

Shetland Recreational Trust

'Shetland more active, more often'

Trustees' Report and Financial Statements
Registered number SC002179
31 March 2026

Shetland Recreational Trust

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Legal and Administrative Information

Charity number
SC002179

Principal address
Clickimin Leisure Complex
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Trustees
D H Thomson (Chair)
I Cluness
B Cumming
G P Keith
C Kirkness
A Y Leask
D Leask
K McMillan
M Summers
E Robinson
E Rathore
V Waghanna

Independent auditors
A.J.B. Scholes Ltd.
Chartered Accountants
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

Solicitors
Harper Macleod LLP
St Olaf's Hall
Church Road
Lerwick
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Bankers
Virgin Money
106 Commercial Street
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ZE1 0JJ

Management Team
R Geddes – Chief Executive
A Lyall – Head of Assets & Development (Seconded from November 2024)
Kerry Llewellyn – Finance Lead

Trustees' Annual Report - Introduction

The Trustees are pleased to present their annual Trustee's report and financial statements for the year ended 31 March 2026.

The Financial Statements have been prepared in accordance with the accounting policies set out in Note 1 to the accounts and comply with the Trust Deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (as amended for accounting periods commencing 1 January 2019) (the SORP).

Shetland Recreational Trust also prepares an Annual Report, which sets out details of all the services and activities during the year. The Annual Report relates to the 2025/26 Accounts. The Annual Report is available on our web-site at **http://www.srt.org.uk/about**

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.





Who we are

On 1 June 1982 the Clickimin Recreational Trust was established, and later changed to become the Shetland Recreational Trust (SRT). Its first facility, the Clickimin Leisure Complex was officially opened on 30 March 1985, after which additional centres opened across Shetland, culminating in the West Mainland Leisure Centre on 7 September 2002.

Shetland Islands Council (SIC) and the Shetland Charitable Trust (SCT) provided the initial capital funding necessary to create our eight centres, and SCT continue to provide annual revenue funding, and at times Capital Maintenance and other ad-hoc funding support.



Chairperson's Report

As Chair of Shetland Recreational Trust, I introduce our Annual Financial Statements for the year ending 31 March 2026.

I open with my sincere thanks to our staff, partners, funders and the wider community for their continued commitment and support during what has been an exceptionally challenging year. The professionalism, resilience and dedication of our staff and the encouragement of our customers have been instrumental in helping the Trust navigate this period of change while maintaining our focus on serving the people of Shetland. The contribution of our volunteer Trustees has, again, exceed that which could be expected.

Shetland is More Active More Often because of Shetland Recreational Trust. The user numbers, the case studies, the feedback given all show an organisation that is busy every day improving health, building connections and creating opportunities for people of all ages across these islands. The impact that our Trust has on the wellbeing of people across Shetland is invaluable and deserves protection.

At the start of 2025 Trustees learned the main funding offer for the 2025 to 2030 period. The proposed agreement for the use of rural facilities by Shetland Islands Council also remains unfinished. Throughout 2025 Trustees carefully considered the long-term sustainability of the organisation in the face of increasing operating costs, rising utility prices, significant maintenance requirements and our challenging financial projections. Following extensive financial modelling and consideration of all available options, the Trustees took the difficult and unwelcome decision to cease operating Scalloway Swimming Pool with effect from 1 April 2026.

Over the last several years the Trust has been proceeding through the steps of the approved Turnaround Plan enacted in 2023 while we faced imminent insolvency. Actions already implemented included reducing our management structure (involving voluntary and compulsory redundancies), reduced opening hours or days at all sites, changes to duties and suppliers, new plant, and further changes. The 12% reduction in staffing was described by Trustees as cuts not just "to the bone" but into it. SRT staffing has been on the edge of safe operating levels with zero resilience.

Shetland Recreational Trust has proudly operated and maintained eight leisure and recreational facilities across Shetland for decades, providing opportunities for recreation, health improvement, sport and community wellbeing. The decision to reduce the number of facilities operated was not taken lightly. However, Trustees are legally required to act in their charity's best interests and to ensure financial sustainability. Trustees have a legal obligation to make difficult decisions to serve the best interests of the charity first and before any public or beneficiary.

The Trust's charitable objects are centred on providing and promoting recreational opportunities that improve the health and wellbeing of the people of Shetland. In reaching its decision, the Board concluded that continuing to operate eight facilities at a significant and increasing financial deficit would place the wider organisation and its ability to fulfil these charitable objectives at risk. By concentrating our limited resources on the remaining facilities, the Trust is better positioned to continue providing high-quality leisure services that are financially sustainable and accessible to the wider community.

Trustees fully acknowledge the impact that the closure of Scalloway Swimming Pool will have on local residents, schools and community groups who have relied upon the facility for recreation, exercise and swimming education. Recognising the importance of these services, staff have worked tirelessly to minimise disruption by reprovisioning activities across the Trust's remaining facilities wherever possible. Every effort has been made to maintain access to swimming lessons, programmes and community activities, ensuring that the effect on users is reduced as far as reasonably practicable.

From a financial perspective, the closure represents a necessary step in safeguarding the future of the Trust. The operation of facilities require increasing levels of revenue subsidy alongside substantial future capital investment that could not be sustained without compromising the operation of the wider estate. While the decision has been difficult, it will strengthen the Trust's financial resilience, reduce ongoing operating losses and enable investment to be focused on maintaining and improving the remaining leisure facilities for the benefit of current and future generations.

Despite the reduction in the number of facilities operated, Trustees are confident that the Trust will continue to meet its charitable obligations. The decision ensures that Shetland Recreational Trust remains in a strong position to deliver high-quality leisure services, promote healthier lifestyles and provide lasting community benefit across Shetland.

