

Jessica [Scotland] Trust

Trustee's report and financial statements

Registered charity number SC043048

31 March 2021

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Trustee's report

The Trustee submits its report and the audited financial statements for the period ended 31 March 2021. The Trust has been entered into the Scottish Charity Register and is entitled, in accordance with section 13[1] of the Charities and Trustee Investment [Scotland] Act 2005, to refer to itself as a Charity registered in Scotland.

Reference and administrative details

Charity Name	Jessica [Scotland] Trust
Registered Charity number	SC043048
Trustee	Foundation Scotland [from 1 April 2021] Resilient Scotland [until 1 April 2021]

The directors of Resilient Scotland Ltd are:

[REDACTED]	[REDACTED]
[REDACTED] [Chair]	[REDACTED]
[REDACTED] [resigned 21 January 2021]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	
Secretary	[REDACTED]
Protector	[REDACTED] Kemback Consulting Ltd 19/4 Union Street Edinburgh, EH1 3LR
Principal office	Empire House 131 West Nile Street Glasgow G1 2RX
Bankers	Royal Bank of Scotland Plc 36 St Andrews Square Edinburgh, EH2 2YB
Solicitors	Burness Paull LLP 50 Lothian Road Edinburgh, EH3 9WJ
Auditors	Henderson Loggie LLP 11-15 Thistle Street Edinburgh, EH2 1DF

Trustee's report *[continued]*

Structure, Governance and Management

Structure

Jessica [Scotland] Trust ["the Trust"] is a charitable Trust that was established by Deed of Trust dated 21st March 2012 and received charitable status from OSCR on 27th March 2012.

The Trust was established by Foundation Scotland, formerly the Scottish Community Foundation, with a Big Lottery Fund grant of £15 million as a source of funding in Scotland, over a ten-year period, with the purpose of supporting projects focused on urban and/or rural regeneration at a transformative scale in distinct communities.

Governance

Resilient Scotland Ltd ["RSL"] is the current Trustee of the Trust. RSL was incorporated by Companies House in November 2011 and itself received charitable status from OSCR on 6th March 2012. Board members of RSL meet at least four times per year and have responsibility for the approval of strategy, annual objectives, capital and revenue budgets, changes to professional advisers and the grant and loan distribution mechanism. They also have responsibility for approval of policies such as investment, grant and loan making, risk assessment and the reserves policy of the Trust. The Board has two sub-committees which focus on specific areas and have relevant duties delegated to them via a terms of reference. The committees are:

- Finance, Audit & Risk Committee [financial monitoring, audit & risk] (FAR)
- Investment Committee [community investments]

The Big Lottery Fund appointed a Protector of the Trust in August 2011 whose fiduciary duty is to seek to ensure the integrity of the administration of the Trust and the propriety of its procedures, and if necessary, to report matters of serious concern to the Big Lottery Fund.

Management

The day-to-day activities of the Trust are managed by Foundation Scotland who RSL has contracted to oversee the administration and grant and loan making activities and any associated appraisal and assessment activities.

Appointment, induction, and training of Trustees

The power to appoint Trustees is vested in the settlor of the Trust. The settlor has appointed RSL as the sole Trustee. Trustees are recruited to the Board of RSL under the terms of its Memorandum and Articles of Association and are selected to provide a breadth of skills, experience and influence across the main areas of activity of the Trust namely grant and loan making, and financial management. New Board members of RSL receive an introductory package of information about the charity and its latest set of annual accounts and training deemed appropriate to their role.

Risk management

Board members of RSL are responsible for the management of risks faced by the Trust. Risks are identified, assessed and controls established on an ongoing basis. The results of an annual risk assessment are considered by the Board on an annual basis together with the systems and controls to mitigate those risks. In addition, a formal in-depth review of the risk management processes of the Trust is undertaken every three years.

