

Jessica [Scotland] Trust

Trustee's report and financial statements
Registered charity number SC043048
31 March 2020

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Trustee's report

The Trustee submits its report and the audited financial statements for the period ended 31 March 2020. 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	Resilient Scotland Ltd.

The directors of Resilient Scotland Ltd are:

James David Bennet [resigned 08/05/19]	Stephen Connelly
Tom Duguid	Helen Lucy Forsyth [Chair]
Alistair Bernard Grimes [appointed 10/05/19]	Andrew John Hibbert
Claire Wilma Ironside	Fraser Scott Kelly
John Kelly	Rosemary Jean Tiller

Secretary	Elizabeth Sams [appointed 11/10/19] Hamish McCall-Smith [resigned 11/10/19]
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Protector	Tom Murray Kemback Consulting Ltd 19/4 Union Street Edinburgh, EH1 3LR
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Principal office	Empire House 131 West Nile Street Glasgow G1 2RX
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Bankers	Royal Bank of Scotland Plc 36 St Andrews Square Edinburgh, EH2 2YB
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Solicitors	Burness Paull LLP 50 Lothian Road Edinburgh, EH3 9WJ
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Auditors	MHA Henderson Loggie 11-15 Thistle Street Edinburgh, EH2 1DF
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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 three 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]
- 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
Failure to conclude the integration with Foundation Scotland.	Effective management integration group scrutinised by the Board, detailed integration plan for transfer and buy-in from main stakeholders.
Loss of key personnel.	Regular salary benchmarking, appraisals, and provision of development opportunities.
Failure to recover expected debts based on impact of Covid 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 & 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 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 has had a successful year, delivering much needed investments to organisations to benefit communities and meet the overall aims of the trust. Resilient investments have played a key role, filling a clear gap in the market where the availability of funding for large capital investments has been scarce.

Much of the investment activity has leveraged other sums from stakeholders such as the Scottish Government to enable organisations to create facilities fit for the future. These facilities will not only provide a solid future in terms of premises, but they will also give them certainty during unforgiving market conditions.

The social investments offered by Resilient provides a platform for organisations to be more sustainable and ownership of assets, complemented with enterprising activities reduces the reliance on grant funding. Much of the investment activity has been based in communities where poverty is prevalent, and many people are faced with disadvantage and challenging circumstances. These place-based investments help ensure the trust delivers against its charitable objectives.

The COVID-19 outbreak meant that our staff worked from home and, as systems were cloud based and staff had laptops, there was minimal disruption. Face to face meetings with investees ceased however communication and support continued via telephone and on-line videoconferencing. At the year end the impact on businesses was unknown and the expectation held by many was that the disruption would be short-lived.

Post year end saw payment freezes and loan re-scheduling for many investees as their businesses struggled. In view of the substantial uncertainty related to the magnitude and duration, 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.

A summary of successful grant and loan investment awards in the year

Organisation	Local authority area	Purpose of award	Loan awarded £	Grant awarded £
Beith Community Development Trust	North Ayrshire	To assist with the final phase of refurbishment / development of the Trust's main property	125,000	-

Organisation	Local authority area	Purpose of award	Loan awarded £	Grant awarded £
Broomhouse Centre	Edinburgh	To assist with construction of the new community hub	250,000	250,000
Dundee East Community Sports Club	Dundee	To finance creation of a new 3G football pitch as part of the club's long-term development plan	204,000	-
Glasgow Media Access Centre	Glasgow	Working capital loan	10,000	-
GTS Solutions	Edinburgh	Working capital loan	15,000	-
Kalopsia CIC	Edinburgh	To finance expansion of the business	40,000	19,500
Larder West Lothian	West Lothian	To finance creation of a second training kitchen	75,000	75,000
Linwood Community Development Trust	Renfrewshire	To finance creation of a new 3G football pitch as part of the new community hub	150,000	-
West Lothian Youth Foundation	West Lothian	Top-up to 2018 £375,000 investment, to part-finance floodlights for the 3G pitch	15,000	-
YMCA Glenrothes	Fife	To purchase and renovate empty homes for letting to homeless / vulnerable people	110,000	
Total			994,000	344,500
Accrued In year				
Above Adventure	East Ayrshire	To assist with the construction of a bouldering centre.		85,000
Agile City	Glasgow	To support the developments of community hub.		75,000
Crossroads Community Hub	East Ayrshire	To Support the development of a community hub.		20,000
Homes for Good	Glasgow	To purchase premises, vans and equipment.		110,000
Open Aye	Glasgow	To support the development of new activities		13,333
Rockgelly	Fife	To assist with the development of an indoor climbing and bouldering centre.		100,000
Spartans Community Football Academy	Edinburgh	To support the replacement of a football pitch.		80,000
Tayport Community Trust	Fife	To improve community and sports facilities.		60,000
Total			-	543,333
Grand total			994,000	887,833

This makes £1,881,833 of funding that was offered to successful organisations during the period against the target of £2.1m and a total of £10,704,186 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 £203,743

Expenditure

Total expenditure for the period amounted to £1,744,790 Grant expenditure totalled £887,833, administration & support costs totalled £265,944 and loan write offs, bad debt provision and the discounting of the loan book to net present value totalled £547,917. Loans advanced during the period amounted to £994,000.

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 with some money market products. 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 focussed 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 2020, the reserves of the Trust are £7,228,117 all of which were restricted.

