

**Scottish Hydro - Electric Community Trust  
Trustees' report and financial statements  
For the year ended 31 March 2020**

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# Scottish Hydro - Electric Community Trust

Scottish charity number SC027243

## Trustees' report

The trustees are pleased to present the annual report and audited financial statements for the year ended 31 March 2020.

## Reference and Administration Information

Trustees

Secretary

Principal Office

200 Dunkeld Road  
Perth  
PH1 3AQ

Auditor

Morris and Young, Statutory Auditor  
Chartered Accountants  
6 Atholl Crescent  
Perth  
PH1 5JN

Bankers

Royal Bank of Scotland plc  
36 St Andrew Square  
Edinburgh  
EH2 2YB

Investment Managers

Rathbone Investment Management Ltd  
Port of Liverpool Building  
Pier Head  
Liverpool  
L3 1NW

# Scottish Hydro - Electric Community Trust

## Trustees' report (continued)

### Structure, Governance and Management

The Scottish Hydro-Electric Community Trust is an unincorporated charitable trust that was established under a trust deed dated 21 October 1997.

The Trust comprises the Chairman, Board of Trustees and the Secretary. The Board of Trustees are selected from inhabitants of the grant award territory who bring together a broad range of expertise and have an awareness of local community needs. The Trustees usually consider applications four times in the year or as business dictates.

The Trustees who acted at any time during the year and up to the date of this report were as follows:

The power of appointing and removing the trustees is vested in SSE plc.

### Training of Trustees

The Trustees are aware of relevant changes in legislation and financial procedures and understand the requirements and guidelines relating to the performance of trustees. During the financial year the Trustees received in-house training which covered the Scottish Governance Code for the Third Sector. Any further training is arranged as required.

### Objectives and activities

The charitable objectives of the Trust are:

- (a) to improve the condition and life of the inhabitants of that area of Scotland in which SSE Plc or its successors are authorised to transmit and distribute electricity;
- (b) to assist in securing the establishment of new or enhanced electricity supplies to such inhabitants by subsidising electricity connections, and those related to alternative or renewable energy sources to non-profit-distributing community projects, projects where the connection costs would be such as to prevent the project taking place; and
- (c) to make awards towards funding for domestic electricity connections, and those related to alternative renewable energy sources where there would be a positive impact on the community if the connection were to go ahead.

These objectives are achieved through the consideration of all grant applications received by the Trust at the periodic meetings of the Trustees. The grants are funded solely from the investment returns of the charity's investment portfolio.

The Trustees confirm that they have referred to the guidance contained in the Office of the Scottish Charity Regulator's (OSCRs) general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities and setting policies.

# Scottish Hydro - Electric Community Trust

## Trustees' report (continued)

### Achievements and performance

During the year the Trust has continued to meet its stated aims and objectives. 43 grants (2019: 53 grants) totalling £181,735 (2019: £150,955) have been paid to both individuals and community groups, enabling them to secure electricity supplies to rural areas. The Trust issues a twice-yearly Press Release to increase awareness of and number of grants awarded by the Trust. Details of grants payable are given in note 3 to the financial statements.

#### *Grants policy*

Community groups and members of the public can apply for grants to assist with the cost of connection to the network. The decision to make grant awards is made by the Trustees following receipt of an application and discussion of that application, and any further relevant information. The award is then approved or declined through a vote by the Trustees. It is the policy of the charity to make grant awards on the merits of each individual application whilst achieving their purpose of assisting domestic and community projects in the North of Scotland to procure electricity connections. The Board of Trustees meets periodically to consider these applications against the objects of the charity.

Successful applicants must adhere to a condition which requires applicants to notify the Trust if within five years of the grant they no longer live or occupy the address where the award was made. A post award audit was carried out during the year and the Trustees were pleased to note that most still lived or occupied the address where the award was made.

#### *Investment policy and performance*

The Trustees have determined that the Scottish Hydro-Electric Community Trust funds should be managed on a discretionary basis by an external investment manager in accordance with guidelines contained within The Charities and Trustee Investment (Scotland) Act 2005.

The investment strategy pursued by the Trust through its appointed investment manager, Rathbones, is consistent with a medium risk profile in line with Rathbones strategy 3 (scale from 1 to 6 with 1 representing lowest risk). This strategy aims to generate a return over time above the rate of inflation. The long term objective of this strategy is inflation plus 2%, with inflation measured by the Consumer Price Index.