The key controls of the Trust include:

- Comprehensive business planning, budgeting and management accounting
- Established organisational structure and lines of reporting
- Formal written policies including authorisation and approval procedures
- Annual review of investment performance and existing policy

The Trustees have identified the following as being the areas of highest risk currently facing the Trust:-

Risk	Plans & strategy for managing the risk
Loss of key personnel.	Regular salary benchmarking, appraisals, and provision of development opportunities.
Failure to recover expected debts based on impact of Covid-19 on the portfolio of investees.	Regular reporting on the portfolio to FAR and Board, regular interaction with investees and provision of extra emergency grant funding.
Fraud by staff	Delegated levels of authority and the use of dual signatories on authorisation for electronic payments.

Objectives and Activities for public benefit

The Trustee shall hold and apply the Trust Fund for the relief of those living in Scotland who are in need by reason of poverty and the advancement of community development and urban and or rural regeneration in Scotland for the public benefit, and, in furtherance of these purposes but not otherwise, to pursue [without prejudice to the foregoing generality] the following activities:-

- Providing support for social enterprise initiatives that are controlled and directed by the local community;
- Providing support for schemes or projects that are designed to relieve unemployment by increasing the direct employment of local people;
- Providing support for schemes or projects that enable local people to regenerate the local area by educating local people in the establishment or development of trading opportunities which increase or grow locally based businesses, particularly where such support will assist in allowing a community to build a sustainable and improved economic, environmental and social future or where it will thereby relieve need caused by unemployment by increasing the number and variety of employers offering employment and training opportunities;
- Providing support for schemes or projects that improve the economic infrastructure in order to regenerate local communities by enabling small locally based contractors to benefit from larger contracting opportunities delivered through the Trust or elsewhere; and
- Providing a focus and stimulus for garnering community interest and engagement in significant regeneration plans and interventions in marginalised communities;

To achieve the above objectives the Trust provides loans and grants to organisations that would struggle to find funding from other sources for areas in most need. The rate of interest on loans and their structuring and term are competitive and flexible to help sustain these enterprises.

As part of its target to spend down the £15m received from the Big Lottery the Trust set itself a target of distributing £2.1m in the current year in grants and loans. A gauge of the social impacts would be measured throughout the year.

Grantmaking and loanmaking policy

The Trust's grantmaking and loanmaking policy is to make grants and repayable loans to community-led and community influencing organisations working to secure community regeneration outcomes within the 13 most disadvantaged local authorities in Scotland. These local authority areas have been identified according to their Scottish Index of Multiple Deprivation (SIMD) score and include Clackmannanshire, Dundee, East Ayrshire, Edinburgh, Fife, Glasgow, Inverclyde, North Ayrshire, North Lanarkshire, Renfrewshire, South Lanarkshire, West Dunbartonshire and West Lothian.

Achievements and performance

Resilient Scotland Limited received £15m from the Big Lottery Fund in 2012. The objective was to offer social enterprises in Scotland a blended finance model of grants and loans. Since inception we have awarded grants of £5.25m and made loans of £5.93m.

We currently have £5.21m in the bank of which £1.12m is committed to grant and loan applications already approved, leaving £4.09m for future activity.

As in any lending activity there is a bad debt element. We are lending specifically to what can be financially precarious social enterprises. To date loan write-offs have totalled £0.64m. Our current provisions for future bad debt totals £0.68m but we are forecasting an additional worst-case provision of £0.73m due to the Covid-19 pandemic. It is important to note that this is not cash we need to pay out but is cash already paid out but which we are unlikely to get back.

Since inception therefore, we have grown the original £15m by c22% to £18.27m [excluding administration costs] through loan repayments and investment interest. This demonstrates the power of the social finance re-cycling model.

Resilient Scotland consistently provides support to enterprises that have otherwise failed to secure timeous or appropriate finance. It enables organisations to sustain, develop and grow by also providing non-financial support through relationship management, mentoring and flexibility enabling enterprises to gain confidence in themselves, translating to better outcomes for their business.

Our unique blend of grant and loan gives enterprises, previously skeptical about debt products, the confidence to see how it would work for their organization and enables them to realise goals that were unattainable through other means. Riskier smaller investments provide a perfect bridge to debt finance for many organisations.