As we look ahead, Trustees remain committed to ensuring that Shetland Recreational Trust continues to provide sustainable, high-quality leisure opportunities that enhance the health, wellbeing and quality of life of our communities for many years to come.



David Thomson **Date** 21/09/26

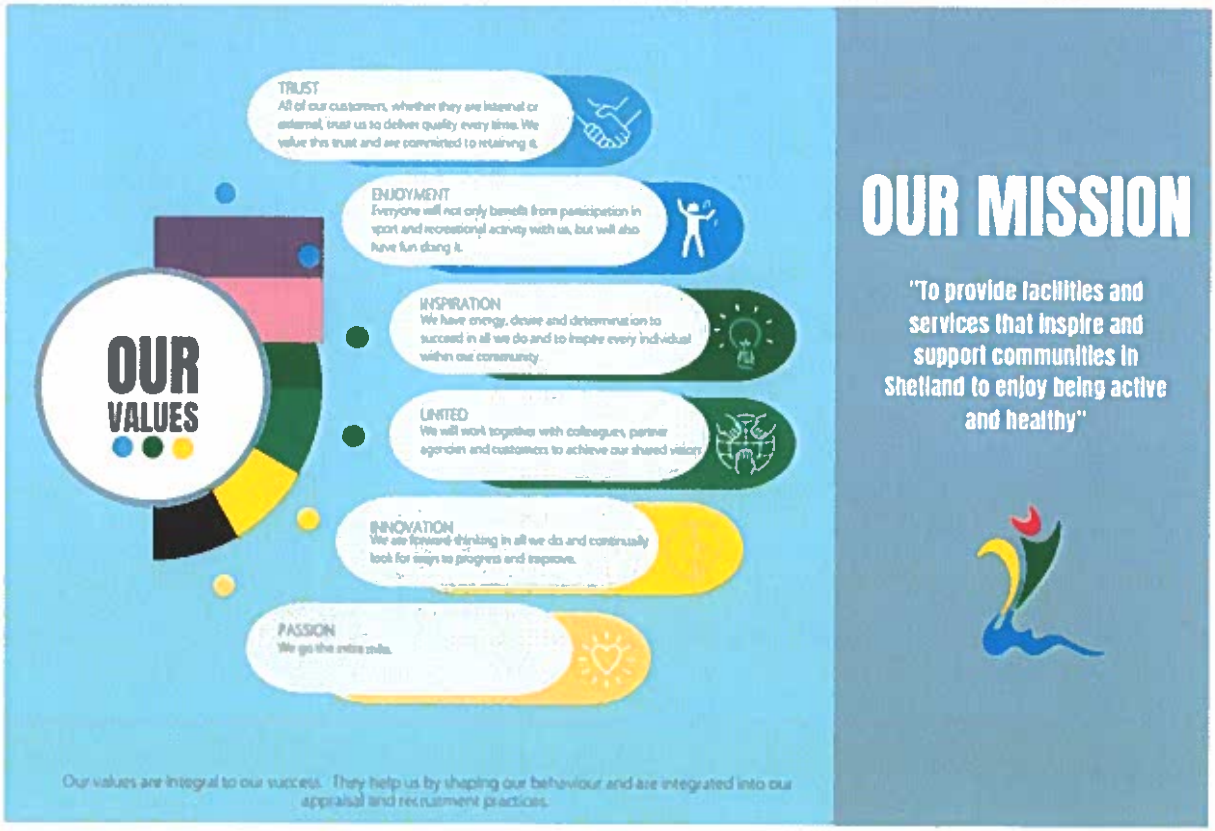
Chair – Shetland Recreational Trust

Charitable Objects

The **Charitable Objects** for which the Trust is established are:

- To provide, or assist in the provision of, facilities in the interest of social welfare for recreation and leisure time occupation with the object of improving the condition of life for the inhabitants of the Shetland Islands;
- In particular to secure the establishment, maintenance and management of a Recreational Centre at Clickimin, Shetland for activities in furtherance of this; and
- The Trustees shall hold the Trust Fund at their sole discretion to make grants, loans or payments out of the income or capital of the Trust Funds for these objects or any of them or for such other purpose or purposes charitable in law solely for the benefit of the Shetland Islands or of the inhabitants of those islands as the Trustees shall from time to time determine.





Our Strategy Plan for 2025-2030 identifies the following objectives:

1. Delivery of a sustainable, affordable and accessible facilities and services across Shetland.
    - Identify a sustainable model of facilities to ensure the delivery of leisure in Shetland for the long term
    - Remove barriers to enable customers to access facilities and activities
    - Work with communities to ensure facility operating hours meet their requirements
    - Work with clubs/partners to improve the service offer and facilities available

2. Maximise usage and increase income to re-invest in our facilities and services.
    - Continuously work with communities to ensure membership options are attractive to all
    - Increase the number of memberships sold via More4life
    - Continue to promote the SRT Access2leisure scheme to remove barriers to facilities and activity
    - Ensure programming maximises resources available

3. Deliver high standard of facilities and customer experience
    - Monitor experience through survey, feedback and community focus groups
    - Invest in technologies to make the customer journey more streamlined
    - Ensure our people are qualified to deliver programme
    - Work towards net zero objectives within infrastructure, policy and procedures

4. Finance
    - Evaluate the strategic risks to ensure the viability of the Trust with mitigating measures and proposals
    - Improve financial sustainability; and
    - Provide continuous and on-going assurance through audit functions.

Review of Achievements and Performance



Financial Review

The financial position of the Trust is set out on pages 18 to 21.

