Group					Total
	General funds	Trading funds	Pension reserve	Revaluation reserve	unrestricted income funds
	£000	£000	£000	£000	£000
At beginning of year	-	974	-	-	974
Net movement in funds	(7,108)	306	-	-	(6,802)
Transfers	7,108	-	-	-	7,108
Actuarial loss	-	-	-	-	-
At end of year	-	1,280	-	-	1,280

	General funds £000	Pension reserves £000	Total unrestricted income funds £000
Charity	-	-	-
	(7,108)	-	(7,108)
Transfers	7,108	-	7,108
Actuarial gain	-	-	-
At end of year	-	-	-

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

12 Analysis of Net Assets between funds

	Expendable Endowment £000	Other Group Funds £000	Total Charity Funds £000
At 31st March 2026	£000	£000	£000
Tangible Fixed Assets	23	5,273	5,296
Investments (prior to consolidation adjustments)	449,276	13,953	463,229
Current Assets	7,320	4,095	11,415
Creditors	(2,699)	(1,104)	(3,803)
Provisions & Capital Grants	-	(523)	(523)
Consolidation eliminations	-	(19,603)	(19,603)
Non controlling interest attributable to subsidiary	-	(811)	(811)
Funds of the Charity	453,920	1,280	455,200
Non-controlling interest			811
Total Group Funds			456,011

	Expendable Endowment £000	Other Group Funds £000	Total Charity Funds £000
At 31st March 2025	£000	£000	£000
Tangible Fixed Assets	23	5,094	5,117
Investments (prior to consolidation adjustments)	444,615	13,957	458,572
Current Assets	8,388	4,091	12,479
Creditors	(4,139)	(1,319)	(5,458)
Provisions & Capital Grants	-	(415)	(415)
Consolidation eliminations	-	(19,622)	(19,622)
Non controlling interest attributable to subsidiary	-	(812)	(812)
Funds of the Charity	448,887	974	449,861
Non-controlling interest			812
Total Group Funds			450,673

13 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2026	2025
	£000	£000
Less than one year	24	25
Between one and five years	85	68
More than five years	333	164
	442	257

During the year £23,503 was recognised as an expense in the consolidated statement of financial activity in respect of operating leases (2025: £24,760).

14 Subsequent Events

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

15 Pension scheme

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

The latest full actuarial valuation was carried out at 31 March 2023 and was updated for FRS 102 purposes to 31 March 2026 by a qualified independent actuary.

Following updated guidance on the recognition of pension scheme assets the Trust have not recognised the defined benefit pension scheme asset as the impact of the asset ceiling is to reduce the net pension asset to £nil.

	2026	2025
	£000	£000
Net pension liability defined benefit obligation	(3,760)	(3,736)
Fair value of plan assets	3,821	3,797
	61	61
Unfunded defined benefit obligations	(61)	(61)
Net pension asset/liability	-	-

Movements in present value of defined benefit obligation:

	2026	2025
	£000	£000
At 1 April	3,797	4,457
Current service cost	39	51
Interest cost	216	211
Actuarial losses/(gains)	(50)	(756)
Contributions by members	20	18
Benefits paid	(201)	(184)
At 31 March	<u>3,821</u>	<u>3,797</u>

Movements in fair value of plan assets:

	2026	2025
	£000	£000
At 1 April	4,035	4,069
Expected return on plan assets	230	192
Actuarial gains/(losses)	248	(113)
Contributions by employer	56	53
Contributions by members	20	18
Benefits paid	(201)	(184)
Impact of Asset ceiling	(567)	(238)
At 31 March	<u>3,821</u>	<u>3,797</u>

Expenditure recognised in the statement of financial activity:

	2026	2025
	£000	£000
Current service cost	(39)	(51)
Interest cost	14	(19)
Total	<u>(25)</u>	<u>(70)</u>

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

	2026	2025
	£000	£000
Charitable activity – support costs	(25)	(70)

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

	2026	2025
	£000	£000
Actuarial gains/(losses)	50	756
Return on assets attributed to the Charity excluding interest income	248	(113)
Impact of Asset ceiling	(567)	(238)
	(269)	405

The fair value of the plan assets and the return on those assets (prior to impact of asset ceiling) were as follows:

	2026	2025
	Fair value	Fair value
	£000	£000
Equities	3,028	3,107
Bonds	263	202
Property	1,097	686
Cash	0	40
	4,388	4,035
Actual return on plan assets	478	79

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

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

	2026	2025
	%	%
Discount rate	6.20	5.80
Future salary increases	3.00	2.80
Inflation / pension increase rate	3.00	2.80

In valuing the liabilities of the pension fund at 31 March 2026, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 21.6 years (male), 23.5 years (female).

Future retiree upon reaching 65: 23.7 years (male), 25.8 years (female).

The Trust expects to contribute approximately £52,000 (2025: £49,000) to its defined benefit plans in the next financial year to 31 March 2027.

16 Related parties

During the year ended 31 March 2026, Shetland Heat Energy and Power Limited, a wholly owned subsidiary of the Trust, paid a dividend of £20,000 to the Trust (2025: £Nil).

During the year, the Trust also purchased heat and light from Shetland Heat Energy and Power Limited amounting to £2,615 (2025: £2,538).

In the year to 31 March 2026 the SCT Renewables Limited invested £Nil (2025: £Nil) in Viking Energy Shetland LLP in which SCT Renewables Limited is a 90% partner.

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

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

17 Contingent Asset – SCT and Group

The charity has an indirect investment in VES LLP which is currently in discussions regarding an agreement that, if concluded, may result in future economic benefits to the limited liability partnership and onwards to the charity. At the balance sheet date, the agreement had not been executed and remains subject to final negotiation and approval by the relevant parties.

As the charity's entitlement to any economic benefit is dependent upon the successful completion and execution of the agreement, no asset has been recognised in these financial statements. The trustees consider it probable that the agreement will be concluded and that economic benefits will arise. However, as the agreement had not been executed at the reporting date and uncertainties remain regarding its final terms, no asset has been recognised in these financial statements.

17 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Critical accounting judgements in applying the Company's accounting policies

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

The Trust participates in the Shetland Islands Council Pension Fund which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust. In valuing the liabilities of the pension fund and the Trust's share of the scheme assets at 31 March 2026, assumptions have been made. The latest full actuarial valuation was carried out at 31 March 2023 and was updated for FRS 102 purposes to 31 March 2026 by a qualified independent actuary. The assumptions used are consistent with those prescribed for FRS 102.

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