Resilient Scotland has managed to reach organisations in some of the most deprived areas of Scotland with over 50% of investments being delivered to enterprises in the lowest 20% of the Scottish Index of Multiple Deprivation [SIMD]. This aspect is a strong achievement and can be seen as an indicator of success when reconsidering the purpose of the organization and the outcomes that it was charged to deliver.

The finance from Resilient has improved the sustainability and enabled growth of the investees' businesses. More broadly and specifically, the main outcomes generated by the investees were in jobs and training opportunities created, especially for people on the periphery of the labour market.

There is huge diversity in the social impact achieved by our investees, but within this it is also possible to identify a number of common themes. These include for example the creation of community facilities, which are open to hire by groups, clubs and individuals, and which provide a setting in which community and social activity can flourish. Employment impacts are another area, including the creation of jobs [sometimes in significant numbers], the targeting of such jobs at disadvantaged groups in the labour market and the delivery of employability focused work with specific groups, for example with prisoners/people with an offending history. The creation of wide-ranging volunteering opportunities, providing a source of confidence and opportunity for participants is a further frequent theme.

As a learning organization, with time taken throughout the last nine years to re-evaluate our position and practice we have honed our approach, ensuring that applicants and investees receive the best service whilst adhering to a robust model of underwriting.

In the last 12 months Resilient Scotland has continued to provide support through a significantly difficult period for enterprises as the pandemic took a grip on daily life. The Covid-19 pandemic has had a significant impact on the social enterprise sector in Scotland. Many of the Resilient investees witnessed their businesses come to a standstill as opportunities for trade and development were stifled by the national lockdowns.

As the governments both in Holyrood and Westminster made financial packages of support available through furlough, bounce back loans and other initiatives, the decision was taken to pause new lending activity by Resilient Scotland as conditions were precarious both for the lender and the borrower alike. Instead, efforts and resources were focused on supporting current investees.

During this time, Resilient Scotland played an active role in supporting organisations to seek and access support to weather the challenging conditions and remain active as restrictions ebbed and opportunities to reactivate came and went.

Routes to support were sought for current investees to maximise external input, providing connections to agencies, offering comment on situations and solutions and simply offering stability whilst everything else seemed to constantly change. Organisations benefitted greatly from the experience of the Resilient team and their ability to offer flexibility and understanding as situations evolved.

Later in the year a recovery fund was made available to investees meeting certain criteria, offering grants of up to £25,000 to enable organisations to pivot and prepare for every eventuality. This was a successful programme, leveraging over £80,000 from Foundation Scotland's Covid-19 RRR Fund, thereby providing a total of £0.57m to 21 organisations.

Investees were able to pioneer new ways of working, adapting their businesses to new circumstances and in some cases deliver new initiatives that would have greater relevance in the Covid-19 influenced

marketplace. Not surprisingly, Covid-19 has led to an increase in rescheduling and payment freezes. 30 investees were put on payment freeze due to the pandemic, but 12 are back paying in full.

Further investments that had yet to be drawn were paused as organisations considered their relevance and affordability in the new circumstance. Work was carried out with these groups to reinforce a positive relationship and provide surety on the role of the Resilient investment in the future.

The longer-term effects of Covid-19 on the UK economy, the social enterprise sector and the demand for and ability of social enterprises to repay loans are uncertain. It is impossible to predict the longer-term impact of Covid-19 on their markets and activities. Where the impact on specific investees has become clear the bad debts provision has been adjusted.