Shetland Recreational Trust received a significant proportion - 55% (2025: 59%) of its income by way of a grant from SCT, its main funder.

Following another difficult year in 2024/25, the Trust budgeted for a modest surplus of £5,756 in the 2025/26 financial year.

The Trust achieved a net surplus of £119,988 (2025: deficit of £5,368,745) on unrestricted funds, and a net deficit of £779,966 (2025: £511,109) on restricted funds.

A depreciation charge of £817,044 (2025: £788,704) has been made against the restricted fund which was provided for the purpose of the construction of the Trust's tangible fixed assets.

Taking these results together, covering both unrestricted and restricted funds, the net movement in funds for the year was a net expenditure of £659,978 (2025: £5,879,854).

At 31 March 2026, the Trust has an overall funds balance, for restricted and unrestricted funds, of £20,568,172 (2025: £21,228,150).

The financial statements have been prepared on the going concern basis, and no conditions have been identified which constitute a material uncertainty. See note 1 for further information.

Risks are mitigated by the Risk Management Strategy.

Risk Management

The Shetland Recreational Trust Risk Register is agreed by the Trustees and monitored at regular intervals during Board meetings.

In recent years the Board of Trustees had to react to crisis situations of finance, with the risk register showing several red level risks. The Board have made some big decisions to ensure the continued sustainability of the Shetland Recreational Trust, notably deciding to reduce the number of facilities they operate from eight operational sites to seven with the closure of Scalloway Pool with effect from 1 April 2026.

The risk register has been updated, with risks reassessed following the implementation of changes to the SRT's delivery model for activities and facilities. To date the risk register has two unmitigated red risks but with mitigation and controls in place there are no red level risks identified.

Due to a return to normal calendar of Board meetings, the Trustees agreed to re-introduce a risk sub-group who will monitor risk management of the Trust and report back any findings to the full Board meeting. The intention is to ensure the Trust continues to provide a positive risk management and health and safety culture within the organisation.

Our Risk Register includes the following risk category headings:

- Governance and Compliance
- Financial
- Staffing
- Assets
- Health and Safety
- Operational
- External/Reputational

We have an extensive estate, from which we provide our services to the Shetland community. The annual maintenance programme is created using information in the 30-year Asset Renewal and Maintenance Plan. This complements the knowledge of the staff at each location and the in-house technical services team. The annual programme of work is set in line with budget availability and is reviewed regularly by Trustees.

Reserves Policy

The Trust's reserves principally consist of a Restricted Fund and an Unrestricted Fund. The Restricted Fund includes the General Fund and Capital Fund. The Unrestricted Fund consists of the General Reserve, Partnership Development Fund, Facility Reserve, and the Pension Reserve.

The stated intention of the Trust's Reserves Policy is that the Trust will work towards securing adequate reserves to meet current and potential future needs and aspirations. The charity is aiming to have 3 months operating costs as unrestricted/general reserves which would be approximately

£2.2m. Current unrestricted reserves fall short of this target and the plan is to work towards this over the current 5 year funding cycle.

The reserve movements are shown in notes 10 and 11.

The net value of reserves at the year end was £20,568,172, comprising £19,606,241 in restricted funds and £961,931 in unrestricted funds. This is a decrease over the previous year's net reserves of £21,228,150.

Going Concern Statement

The Trust continues to work on its future business model to ensure it is fit for purpose and has resilience for coming years. The work already completed means that the Trust is in a position where the budget for 2026/27 shows a small surplus and it is expected this can be achieved. The confirmed support from Shetland Charitable Trust to 2030 has also given further confidence in the future.

Based on the above, and positive cash flow projections to 31st October 2027, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. As a result, the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

Plans for the Future

The Trustees have set the SRT strategy, aligned to the funding received with the focus on developing a sustainable model to protect the long-term future of the Trust and to support and develop staff of the Shetland Recreational Trust.

Our plans for 2026/27 include:

- To implement and operate the new facility and staffing model of seven operational sites and a maintenance department for the Shetland Recreational Trust.
- Ensure the initial impact on access to facilities and activity is minimised across Shetland with the reduction of operational sites.
- Work closely with partners to enhance the opportunities for all in the Shetland community to access facilities and activities for all ages and ability.
- Finish the review of the membership model considering feedback of the customer and data associated to the use of membership over the last 5 years, with the aim to grow the membership number and deliver a model that meets the needs of the communities of Shetland.
- Complete the planned maintenance programme to ensure compliance with statutory requirements, improved customer service, longevity of facilities and to implement efficiencies where they can be achieved.
- Finalise contract agreements with partners at the Shetland Islands Council for the provision of PE facilities across our six rural facilities
- Continue to engage with key stakeholders to ensure we meet all required outcomes agreed with the SCT
- Complete projects with our leisure management systems to improve the customer experience whilst finding efficiencies in automating some processes

Our Structure, Governance and Management

Shetland Recreational Trust was constituted under a Deed of Trust registered in Edinburgh on 28 April 1982. Charitable status is conferred by HM Revenue & Customs based on the Trust Deed. A

Supplementary Deed and Deed of Appointment were also registered in Edinburgh on 12 January 2011. The Trust's charity registration number is SC002179.

New applications for appointment to the position of Trustee are sought through public advertisement and a recruitment process to ensure that the Trustees have the appropriate skills, knowledge and experience to suit the needs of the Trust. The Trustees also have the power to assume new Trustees, if they so wish.

The Board of Trustees administers the charity and they met six times during the reporting period. The Board agrees the broad strategy and activity for the year ahead including approval of policies, budgets, reserves, risk management and performance arrangements.