The trustees expect investments in the portfolio normally to comprise of leading UK and international companies, Unit and Investment Trusts (collectives), including those investing in major international equity markets and fixed interest securities. The portfolio may include a proportion of medium or smaller sized companies, but investments should be suitable for a fund seeking growth of capital and income. Within the UK portfolio the emphasis should be on well-established dividend paying companies, while overseas investments may be predominantly accessed via collectives.

The Trust looks to grow the principal capital value of its investments in real terms, by way of dividend receipts and capital appreciation, and with reference to industry standard performance benchmarks. Within these terms the Trustees are prepared to give the investment manager tactical discretion over asset allocation, and have not included any specific ethical restrictions within the mandate.

This policy is to enable the trust to cover all expected grants payable within the period while limiting the risk of financial exposure. To date, the investment portfolio continues to perform in excess of this strategy and ahead of target. Income of £135,557 was achieved for the year (2019: £132,526), with an investment value of £4,327,962 at the year end (2019: £5,074,636).

#### *Risk assessment*

The Trustees have reviewed the major strategic, business and operational risks that the Trust faces during the year and confirm that systems have been established to mitigate these risks. During the year the Trustees updated the risk register and mitigations. One of the key risks relates to the investment policy and performance is detailed above. The Trustees also updated all policies and procedures to ensure compliance with the Data Protection Act 2018.

# Scottish Hydro - Electric Community Trust

## Trustees' report (continued)

### Covid 19

The Covid19 pandemic effects became evident towards the end of the financial year with an initial global downturn in all financial markets. Within weeks however there was a bounceback to more normal levels and, although the market remains fragile, the Trust is still in a reasonably comfortable position and able to cover all liabilities and provide the same level of grant giving going forward.

Throughout the 2019/20 financial year the trustees meetings were able to be held face to face. However, due to lockdown restrictions the March 2020 meeting was held via conference call. Any continued restrictions on travel and social distancing may require this system to continue for the foreseeable future to enable meetings to take place. The Secretary has also reported that all administrative services provided by SSE have continued without interruption.

### Financial review

The results for the year are set out in the statement of financial activities on page 10. The Trustees consider operations to be satisfactory. Net expenditure for the year was £728,927. (2019: Net Income of £99,425). Total funds at 31 March 2020 were £4,192,726 (2019: £4,921,653). The financial statements show a net current liability position of £135,236 (2019: £152,983).

### Reserves policy

The main reason for holding Fixed Reserves is to ensure that the Trust has sufficient incoming resources through total return from investments to fund the current level of applications which are approved. It is believed that the current level of applications is a good indicator of the level of future applications. It is therefore the Trustees' policy to maintain the level of funds under management at such a level in order to maximise the total return to the Trust and therefore the amount available for ultimate distribution.

The Trustees consider the Fixed Reserves to be the £1,500,000 capital received from SSE plc in 1998 plus the £750,000 donation from SSE Power Distribution in 2014 both adjusted annually for inflation. At 31 March 2020 the Fixed Reserves were £3,316,587 (2019: £3,251,556) and the Free Reserves were £876,139 (2019: £1,670,097).

There was a loss on investments incurred in the year of £656,834. This was mainly due to a downturn in the market value of many of the investments held by the trust during March 2020 following the impact of covid-19 lockdown restrictions.

### Administrative services

The Trustees wish to thank the staff of SSE plc who provides essential administrative, secretarial, and financial assistance. The Trust chairman and secretary are the key points of contact for these services, which are provided for no financial consideration.

### Plans for future periods

The Trust proposes to continue providing assistance to individuals and charitable institutions requiring electricity connections in the North of Scotland, subject to the grant award policy.

The stand alone trust website SHECT.org offers an online application facility to assist potential applicants. Currently more than three quarters of all applications are received via the website. The Trust will continue to issue a twice yearly press release, not only to highlight recent donation recipients, but to encourage further applications to the Trust.

The Secretary continues to ensure that the contents of the application form comply with OSCR best practice and the latest HMRC regulations and that the application form is modified accordingly.

# Scottish Hydro - Electric Community Trust

## Trustees' report (continued)

### Disclosure of information to auditor

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

### Auditor

Following a tender process, Morris and Young Chartered Accountants, 6 Atholl Crescent, Perth were appointed Accountants for a period of three years, commencing last year with the 2018/19 set of accounts

On behalf of the Board

R Brown  
Chairman

25<sup>th</sup> September 2020

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## Scottish Hydro - Electric Community Trust

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

Under charity law, the trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. 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*.