Trustee's report [continued]
A summary of awards in the year

Organisation	Local authority area	Purpose of award	Grant awarded £
Action Porty	City of Edinburgh	To mitigate the impact of Covid-19	18,000
Beith Community Development Trust	North Ayrshire	To mitigate the impact of Covid-19	25,000
Broomhouse Centre	City of Edinburgh	To mitigate the impact of Covid-19	25,000
Circle Scotland	Dundee City	To mitigate the impact of Covid-19	25,000
Dundee East Community Sports Club	Dundee City	To mitigate the impact of Covid-19	25,000
GalGael Trust	Glasgow City	To mitigate the impact of Covid-19	25,000
Glad Café	Glasgow City	To mitigate the impact of Covid-19	25,000
Glasgow Media Access Centre	Glasgow City	To mitigate the impact of Covid-19	25,000
Greater Pollock	Glasgow City	To mitigate the impact of Covid-19	25,000
Health by Science	City of Edinburgh	To mitigate the impact of Covid-19	15,146
Homes for Good	Glasgow City	To mitigate the impact of Covid-19	25,000
Irvine Sports Club	North Ayrshire	To mitigate the impact of Covid-19	25,000
Kalopsia	City of Edinburgh	To mitigate the impact of Covid-19	25,000
Larder West Lothian	West Lothian	To mitigate the impact of Covid-19	25,000
Linwood Community Development Trust	Renfrewshire	To mitigate the impact of Covid-19	25,000
Showcase The Street	Dundee City	To mitigate the impact of Covid-19	25,000
Trade Right International	Inverclyde	To mitigate the impact of Covid-19	25,000
Whiteshawgate	North Lanarkshire	To mitigate the impact of Covid-19	9,000
YMCA Glenrothes	Fife	To mitigate the impact of Covid-19	25,000
Adjustments for Costs	-	Legal costs	[360]
Total Grants Paid			441,786
Accrued In year			
Factory Skatepark	Glasgow City	To mitigate the impact of Covid-19	25,000
Fairfield Community Sports Club	Dundee City	Towards the cost of a 3G pitch	40,000
Gladiator Programme	Glasgow City	To mitigate the impact of Covid-19	25,000
Kalopsia	City of Edinburgh	Refund of Legal Costs	365
Open Aye	Glasgow City	19/20 Grant not taken up	[13,333]
Total Grants Accrued			77,032
Total Grants			518,818
Organisation	Local authority area	Purpose of award	Loan awarded
Homes for Good	Glasgow City	To develop a property care business	110,000
Spartans Community Football Academy	City of Edinburgh	To contribute to a 3G pitch	120,000
Tayport Community Trust	Fife	To contribute to the development of a community hub.	60,000
Total Loans Paid			290,000

This makes £808,818 of funding that was offered to organisations during the period against the target of £2.1m and a total of £11,513,004 to date.

Trustee's report [continued]

Achievements and performance [continued]

Financial review

An analysis of the Trust's income and expenditure is included below:

Income

Dividend and interest earned for the period was £71k. This represented a drop of £132k on the previous year. Due to Covid-19, the majority of investees were on repayment freezes which impacted interest repayments. Investment income also dropped due to falling interest rates and reduced dividend income. The latter being impacted by the decision, in December 2020, to liquidate all investments as part of a treasury management rationalisation project.

Expenditure

Total expenditure for the period amounted to £1,527k. Grant expenditure totalled £519k and focused on supporting existing investees deal with the impact of Covid-19 on their businesses through the Covid Recovery Programme.

Administration & support costs totalled £245k - a reduction of £20k on the previous year. The reduction being driven by staff working from home and activities being carried out remotely. Loans written off increased by £174k on the previous year as businesses which were struggling prior to Covid-19 were unable to continue to trade. Provisioning increased as the trustees reviewed the bad debt provisioning methodology to take into account the long-term effects of Covid-19 on the loan book. Loans advanced during the period amounted to £290,000.

Investments and investment policy

The Trustee has absolute discretion in the investment of funds of the Trust and has agreed an investment strategy that places an emphasis on low-risk investments due to the ten year time frame of the programme delivery and the more front loaded nature of the budgeted expenditure. The Trustee has sought to achieve this by investing in a series of bank cash deposits spread by counterparty and by term of deposit together. The policy also includes the scope to invest in higher risk assets aimed at improving overall long-term returns if circumstances make this option appropriate.

Reserves policy

The reserves represent the net sums remaining from the £15m received from the Big Lottery in March 2012. These sums are held for the purpose of supporting projects focused on urban and/or rural regeneration at a transformative scale in distinct communities over the remaining period to March 2022. The Trustee has assessed the free reserves of the Trust in light of the likely future income and expenditure streams with particular reference to investment returns and grant and loan commitments and associated repayments and is content that it has sufficient reserves to meet its immediate commitments.