Upon appointment, new Trustees discuss their role, responsibilities and training needs with the Chairman and Chief Executive. The overall governance arrangements are contained in a Trustee Handbook which is made available to each Trustee. The Trustee Handbook includes all the legal obligations of Trustees as well as relevant policies and best practice guidance from appropriate sources, such as the Office of the Charity Regulator (OSCR).

The Chief Executive, who is appointed by the Trustees, manages the day to day operations of the Trust on behalf of the Trustees. The Chief Executive has authority, within the terms of delegation approved by the Trustees, for operational matters including finance, employment and programming.

The Trust is part of Scottish and UK based networks of leisure based organisations which means access to expert help and guidance on many aspects of operating leisure centres.

Key Management Personnel Remuneration

The Trustees, Chief Executive, Head of Assets & Development (currently on secondment) and outsourced finance support make up the key management of the Trust. Trustees are volunteers and give freely of their time. The total benefits of the paid key management were £292,082 (2025, £297,194). Except for the outsourced finance support, these figures are included within the totals in Note 5 to the accounts.

Details of trustee expenses and related party transactions are disclosed in notes 5 and 13 to the accounts.

The Trust has a Conflict of Interest Policy and maintains an up to date register of interests. Trustees withdraw from decisions where a conflict of interest arises.

Staff pay and remuneration, including the senior management team, is set by Trustees. It is based on a national framework for job evaluation, called Croner. Annual pay awards are linked to the Scottish Joint National Council negotiating arrangements.

Statement of Trustees' responsibilities

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 charity and of the excess of expenditure over income 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;
- observe the methods and principles in the Charities SORP;
- 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 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, 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, 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.

Approved by the Trustees on 21 September 2026 and signed on their behalf by:

D H Thomson
Chairman

Independent Auditor's Report

Independent auditor's report to the Trustees of Shetland Recreational Trust

Qualified Opinion

We have audited the financial statements of Shetland Recreational Trust (the "charity") for the year ended 31 March 2026 which comprise the statement of financial activities, the balance sheet, the cash flow statement, and the related notes, including a summary of significant accounting policies. The financial reporting framework 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, and the requirements of the Charities SORP (FRS 102).

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2026 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 requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for Qualified Opinion

As explained in note 1 to the financial statements, the charity carries the Scalloway Pool property at £736,555 as at 31 March 2026. The property closed to the public on 31 March 2026 and no valuation has been carried out as yet and remains in the financial statements at net book value.

We were unable to obtain sufficient appropriate audit evidence to support the basis of the value of the property at 31 March 2026 following closure and the future of the property remains uncertain. We were also unable to satisfy ourselves as to the carrying amount by alternative audit procedures. Consequently, we were unable to determine whether any adjustment was necessary to the carrying amount of the asset, and specifically a potential impairment charge is required, and if there is an impact on relevant fund balances and the charity's net assets.

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 relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the charity 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 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 charity 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 trustees' annual report, other than the financial statements and our auditor's report thereon. The charity 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 this 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 it 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 the other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section, we were unable to obtain sufficient appropriate audit evidence concerning the valuation of the Scalloway Pool property. Accordingly, we are unable to conclude whether the other information is materially misstated with respect to this matter.

Matters on Which We Are Required to Report by Exception

Arising solely from the limitation described in the Basis for Qualified Opinion section, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit. We have nothing else 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:

- Except for the matter described in the Basis for Qualified Opinion section of our report, 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;
- the financial statements are not in agreement with the accounting records; or
- Except for the matter described in the Basis for Qualified Opinion section of our report, we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the statement of charity trustees' responsibilities on pages 12 and 13, the charity trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework described above and for such internal control as the charity 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 charity 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 charity trustees either intend to wind up 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

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 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 audit engagement team:

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Charities SORP (FRS 102), Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), 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, performing a review of the VAT treatment of income and expenditure.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to the Data Protection Act 1998, Employment law and Health and Safety at Work Act 1974. We performed audit procedures to inquire of management whether the charity is in compliance with these laws and regulations and inspected the risk register for controls in place as well as relevant policies and procedures and relevant website and national registers. We tested payroll transactions and evaluated the compliance with employment law.

The audit engagement team identified the risk of management override of controls and revenue recognition (completeness of operating income) as the areas 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, challenging judgments and estimates. In relation to revenue recognition we have performed comparisons year on year and to operational reports to confirm completeness of operational income.

Because of 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 is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

A.J.B. Scholes Ltd.

A.J.B. Scholes Ltd,

Statutory Auditor

Chartered Accountants

St Olaf's Hall

Church Road

Lerwick

Shetland

ZE1 0FD

Date: 21 September 2026

A.J.B. Scholes Ltd, is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of financial activities

for the year ended 31 March 2026 (incorporating the income and expenditure account)

	Note	Unrestricted funds £	Restricted funds £	Total funds 2026 £	Total funds 2025 £
Income From:					
Charitable activities:					
Leisure and recreation services	2	2,900,042	3,690,000	6,590,042	6,711,792
Donations and legacies	2	15,033	156,512	171,545	522,236
Investments		24,673	-	24,673	21,527
Other income	2	-	-	-	24,203
Total		**2,939,748**	**3,846,512**	**6,786,260**	**7,279,758**
Expenditure on:					
Charitable activities					
Leisure and recreation services	3,11	(2,125,344)	(4,627,894)	(6,753,238)	(7,502,612)
Total		**(2,125,344)**	**(4,627,894)**	**(6,753,238)**	**(7,502,612)**
Net Income/(Expenditure)		**814,404**	**(781,382)**	**33,022**	**(222,854)**
Transfer between Funds		(1,416)	1,416	-	-
Other recognised gains /(losses):					
Actuarial gains/(losses) on defined benefit pension scheme	12	(693,000)	-	(693,000)	(5,657,000)
Net movement in funds		**119,988**	**(779,966)**	**(659,978)**	**(5,879,854)**
Reconciliation of funds					
Total funds brought forward		841,943	20,386,207	21,228,150	27,108,004
Total funds carried forward	10, 11	**961,931**	**19,606,241**	**20,568,172**	**21,228,150**

All activities arose from continuing operations. The unrestricted general fund includes the income and expenditure wholly and exclusively related to the running of the Trust's leisure centres. The £1 capital on formation is also included within the unrestricted general funds. The transfer between funds relates to an adjustment in respect of the funding of capital expenditure.