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

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 applicable UK Accounting Standards and 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 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 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 of the charity, within the framework of trust law. They are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). 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.

## **Independent auditor's report to the Trustees of Scottish Hydro-Electric Community Trust**

### **Opinion**

We have audited the financial statements of Scottish Hydro - Electric Community Trust for the year ended 31 March 2020 which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, comprising Charities SORP (FRS 102) and 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2020 and of its 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 Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

### **Basis for opinion**

We have been appointed as auditor under section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with the 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 sections 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 other 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.

### **Going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.



## Independent auditor's report to the Trustees of Scottish Hydro-Electric Community Trust (continued)

### Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees remuneration specified by law are not made; 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 6), the trustees are responsible for: the preparation of 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 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](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 trustees those matters we are required to state to trustees 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.

.....  
Morris & Young, Statutory Auditor

Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Chartered Accountants  
6 Atholl Crescent  
PERTH  
PH1 5JN

[Date] 29 SEPTEMBER 2020

## Scottish Hydro - Electric Community Trust

### Statement of Financial Activities for the year ended 31 March 2020

	Note	Unrestricted Funds 2020 £	Unrestricted Funds 2019 £
<b>Income and endowments from:</b>			
Investments	2	135,557	132,526
Other income		4,804	10,180
Total income		140,361	142,706
<b>Expenditure on:</b>			
Raising funds		(20,397)	(19,948)
Charitable activities	3	(192,057)	(160,823)
Total expenditure		(212,454)	(180,771)
(Losses)/Gains on investments		(656,834)	137,490
<b>Net (expenditure)/Net income</b>		<b>(728,927)</b>	<b>99,425</b>
Total funds brought forward		4,921,653	4,822,228
Total funds carried forward		4,192,726	4,921,653

All of the charity's activities are continuing.

All gains and losses in the year are included above.

The notes on pages 13 to 19 form part of these financial statements.

## Scottish Hydro – Electric Community Trust

### Balance Sheet as at 31 March 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Investments	6	4,327,962	5,074,636
		<u>4,327,962</u>	<u>5,074,636</u>
<b>Current assets</b>			
Cash at bank	9	19,945	6,437
		<u>19,945</u>	<u>6,437</u>
<b>Creditors: amounts falling due within one year</b>	8	(155,181)	(159,420)
<b>Net current liabilities</b>		<u>(135,236)</u>	<u>(152,983)</u>
<b>Net assets</b>		<u>4,192,726</u>	<u>4,921,653</u>
<b>The funds of the charity:</b>			
Unrestricted funds		<u>4,192,726</u>	<u>4,921,653</u>

The notes on pages 13 to 19 form part of these financial statements.

These financial statements were approved by the Trustees on 25<sup>th</sup> September 2020 and signed on their behalf by

R Brown, Chairman

Scottish Charity Reference: SC027243

## Scottish Hydro – Electric Community Trust

### Cash Flow Statement as at 31 March 2020

	Note	2020 £	2019 £
<b>Cash flows from operating activities:</b>			
<i>Net cash(used in) operating activities</i>	9	(211,889)	(159,230)
<b>Cash flows from investing activities:</b>			
Brokers handling charge		20,397	19,948
Cash transferred from Investment Manager		205,000	120,000
<i>Net cash provided by investing activities</i>		225,397	139,948
<b>Change in cash and cash equivalents in the reporting period</b>		13,508	(19,282)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		6,437	25,719
<b>Cash and cash equivalents at the end of the reporting period</b>		19,945	6,437

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# Scottish Hydro – Electric Community Trust

## Notes on the financial statements for the year ended 31 March 2020

### 1. Principal accounting policies

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

#### Basis of accounting

The financial statements are prepared under the historical cost convention as modified to include the revaluation of investment assets and are in accordance with applicable accounting standards, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), 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) (effective 1 January 2019) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Trust Deed.

The trust constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern.

#### 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 trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 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.

#### Investments

The investments held are a form of basic financial instrument and comprise of fixed income securities, equities, mutual funds and cash deposits, are stated at the market value at the balance sheet date. Fixed income securities held as part of pooled investment vehicles are stated at bid price for funds with bid offer spreads as provided by the investment manager. Unrealised gains and losses represent the movement in market values during the year and are credited or charged to the Statement of Financial Activities based on the market value at the year end. Realised gains and losses on investments are calculated as the difference between sales proceeds and their market value at the start of the year, or their subsequent cost, and are charged or credited to the Statement of Financial Activities in the period of disposal.