At 31 March 2021, the reserves of the Trust are £6,349,956 all of which were restricted.

Plans for future periods

April 2020 – March 2021 will be the final year that Resilient Scotland acts as the corporate trustee of the Jessica [Scotland] Trust and as such the company and the charity will be wound up. However, Foundation Scotland will become the new corporate trustee from April 2021 and will continue to offer social investment and ensure that the unique experience and expertise acquired in delivering a blended finance model to social enterprise across Scotland will continue.

Through the next year Foundation Scotland will develop plans to raise further capital, building on the institutional memory of Resilient Scotland and their own experience of working with philanthropic donors, trusts and corporates.

Disclosure of information to auditors

The Trustee who held office at the date of approval of this Trustee's report confirms that, so far as they are aware, there is no relevant audit information of which the Trust's auditors are unaware; and the 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 auditors are aware of that information.

Auditors

Henderson Loggie LLP have indicated a willingness to continue in office.

On behalf of the Trustee

[REDACTED]

Trustee on behalf of Foundation Scotland

[REDACTED]

[REDACTED]

[REDACTED]

8th July 2021

Statement of Trustee's responsibilities in respect of the Trustee's Annual Report and the financial statements

Under charity law, the Trustee is responsible for preparing the Trustee's Report and the financial statements for each financial year, which show a true and fair view of the state of affairs of the charity's excess of income over expenditure for that period.

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

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- states whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- prepares the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue its activities.

The Trustee is required to act in accordance with the trust deed of the charity, within the framework of trust law. It is 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 Trustee to ensure that, where any statements of accounts are prepared by them under section 44 of the Charities and Trustee Investment [Scotland] Act 2005, those statements of accounts comply with the requirements of regulations under that provision. The Trustee has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Trustee of Jessica [Scotland] Trust

Opinion

We have audited the financial statements of Jessica [Scotland] Trust [the 'charity'] for the period ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the 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, 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 charity's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment [Scotland] Act 2005 and Regulation 8 of the Charities Accounts [Scotland] Regulations 2006 [as amended]

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing [UK] [IISAs [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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustee's 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 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 Report of the Trustees, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities and Trustee Investment [Scotland] Act 2005 and the Charity 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' report; or
- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities 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 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 cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 the Act and relevant regulations made or having effect thereunder.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading correspondence with regulators including OSCR;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to loan provisions; and
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: employment law [including the Working Time Directive]; anti-bribery and corruption; and compliance with charity law.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs [UK]. For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or to recognise the non-compliance.

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

This report is made solely to the 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 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.

Henderson Loggie LLP

Chartered Accountants & Statutory Auditor

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

2021

[REDACTED]
[REDACTED]
[REDACTED]

Statement of financial activities [including income and expenditure account]

for the year ended 31 March 2021

	Notes	Total Restricted funds 2021 £	Re-stated Restricted funds 2020 £
Income and endowments			
Investment income	2	71,363	203,743
Total income		71,363	203,743
Expenditure			
Expenditure on charitable activities	3	1,527,502	1,539,070
Total expenditure		1,527,502	1,539,070
Gains/ [losses] on investments		15,215	[2,530]
Net expenditure		[1,440,924]	[1,337,857]
Total funds brought forward		7,790,880	9,128,737
Total funds carried forward	7	6,349,956	7,790,880

All of the charity's activities are continuing.