Governance costs are included in expenditure on Leisure and Recreation services.

Balance sheet

as at 31 March 2026

	Note	2026	2025
		£	£
Fixed assets			
Tangible assets	6	**19,637,203**	**20,386,207**
Total Fixed Assets		**19,637,203**	**20,386,207**
Current assets			
Stocks		13,618	11,472
Debtors	7	179,963	918,259
Cash at bank and in hand		1,453,205	560,953
Total Current Assets		**1,646,786**	**1,490,684**
Liabilities			
Creditors: amounts falling due within one year	8	(533,400)	(648,741)
Net current assets		1,113,386	841,943
Provision for liabilities	15	(182,417)	-
Total assets less current liabilities and net assets excluding pension asset		**20,568,172**	**21,228,150**
Defined benefit pension scheme asset	12	-	-
Total Net Assets		**20,568,172**	**21,228,150**
Funds			
Unrestricted funds - general fund	10	**961,931**	**841,943**
Restricted capital funds	11	**19,637,203**	**20,386,207**
Restricted income funds	11	**(30,962)**	-
Total funds		**20,568,172**	**21,228,150**

These financial statements were approved by the board of Trustees on 21 September 2026 and were signed on its behalf by:

D H Thomson
Chairman

The notes on pages 21 to 38 form part of these financial statements.

Cash flow statement

for the year ended 31 March 2026

	2026 £	2026 £	2025 £	2025 £
Net cash inflow/(outflow) from operating activities (see page 21)		**935,619**		(182,921)
Cash Flows from Investing Activities:				
Interest	**24,673**		21,527	
Purchase of property, plant and equipment	**(68,040)**		(282,375)	
Net cash (used in)/provided by investing activities		**(43,367)**		(260,848)
Net increase/(decrease) in Cash and Cash Equivalents in the reporting period		**892,252**		(443,769)
Cash and Cash Equivalents at the beginning of the reporting period		**560,953**		1,004,722
Cash and Cash Equivalents at the end of the reporting period		**1,453,205**		560,953

Notes to the cash flow statement

Reconciliation of net expenditure to net cash flow from operating activities

	2026	2025
	£	£
Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)	**33,022**	(222,854)
Adjustments for:		
Depreciation charges	**817,044**	788,704
Loss on disposal of fixed assets	**-**	4,780
Pension costs less contributions payable	**(693,000)**	(131,000)
Interest	**(24,673)**	(21,527)
Increase in provisions	**182,417**	-
(Increase)/Decrease in stocks	**(2,146)**	398
Decrease/(Increase) in debtors	**738,296**	(785,458)
(Decrease)/Increase in creditors	**(115,341)**	184,036
Net cash inflow/(outflow) from operating activities	**935,619**	(182,921)

Analysis of Cash and Cash Equivalents	**At 31 March 2025**	**Cash flow**	**At 31 March 2026**
	£	£	£
Cash at bank and in hand	560,953	**892,252**	1,453,205
Total Cash and Cash Equivalents	560,953	**892,252**	1,453,205

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 Trust's financial statements, except as noted.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. They have been prepared to comply in all other respects with the provisions of the Trust Deed, Statement of Recommended Practice 2019 'Accounting and Reporting by Charities', the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006, as amended.

The functional currency of Shetland Recreational Trust is considered to be pounds sterling because that is the currency of the primary economic environment in which the charity operates. All figures within the financial statements are rounded to the nearest pound. Shetland Recreational Trust meets the definition of a public benefit entity under FRS102. The financial statements have been prepared in compliance with FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

Going concern

The Trust continues to work on its future business model to ensure it is fit for purpose and has resilience for coming years. The work already completed means that the Trust is in a position where the budget for 2026/27 shows a small surplus and it is expected this can be achieved. The confirmed support from Shetland Charitable Trust to 2030 has also given further confidence in the future.

Based on the above and positive cash flow projections to 31st October 2027 the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. As a result the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Notes *(continued)*

Buildings	over 25 - 50 years
Plant and equipment	over 3 – 5 years
Artificial Pitch,	over 20 years
Containers	over 30 years
Bike Shelter	over 20 years
Clickimin 60:40 facility	over 25 years
Climbing Wall	Over 15 years

No depreciation is charged on land.

Expenditure incurred on the acquisition of tangible fixed assets is capitalised irrespective of its value, except in respect of plant and equipment which is only capitalised above £10,000 with no grouping applied to purchases below this value. Gains and losses arising on disposals of fixed assets purchased from capital grants are credited or charged to restricted funds.

Grants receivable

Grants receivable for the construction of tangible fixed assets, and the interest receivable on those grants pending deployment, with the exception of interest applied in meeting the mobilisation cost of fixed assets, are treated as construction capital. Grants receivable for specific revenue purposes, mainly running costs grants, are recognised when control over the economic benefits has passed, and it is more likely than not that benefits will flow and monetary amount can be measured reliably.