#### Investment income

Investment income is accounted for on the receivable basis.

#### Other income

Other income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

## **Scottish Hydro – Electric Community Trust**

### **Notes on the financial statements for the year ended 31 March 2020**

#### **Resources expended**

Resources expended are recognised on an accruals basis in the statement of financial activities include expenditure of grants payable (recognised by reference to date of approval), support costs and governance costs. These are charged as charitable expenditure as appropriate, being those expenses incurred in the ordinary operations of the charity. Raising funds include the costs incurred for investment management. These costs are regarded as necessary to generate funds that are needed to finance charitable activities. Charitable activities expenditure enables the Trust to meet its charitable aims and objectives. Expenses include irrecoverable VAT.

#### **Funds**

All of the Trust's funds are unrestricted and can be used for any purpose at the discretion of the Trustees as set out in the Trust Deed.

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## Scottish Hydro – Electric Community Trust

### Notes on the financial statements for the year ended 31 March 2020

#### 2. Income and endowments from: Investments

	2020 £	2019 £
Investments	135,557	132,526
Interest on cash at bank and on deposit	-	-
	<u>135,557</u>	<u>132,526</u>

#### 3. Charitable activities

Grants payable in the year comprised the following:

	2020 £	2019 £
Grants to individuals	71,695	147,671
Grants to institutions	110,040	3,283
	<u>181,735</u>	<u>150,955</u>
Governance costs (see note 4)	1,804	3,004
Support costs: including trustees' expenses (see note 5)	8,518	6,864
	<u>192,057</u>	<u>160,823</u>

All grants were for assistance with connection to the electricity network.

# Scottish Hydro - Electric Community Trust

## Notes on the financial statements for the year ended 31 March 2020

### 3. Charitable activities (continued)

Institutional grants in the year in excess of £1,000 were awarded as follows:

	2020 £	2019 £
Northmavine Community Development Company	8,250	
Plastic@Bay CIC	1,150	
Aboyne & District Mens Shed	9,416	
Tay Rowing Club	11,221	
Dingwall Mens Shed	7,650	
Rogart Development Trust	9,600	
Raasay Heritage Trust	6,050	
Tarland Development Group	1,950	
Raasay Development Trust	7,700	
Iona Village Hall Community Trust	13,000	
Cunningburgh & Districts Agricultural Society	9,000	
East Sutherland Rescue Association	13,150	
West Burrafirth Community Broadband Group	5,750	
Tresta Boating and Fishing Club	4,800	
The Findhorn Village Conservation	2,800	
St Fergus Community Pitch		3,735
GAIN, Eorpie Dunes Play Park		2,700
Tay Rowing Club		3,550
Kettins Parish Hall		6,300
Comunn Eachdraidh Nis		1,550
Rotary Club of Thurso		2,900
The Findhorn Village Conservation Company		2,800
	111,487	23,535

28 grants totalling £84,273 net were awarded to individuals in the year, ranging from £750 to £7,350 (2019: 45 grants totalling £156,185 net). Grants awarded but not taken up in the year were £12,500 (2019: £21,600). This consists of £12,500 of grants to individuals and £0 institutional grants.



## Scottish Hydro - Electric Community Trust

### Notes on the financial statements for the year ended 31 March 2020

#### 4. Governance costs

	2020 £	2019 £
Bank handling charges	4	4
Auditor's remuneration – audit of these financial statements	1,800	1,800
Auditor's remuneration – under provision of prior year	-	1,200
	<b>1,804</b>	<b>3,004</b>

#### 5. Employees and trustees

There were no employees of the Trust. The Trustees received no remuneration from the Trust during the year.

Expenses were reimbursed during the year to six Trustees and the Secretary, totalling £7,460 (2019: six trustees and the Secretary, totalling £5,921) and the Secretary. The Trustees held an additional meeting this year and 4 of the 5 meetings were held in Inverness. Included within Trustee expenses are costs relating to meeting room hire and Trustees' travel and subsistence.