Trustee's report and financial statements
31 March 2021
Notes [forming part of the financial statements]

Balance sheet

at 31 March 2021

	Notes	2021 £	2021 £	Re-stated 2020 £	Re-stated 2020 £
Current assets					
Investments	4	-		1,780,571	
Debtors	5	1,727,065		2,408,851	
Cash at bank and in hand		5,212,409		4,363,002	
Total current assets			6,939,474		8,552,424
Creditors: amounts falling due within one year	6		[589,518]		[761,544]
Net assets			6,349,956		7,790,880
Funds					
Represented by:					
Restricted funds	7		6,349,956		7,790,880

These financial statements were approved by the Trustees on 8th July 2021 and were signed on its behalf by:



Trustee for Foundation Scotland

Statement of cash flows

for the year ended 31 March 2021

	Notes	2021 £	2020 £ Re-stated
Cash flows from operating activities:			
Net cash used in operating activities	9	<u>[1,017,742]</u>	<u>[1,840,033]</u>
Cash flows from investing activities:			
Dividends & interest from investments		71,363	203,743
Sale of investments		1,795,786	357,008
Purchase of investments		<u>-</u>	<u>[23,696]</u>
Net cash provided by / [used in] investing activities		1,867,149	537,055
Change in cash and cash equivalents in the reporting period		849,407	[1,302,978]
Cash and cash equivalents at the beginning of the reporting period		<u>4,363,002</u>	<u>5,665,980</u>
Cash and cash equivalents at the end of the reporting period		<u>5,212,409</u>	<u>4,363,002</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand		<u>5,212,409</u>	<u>4,363,002</u>

Notes [forming part of the financial statements]

1. Accounting policies

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

Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of investment assets and are in accordance with The Charities and Trustee Investment [Scotland] Act 2015, 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 [SORP FRS 102], The Financial Reporting Standard FRS102 and the Charities Accounts [Scotland] Regulations 2006 and the constitution of the Trust. The financial statements are presented in pounds sterling, which is the functional currency of the charity, and rounded to the nearest pound.

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

Going concern

The Trustee has considered the position for the next twelve months including the on-going impact of the Covid-19 pandemic and concluded that the use of the going concern basis of accounting is appropriate because there are no material uncertainties relating to activities or conditions that may cast doubt about the ability of the charity to continue as a going concern.

Income and endowments

Income is recognised once the charity has entitlement to the funds, it is probable that the income will be received, and the monetary value of income can be measured with sufficient reliability.

The Trust received an endowment of £14.92m from the Big Lottery Fund to be spent over a ten-year period commencing in 2012. Whilst there are certain conditions attached to this endowment, the Trustee is confident that these conditions will be met and as such the endowment will not be required to be repaid.

Investment income comprises of interest received on fixed term deposit accounts and the Trust's current account together with interest on loans advanced, accounted for on an accruals basis.

Expenditure

All expenditure is recognised on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to the relevant category of expenditure. The Trust is not registered for VAT and all expenditure categories therefore include irrecoverable VAT.

Funds

The Trust received a single endowment of £14.92m from the Big Lottery fund in March 2012 to be expended over a ten year period on projects in Scotland focused on urban and/or rural regeneration at a transformative scale in distinct communities.

Taxation

The Trust is recognised by the HM Revenue & Customs as a charity for the purposes of the Corporation Tax Act 2010 part 11 and is exempt from income and corporation tax on its charitable activities.

Investments

Investments are included at market value at the balance sheet date. Realised gains and losses, representing the difference between sale proceeds and market value at the previous financial year end, or purchase cost if acquired during the financial year, are dealt with in the statement of financial activities. Unrealised gains and losses, representing the movement in the market value of investments over the financial year, or from their date of purchase if acquired during the financial year, are dealt with separately in the statement of financial activities.

Financial instruments

Other than the loans, the Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Loans

Loans are shown on the Balance Sheet at current value.

Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of one year or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Provisions

Specific provisions against advances are recognised when a risk of non-recoverability is identified. Provisions made during the year, less amounts released, are charged to the Statement of Financial Activities and are netted off against advances reported in the Balance Sheet.

Contingent liability

A contingent liability is identified and disclosed for those grants and loans resulting from a present obligation following an award offer where settlement is dependent on the recipient fulfilling various stated terms and conditions; the outcome of which is uncertain.

Judgements in applying accounting policies and key sources of estimation uncertainty.

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The charity's key source of estimation uncertainty is the recoverability of loan debtors. These are determined using a risk profile matrix to calculate the risk of default for each loan issued. The risk of default determines the level of bad debt provision.