It is released to incoming resources only when the related expenditure has been incurred.

Centre operating income and investment income

Income generated from the operation of the Trust's leisure centres and investment income is recognised in the year in which it is receivable.

Expenditure

All expenditure is accounted for on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All of the expenditure incurred in connection with the operation of the Trust's leisure centres, including related support and governance costs, is recorded as charitable activities.

Fund accounting

Unrestricted income funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the Trust's charitable objects.

Restricted income funds are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the provider of grant funding.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes *(continued)*

Employee benefits

The cost of unused holiday entitlement is recognised in the period in which the employees' services are received.

Pension costs

The Trust participates in the local government pension scheme operated by Shetland Islands Council. This scheme provides benefits based on career average pay. The assets of the scheme are held separately from those of the Trust in an independently administered fund.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The retirement benefit obligation recognised represents the deficit or surplus in the defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. The net return obtained on scheme assets is recorded as investment income. Actuarial gains and losses are recognised immediately in other recognised gains and losses.

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.

Value Added Tax

The Trust is partially exempt for VAT purposes. Irrecoverable VAT is charged to the relevant expense or capitalised as part of fixed assets, where appropriate. The amount of VAT recoverable is determined based on the Trust's split of income in the prior year, and adjusted when the annual VAT recovery position is finalised.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable within three months, 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.

Notes *(continued)*

Measurement of Financial Assets and Liabilities

The measurement bases and accounting policies used for financial instruments are:
Cash is measured at the value of the cash held and Bank deposits are measured as the cash amount of the deposit.

Debtors and creditors, including trade debtors (trade accounts and notes receivable) and trade creditors (trade accounts and notes payable), are measured at their settlement amount after any trade discounts (provided normal credit terms apply).

Critical Accounting Estimates and Areas of Judgement

The following judgements and estimates have had the most significant effect on the amount recognised in the financial statements.

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual value of the assets. These are re-assessed and amended when necessary. The net book value of assets is shown in note 6.

The trust participates in a defined benefit pension scheme which is currently in an asset position. On 31 March 2026 the asset recognised in the accounts was nil (2025: nil). Changes to the actuarial assumptions could result in material changes within the next financial year. On the recognition of pension scheme assets, the Trust have not recognised the pension scheme asset as the impact of the asset ceiling is to reduce the net pension asset to nil.

The Scalloway Pool was closed in the year. Management has assessed whether the carrying value of the Pool remains recoverable at the reporting date. Given the specialist nature of the asset, management considers impairment assessment to be a significant area of judgement. Based on the assessment performed, management has determined that the recoverable amount for the Scalloway Pool is £736,555, compared with a carrying value of £736,555, accordingly no impairment has been recognised.

Management are satisfied that the assumptions applied are reasonable and supportable based on information available at the reporting date. However, due to the uncertainty associated with the future plans for the building, the valuation remains subject to estimation uncertainty.

Provisions and Onerous Contracts

Provisions are recognised when the charity has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount. Where the charity has a contract under which the unavoidable costs of meeting its obligations exceed the economic or service benefits expected to be received (an onerous contract), the present obligation under the contract is recognised and measured as a provision. The provision is measured at the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it.

Notes *(continued)*

2. Income

	2026	2025
	£	£
Restricted Funds		
Grants from Shetland Charitable Trust	**3,728,244**	-
Other Grants and Donations	**118,268**	253,337
Sub Total: Restricted Funds	**3,846,512**	253,337
Unrestricted Funds		
Income from Charitable Activity:		
Grants from Shetland Charitable Trust	**-**	4,141,869
Operating income	**2,803,903**	2,739,716
Other – Insurance claims	**-**	26,502
Other	**111,172**	96,807
Sub Total: Income from Charitable Activity	**2,915,075**	7,004,894
Investment Income	**24,673**	21,527
Sub Total: Unrestricted Funds	**2,939,748**	7,026,421
Total Income	**6,786,260**	7,279,758

Notes *(continued)*

3. Expenditure

	Unrestricted Funds 2026	Restricted Funds 2026	Total 2026	Total 2025
Centre operating expenditure is analysed by type as follows:	£	£	£	£
Staff costs	**1,624,198**	**2,126,837**	**3,751,035**	3,729,843
Property management costs (including repairs and maintenance)	**517,639**	**687,003**	**1,204,642**	1,408,731
Heat, light and power	**475,098**	**622,125**	**1,097,223**	1,075,022
Other expenditure	**201,409**	**374,885**	**576,294**	626,532
	2,818,344	**3,810,850**	**6,629,194**	6,840,128
Centre operating expenditure is analysed by activity as follows:				
Clickimin Leisure Complex	**1,301,837**	**1,875,801**	**3,177,638**	3,302,573
Rural leisure centres	**981,448**	**1,267,561**	**2,249,009**	2,203,132
Planned maintenance programme	**500,212**	**664,184**	**1,164,396**	1,295,209
Other specific purposes	**34,847**	**3,304**	**38,151**	39,214
	2,818,344	**3,810,850**	**6,629,194**	6,840,128
Net pension cost less contributions paid	**(193,000)**	-	**(193,000)**	134,000
Pension finance costs	**(500,000)**	-	**(500,000)**	(265,000)
Depreciation	-	**817,044**	**817,044**	793,484
Total expenditure on charitable activities	**2,125,344**	**4,627,894**	**6,753,238**	7,502,612

Notes *(continued)*

4. Governance costs

	Unrestricted Fund 2026 £	Restricted Fund 2026 £	Total 2026 £	Total 2025 £
Allocation of staff and support costs	**46,326**	**-**	**46,326**	55,792
External auditors' remuneration:				
Audit of these financial statements	**18,350**	**-**	**18,350**	17,800
	64,676	**-**	**64,676**	73,592

Governance costs of £31,725 *(2025 £53,174)* are included within staff costs (note 3).