#### 6. Investments

	Market Value at 1 April 2019 £	Additions £	Disposals £	Change in Market Value £	Market Value at 31 March 2020 £
Fixed income securities	1,405,707	204,810	(666,605)	(5,364)	938,548
Equities	2,894,924	893,150	(394,638)	(591,806)	2,801,630
Mutual Funds	654,112	397	(266,240)	(68,272)	319,997
Cash deposits	119,893	148,544	(650)	-	267,787
	<b>5,074,636</b>	<b>1,246,901</b>	<b>(1,328,133)</b>	<b>(665,442)</b>	<b>4,327,962</b>

There was 1 material investment, being those over 5% of the portfolio value, at 31 March 2020 (2019: 1).

Scottish Mortgage Investment Trust 7.3%

The historical cost of the investments held at 31 March 2020 is £4,282,764.

Investments are held for investment purposes.

# Scottish Hydro - Electric Community Trust

## Notes on the financial statements for the year ended 31 March 2020

### 7. Key risks

The main risk to the Trust is Investment Risk, exposing the Trust to market risk; credit risk; inflation risk; interest rate risk, and liquidity risk. The Trust manages its investment risk by retaining expert advisors, and by overseeing an investment policy that engages with a diversified range of investment assets listed on regulated exchanges.

Market risk, commonly referred to as 'systematic' risk, refers to adverse movements affecting the overall market in terms of changes in investment values or currencies which might reduce the Trust's income, or the value of its assets. The Trust's exposure to market risk in the SHECT portfolio is managed by its appointed advisors within an agreed investment mandate, to include investment assets designed to deliver returns with a lower correlation to equity market returns.

Credit risk refers to the possibility that bond issuers, or other counterparties, may not be able to meet their financial obligations to pay interest or repay capital in accordance with contractual terms. To mitigate credit risk, the SHECT portfolio includes direct exposures to developed market government bonds, higher rated investment grade corporate bonds, and more diversified exposures across the wider bond spectrum through the use of collective investments.

Inflation risk can be defined as the risk of the purchasing power of the Trust's assets being eroded by inflation over time. To combat this, the SHECT portfolio includes investments which offer the prospect of inflation-linked returns, and investments containing a growth element that might be anticipated to generate a 'real return' above the rate of inflation over the longer term.

Interest rate risk can be defined as the potential for the value of fixed-interest investments such as bonds to be affected by changes in interest rates. The Trust aims to mitigate interest rate risk through the use of non-term cash deposits, diversified bond strategies, variable rate bonds, and inflation-linked securities.

Liquidity risk is the risk that an investor cannot buy or sell an investment when desired, or at a reasonable market price. Liquidity risk for the cash and securities held within the SHECT portfolio is low. All listed securities and collective investments held are traded on regulated exchanges with good liquidity and high trading volumes. The SHECT portfolio holds no material investments in markets which are, or may be subject to exchange controls or trading restrictions.

### 8. Creditors: amounts falling due within one year

	2020 £	2019 £
Grants payable	153,277	156,698
Accruals	1,904	2,722
	<hr/>	<hr/>
	155,181	159,420

## Scottish Hydro - Electric Community Trust

### Notes on the financial statements for the year ended 31 March 2020

#### 9. Reconciliation of net movement in funds to net cash flow from operating activities

	2020 £	2019 £
Net income/(expenditure) for the reporting period	(728,927)	99,425
<b>Adjustments for:</b>		
(Gains)/losses on investments	656,834	(137,490)
Investment income	(135,557)	(132,526)
Increase/(Decrease) in creditors	(4,239)	11,361
<b>Net cash (used in) provided by operating activities</b>	<b>(211,889)</b>	<b>(159,230)</b>
	2020 £	2019 £
Cash in hand	19,945	6,437
<b>Total cash and cash equivalents</b>	<b>19,945</b>	<b>6,437</b>

#### 10. Analysis of Net Funds

	Net Funds at 1 April 2019	Cash-flows	Net Funds at 31 March 2020
	£	£	£
Cash at bank and in hand	6,437	13,508	19,945
<b>Net Funds</b>	<b>6,437</b>	<b>13,508</b>	<b>19,945</b>

#### 11. Key Management Personnel

The Trust considers its key management personnel comprise the trustees. The total employment benefits of the key management personnel were £nil (2019: £nil).

#### 12. Related party transactions

SSE plc provides administration services to the Trust for no consideration. An exact value for these donated services cannot be identified; however the Trustees are able to estimate the value with sufficient reliability to conclude it is not material.