Restatement of loans following a change in accounting policy.

Upon reviewing the accounting policy for the valuation of public benefit concessionary loans provided by the charity the trustees have decided that a change in accounting policy is required to provide more reliable, appropriate, and relevant information of the loan debtors and the financial performance of the charity. Previously loan balances have been accounted for at the present value of the future value of repayments discounted at a market rate of interest, the trustees believe it is more appropriate to account for these loans at the amount paid less any impairment losses.

The change in accounting policy has been accounted for by restating each of the affected financial statement line items for the prior periods as follows:

Reconciliation of Funds

	Restricted Funds 2019 £	Restricted Funds 2020 £
Funds as previously reported	8,771,694	7,228,117
Reversal of discounting of loans	357,043	562,763
Re-stated funds	<u>9,128,737</u>	<u>7,790,880</u>

Reconciliation of income and expenditure

	Restricted Funds 2020 £
Net movement in funds as previously stated	[1,543,577]
Reversal of discounting of loans	205,720
Restated net movement in funds	<u>[1,337,857]</u>

2. Income and endowments

	2021 £	2020 £
Investment Income		
Bank interest	16,497	33,388
Dividend income	5,208	16,822
Loan interest	49,658	153,533
Total investment income	<u>71,363</u>	<u>203,743</u>

3. Expenditure on charitable activities

	2021 £	2020 £
Grants		
Start and Grow Programme	[13,333]	52,833
Making Enterprise Happen Programme	40,005	835,000
Covid Recovery Fund Programme	492,146	-
Total Grants	<u>518,818</u>	<u>887,833</u>
Administration, support costs & governance		
Foundation Scotland		
Inhouse grantmaking & loanmaking support	240,096	245,302
Other	4,932	20,642
	<u>245,028</u>	<u>265,944</u>
Other		
Professional fees	2,554	14,039
Miscellaneous	590	327
	<u>3,144</u>	<u>14,366</u>
Loans		
Provision for bad debt	522,143	306,199
Loans written off	210,641	35,998
	<u>732,784</u>	<u>342,197</u>
Governance		
Protector's fee and expenses	15,000	15,000
Audit fee	6,144	5,094
Legal & other professional fees	5,680	8,116
Other governance costs	904	520
	<u>27,728</u>	<u>28,730</u>
Total	<u>1,527,502</u>	<u>1,539,070</u>

3. Expenditure on charitable activities [continued]**Analysis of staff costs and remuneration of key management personnel**

The Trust does not employ any employees directly. A service level agreement is in place with Foundation Scotland who take responsibility for the day to day running of the Trust.

The Trust considers its key management personnel to comprise the Head of Resilient and an Investment Executive.

The total pay of key management in the year was £88,196 [2020: £79,622], total employer pension contributions were £3,292 [2020: £3,223] and the employer's NI was £9,747 [2020: £8,612]. There was one employee who received employee benefits of more than £60,000.

No trustees received any remuneration in the period [2020: £nil]. No expenses were paid to trustees of Resilient Scotland Limited for their attendance at board meetings - in 2020 £118 was paid to one trustee.

4. Investments

	2021	2020
	£	£
Market value as at 1st April	1,780,571	2,116,413
Additions/Cash Movement	[54,256]	16,688
Disposal proceeds	[1,741,530]	[350,000]
Net investment gain/[loss]	15,215	[2,530]
Market value as at 31 st March	-	1,780,571
Historic cost as at 31 st March	-	1,795,904

During the year, the trustees took the decision to move all the investments to interest-earning bank accounts as part of a treasury management rationalisation project.

5. Debtors

	2021 £	Restated 2020 £
Debtors due in less than one year		
Prepayments	479	3,115
Bank interest receivable	1,028	16,535
Current portion of loan receivable	636,385	831,332
	637,892	850,982
Debtors due in more than one year		
Loans receivable 2-5 years	1,524,786	1,624,833
Loan receivable greater than 5 years	970,016	816,522
	2,494,802	2,441,355
Bad debt provision	[1,405,629]	[883,486]
	1,727,065	2,408,851

There are 52 loans which make up the Loans Receivable balance. The repayment terms on the loan range from 3 months to 10 years with the majority being 10 years. The rates of interest on the loans range from 6.25% to 6.75%.