5. Staff numbers and costs

	Unrestricted Fund £	Restricted Fund £	Total 2026 £	Total 2025 £
Wages and salaries	**1,281,550**	**1,678,151**	**2,959,701**	2,952,858
Social Security	**131,716**	**172,478**	**304,194**	229,790
Pension costs	**13,494**	**270,397**	**283,891**	404,719
Other	**4,438**	**5,811**	**10,249**	11,476
	1,431,198	**2,126,837**	**3,558,035**	3,598,843

The average number of employees paid during the year was 167 *(2025: 168)*.

One employee (2025: *one*) received emoluments between £80,000 and £89,999, one employee (*2025: none*) received emoluments between £70,000 and £79,999 and one employee (*2025: one*) received emoluments between £60,000 and £69,999.

Retirement benefits are accruing to these employees under a defined benefit pension scheme.

Redundancy and termination payments

Statutory redundancy costs for the year were nil (*2025:* nil), and were accounted for when paid. Redundancy costs were met from operating expenditure.

Notes *(continued)*

Trustees' remuneration
Trustees received no remuneration from the Trust during the year *(2025: nil)*.
No Trustees received any other benefits *(2025: nil)*.
No travel expenses *(2025: nil)* were paid to Trustees during the year.

Key Management Personnel
Information on key management personnel is given on page 3.

6. Tangible fixed assets

	Freehold land and buildings £	Equipment and vehicles £	Total £
Cost			
At 1 April 2025	37,750,768	2,212,101	39,962,869
Additions	62,370	5,670	68,040
Disposals	-	-	-
At 31 March 2026	**37,813,138**	**2,217,771**	**40,030,909**
Depreciation			
At 1 April 2025	17,429,346	2,147,316	19,576,662
Charge for the year	797,439	19,605	817,044
Disposals	-	-	-
At 31 March 2026	**18,226,785**	**2,166,921**	**20,393,706**
Net book value			
At 31 March 2026	**19,586,353**	**50,850**	**19,637,203**
At 31 March 2025	20,321,422	64,785	20,386,207

All fixed assets are used for charitable purposes. The assets comprising Clickimin Phase II, Scalloway Pool, South Mainland Pool and West Mainland Leisure Centre may not be disposed of without the permission of Shetland Charitable Trust and, if permission is forthcoming, these assets must be offered in the first instance to Shetland Charitable Trust, or their nominee, for nominal consideration.

Notes *(continued)*

7. Debtors

	2026	2025
	£	£
Trade debtors	**72,080**	301,506
Recoverable VAT	**-**	34,130
Prepayments and accrued income	**107,883**	582,623
	179,963	918,259

8. Creditors

Amounts falling due within one year	2026 £	2025 £
Trade creditors	**287,980**	367,468
Social security costs and other taxes	**62,803**	55,511
Accruals and deferred income	**170,177**	225,762
VAT payable	**12,440**	-
	533,400	648,741

9. Analysis of net funds

2026

	Unrestricted Funds £	Restricted Funds £	Total £
Fund balances at 31 March 2026 are represented by:			
Tangible fixed assets	-	19,637,203	19,637,203
Current assets	1,574,318	72,468	1,646,786
Current liabilities	(533,400)	-	(533,400)
Provision for liabilities	(78,987)	(103,430)	(182,417)
Net pension asset/(liability)	-	-	-
Total net assets (liabilities)	**961,931**	**19,606,241**	**20,568,172**

Notes *(continued)*

9. Analysis of net funds *(continued)*

2025

	Unrestricted Funds £	Restricted Funds £	Total £
Fund balances at 31 March 2025 are represented by:			
Tangible fixed assets	-	20,386,207	20,386,207
Current assets	1,490,684	-	1,490,684
Current liabilities	(648,741)	-	(648,741)
Net pension asset/(liability)	-	-	-
Total net assets (liabilities)	**841,943**	**20,386,207**	**21,228,150**

10. Unrestricted funds

2026

	General Fund £	Pension Reserve £	Total Unrestricted Income Funds £
At 1 April 2025	841,943	-	841,943
Net Income/(Expenditure)	814,404	-	814,404
Actuarial gains for the year	-	(693,000)	(693,000)
Transfer between unrestricted funds	(693,000)	693,000	-
Transfer to Restricted fund – fund capital expenditure	(1,416)	-	(1,416)
At 31 March 2026	**961,931**	**-**	**961,931**

Notes *(continued)*

10. Unrestricted funds *(continued)*

2025

	General Fund £	Pension Reserve £	Total Unrestricted Income Funds £
At 1 April 2024	684,688	5,526,000	6,210,688
Net Income/(Expenditure)	317,293	-	317,293
Actuarial gains for the year	-	(5,657,000)	(5,657,000)
Transfer between unrestricted funds	(131,000)	131,000	-
Transfer to Restricted fund – fund capital expenditure	(29,038)	-	(29,038)
At 31 March 2025	**841,943**	**-**	**841,943**

The charity is aiming to have 3 months operating costs as unrestricted/general reserves which would be approximately £2.2m. Current unrestricted reserves fall short of this target and the plan is to work towards this over the current 5 year funding cycle.