Loans under the Making Enterprise Happen programme [30 loans] are secured based on 25% of the value of the remaining balance.

6. Creditors: amounts falling due within one year

	2021 £	2020 £
Accruals	570,259	738,545
Grant and loan making contribution	19,259	22,999
	589,518	761,544

7. Analysis of charitable funds

	Balance brought forward £	Income £	Expenditure £	Gains & [losses] £	Balance carried forward £
Restricted funds					
Big Lottery Endowment	7,790,880	71,363	[1,527,502]	15,215	6,349,956
<u>2019-20 – Re-stated</u>					
Big Lottery Endowment	9,128,737	203,743	[1,539,070]	[2,530]	7,790,880

8. Big Lottery Endowment cumulative figures to date:

	2021	Restated 2020
	£	£
		Re-stated
Big Lottery grant	14,920,000	14,920,000
Interest and dividend income	2,027,303	1,955,940
Total income	16,947,303	16,875,940
Grants	5,673,528	5,154,710
Administration & support services	2,856,064	2,580,164
Loans written off	639,394	428,753
Total expenditure	9,168,986	8,163,627
Income less expenditure	7,778,317	8,712,314
Unrealised losses	[22,732]	[37,947]
Net funds	7,755,585	8,674,367
Bad debt provision	[1,405,629]	[883,486]
	6,349,956	7,790,880
Loans advanced	5,839,476	5,549,476

The Big Lottery Endowment Fund is a restricted fund to be spent over a ten-year period for urban regeneration in the 13 most deprived communities in Scotland.

9. Reconciliation of net expenditure to net cash flow from operating activities

	2021	Restated 2020
	£	£
Net expenditure per the Statement of Financial Activities	[1,440,924]	[1,337,857]
Gains]/Losses on investments	[15,215]	2,530
Interest and dividend income	[71,363]	[203,743]
Decrease/[Increase] in debtors	681,786	[272,118]
Decrease in creditors	[172,026]	[28,845]
Net cash used in operating activities	[1,017,742]	[1,840,033]

10. Related party transactions

One [2020: One] director of Resilient Scotland Ltd is also a director of Foundation Scotland. Payments to Foundation Scotland for the year for the day to day running of the Trust were £245,028 [2020: £265,944] with £19,259 outstanding at the year end [2020: £22,999].

One director was also a director of Freedom Bakery during the year who have received grant funding of £137,500 and loan funding of £150,000 in previous years. The value of the outstanding loan funding at the year end was £88,748. Capital and interest repayments of £15,838 and £6,078 respectively were received during the year.

One director was also a director of the Broomhouse Centre during the year who have received £250,000 and loan funding of £250,000 in previous years. The value of the outstanding loan funding at the year end was £244,905. Capital and interest repayments of £5,094 and £8,409 respectively were received in the year.

11. Contingent liabilities

Contingent liabilities relate to grants and loans awards offered during the year where settlement is dependent on the recipient fulfilling various stated terms and conditions; the outcome of which is uncertain.

	2021 £	2020 £
Grants	13,333	125,000
Loans	554,217	929,217
	<u>567,550</u>	<u>1,054,217</u>

12. Financial Instruments

	2021 £	2020 £
<u>Carrying amount of financial assets</u>		
Assets measured at fair value amortised through profit & loss	-	1,780,571

Assets measured at fair value through profit and loss comprise listed investments.

13. Ultimate controlling party

The ultimate controlling party is Resilient Scotland Limited.

14. Post Balance Sheet Events

With the agreement of the Settlor, Foundation Scotland has replaced Resilient as the corporate trustee for the Jessica [Scotland] Trust, from 01 April 2021. Foundation Scotland and Jessica [Scotland] Trust had an existing relationship, and this new formal arrangement will offer a real opportunity to re-capitalise the trust.