Notes *(continued)*

11. Restricted funds

	General Fund	Capital Fund	2026 Total	2025 Total
	£	£	£	£
At 1 April	-	20,386,207	20,386,207	20,897,316
Income	3,779,888	66,624	3,846,512	253,337
Expenditure	(3,810,850)	(817,044)	(4,627,894)	(793,484)
Transfer- Unrestricted fund	-	1,416	1,416	29,038
At 31 March	**(30,962)**	**19,637,203**	**19,606,241**	20,386,207

The General Fund represents funding received for specific projects run by the trust which fall within its charitable objectives. The following balances are being carried forward at the year end: Shetland Charitable Trust £(82,606), and Scottish Football Association coaching fund £51,644.

The negative balance of £(82,606) on the Shetland Charitable Trust funding will be replenished through confirmed future receipts.

The Capital Fund holds grants received specifically for the purpose of the construction of the Trust's tangible fixed assets, and shows movements in relation to capital works on properties.

In 2025 all restricted funds were capital.

Notes *(continued)*

12. Employee Benefits

The Trust participates in the Shetland Islands Pension Fund which provides benefits based on career average pay. The assets of the scheme are held separately from those of the Trust. The information disclosed below 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.

	2026	2025
	£000	£000
Present value of funded defined benefit obligations	**(15,642)**	(15,281)
Fair value of plan assets	**26,875**	23,845
	11,233	8,564
Present value of unfunded defined benefit obligations	**(42)**	(43)
Net asset/(liability)	**11,191**	8,521
Impact of asset ceiling	**(11,191)**	(8,521)
Amounts in the balance sheet	**-**	-

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.

Notes *(continued)*

12 Employee Benefits *(continued)*

Movement in the present value of defined benefit obligation

	2026	2025
	£000	£000
At 1 April	**15,324**	17,679
Current service cost	**284**	671
Interest Cost	**888**	864
Actuarial (gains)/losses	**(515)**	(3,536)
Contributions by members	**137**	138
Benefits paid	**(434)**	(492)
At 31 March	**15,684**	15,324

Movement in the fair value of plan assets

	2026	2025
	£000	£000
At 1 April	**23,845**	23,205
Expected return on plan assets	**1,388**	1,129
Actuarial (loss)/gains	**1,462**	(672)
Contributions by employer	**477**	537
Contributions by members	**137**	138
Benefits paid	**(434)**	(492)
At 31 March	**26,875**	23,845

Notes *(continued)*

12 Employee Benefits *(continued)*

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

	2026	2025
	£000	£000
Charitable activities: Leisure and recreational services	**(693)**	(864)

The total actuarial gain recognised in the other recognised gains and losses section of the statement of financial activities is a loss of £693,000 *(2025: loss of £5,657,000)*.

The fair value and breakdown of plan assets was as follows:

	2026	2025
	£000	£000
Equities	**18,544**	18,361
Corporate bonds	**1,612**	1,192
Property	**6,719**	4,054
Cash	**-**	238
	26,875	23,845

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 long term weighted averages) at the year-end were as follows:

	2026	2025
	%	%
Discount rate	**6.30**	5.80
Expected rate of return on plan assets	**11.9**	2.0
Future salary increase rate	**3.0**	2.75
Consumer Price Index (CPI) - pension increase rate	**3.0**	2.75

Notes *(continued)*

12 Employee Benefits ***(continued)***

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: 21.5 years (male), 23.5 years (female); and
- Future retiree upon reaching 65: 21.8 years (male), 25.2 years (female).

The assumptions in the previous accounting period were as follows:

- Current pensioner aged 65: 21.1 years (male), 23.4 years (female); and
- Future retiree upon reaching 65: 21.5 years (male), 25.1 years (female).

The Trust expects to contribute approximately £473,000 to its defined benefit plans in the next financial year to 31 March 2027.

The Trust is aware that the Court of Appeal has recently upheld a decision in the Virgin Media vs NTL Pensions Trustees II Limited case. The decision puts into question the validity of any amendments made in respect of the rules of a contracted-out pension scheme between 6 April 1997 and 5 April 2016. The judgement means that some historic amendments affecting s.9(2B) rights could be void if the necessary actuarial confirmation under s.37 of the Pension Schemes Act 1993 was not obtained. However, this situation has now been addressed by the passage of the Pension Schemes Act 2006. At the date of approval of the financial statements, the potential impact, if any, on the value of the scheme liabilities cannot be reliably measured.

Notes *(continued)*

13 Related parties

Transactions with Trustees are disclosed in note 5.

- A company, Anderson & Cluness, to which a Trustee, Mr I Cluness, is related was paid £nil (2025: £948) for painting materials.
- A company, Shetland Heat, Energy & Power Ltd, to which a Trustee, Mr D Leask, is related was paid £187,125 (2025: £193,610) for heating services.

£21,467 was owed to Shetland Heat, Energy & Power Ltd at the year end.

These transactions were managed through a specific decision of the Trust, taken in December 2014.

A charity, Shetland Arts Development Agency (SADA), provided key management personnel services to Shetland Recreational Trust. SADA was paid £58,401 (2025: £11,500) for the services of Finance staff. No amounts were outstanding at the year end.

14 Leases

At the 31 March 2026, the Trust had outstanding commitments for future lease payments under operating leases, which fall due as follows:

	2026	2025
	£	£
Within one year	**54,916**	41,368
Between one and five years	**64,223**	64,568

The payments made in 2025/26 totalled £143,519 (2025 £136,145).

15 Provisions

	£
Provisions as at 1 April 2025	-
Additions during the year	**182,417**
Utilised in year	-
Provisions as at 31 March 2026	**182,417**

The Trust has made provision for an ongoing contract at Scalloway pool. The contract runs until January 2036 and regular annual payments of approximately £18,500 are expected until then. The provision has been charged to restricted and unrestricted funds as shown in note 9.