Plans for future periods

Resilient Scotland looks forward in a positive direction, continuing to make investments that have a big impact on organisations and the people that they serve. Alongside the current product range of Start & Grow and Making Enterprise Happen, is a working capital investment of up to £10,000 which is made available to existing investees, this is to help them in challenging trading times. The executive team remains committed to providing first class advice and support to applicants and investees alike, ensuring that all processes are beneficial and can add to the overall learning for an organisation.

In response to the pandemic, a recovery fund has been launched to enable current investees to recover and re-build from Covid-19. Looking to the future, Resilient has secured a permanent base for the JESSICA (Scotland) Trust, with the legacy being managed by Foundation Scotland as the corporate trustee from 01 April 2021. Foundation Scotland and JESSICA (Scotland) Trust already have an existing relationship, and this new formal arrangement will not only enable consistency in delivery, but also offer a real opportunity to re-capitalise the trust.

Trustee's report [continued]

Disclosure of information to auditors

The Trustee who held office at the date of approval of this Trustee's report confirm 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

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

On behalf of the Trustee



Helen Forsyth
Director for RSL

15 Calton Road
Edinburgh
EH8 8DL

21 January 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 2020 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 2020 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] [ISAs [UK]] and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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

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

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

Other information

The 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.

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.

MHA Henderson Loggie

MHA Henderson Loggie
Chartered Accountants & Statutory Auditor
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

11-15 Thistle Street
Edinburgh
EH2 1DF

22 January 2020

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

Statement of financial activities [including income and expenditure account]

for the year ended 31 March 2020

	Notes	Restricted funds 2020 £	Year ended 31 March 2020 £	Year ended 31 March 2019 £
Income and endowments				
Investment income	2	203,743	203,743	193,181
Total income		203,743	203,743	193,181
Expenditure				
Expenditure on charitable activities	3	1,744,790	1,744,790	1,343,093
Total expenditure		1,744,790	1,744,790	1,343,093
Gains/ [losses] on investments		[2,530]	[2,530]	1,370
Net expenditure		[1,543,577]	[1,543,577]	[1,148,542]
Total funds brought forward		8,771,694	8,771,694	9,920,236
Total funds carried forward	7	7,228,117	7,228,117	8,771,694

All of the charity's activities are continuing.

Trustee's report and financial statements
31 March 2020
Notes (forming part of the financial statements)

Balance sheet

at 31 March 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Current assets					
Investments	4	1,780,571		2,116,413	
Debtors	5	1,846,088		1,779,690	
Cash at bank and in hand		<u>4,363,002</u>		<u>5,665,980</u>	
Total current assets			7,989,661		9,562,083
Creditors: amounts falling due within one year	6		<u>[761,544]</u>		<u>[790,389]</u>
Net assets			<u>7,228,117</u>		<u>8,771,694</u>
Net current assets					
Represented by:					
Restricted funds	7		<u>7,228,117</u>		<u>8,771,694</u>

These financial statements were approved by the Trustees on 21 January 2021 and were signed on its behalf by:

Helen Forsyth

Director for Resilient Scotland Limited

Statement of cash flows

for the year ended 31 March 2020

	Notes	2020 £	2019 £
Cash flows from operating activities:			
Net cash used in operating activities	9	<u>[1,840,033]</u>	<u>[658,041]</u>
Cash flows from investing activities:			
Dividends & interest from investments		203,743	193,181
Sale of investments		357,008	-
Purchase of investments		<u>[23,696]</u>	<u>[29,455]</u>
Net cash provided by / [used in] investing activities		537,055	163,726
Change in cash and cash equivalents in the reporting period		[1,302,978]	[494,315]
Cash and cash equivalents at the beginning of the reporting period		<u>5,665,980</u>	<u>6,160,295</u>
Cash and cash equivalents at the end of the reporting period		<u>4,363,002</u>	<u>5,665,980</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand		<u>4,363,002</u>	<u>5,665,980</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 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 their net present value using the ICE Bank of America US High Yield Index plus 5% less the rate charged by Jessica [Scotland] Trust. The unwinding of the discount is shown as a financing transaction through the Statement of Financial Activities; interest receivable or interest payable as appropriate.

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 loan book is discounted using a market rate of interest. This rate of interest is determined using published average rates of interest for loan instruments with a similar level of investment risk.

The following are the charity's key sources of estimation uncertainty:

- The recoverability of loan debtors is 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.

2. Income and endowments

	2020 £	2019 £
Investment Income		
Bank interest	33,388	38,530
Dividend income	16,822	29,456
Loan interest	153,533	125,195
Total investment income	<u>203,743</u>	<u>193,181</u>

3. Expenditure on charitable activities

	2020 £	2019 £
Grants		
Start and Grow Programme	52,833	90,707
Making Enterprise Happen Programme	835,000	857,995
Other	-	[2,760]
Total Grants	<u>887,833</u>	<u>945,942</u>
Administration, support costs & governance		
Foundation Scotland		
Inhouse grantmaking & loanmaking support	245,302	250,424
Subcontracted services	-	233
Other	20,642	21,197
	<u>265,944</u>	<u>271,854</u>

3. Expenditure on charitable activities [continued]

	2020	2019
	£	£
Other		
Professional fees	14,039	10,063
Miscellaneous	327	970
	14,366	11,033
Loans		
Interest charge from the discounting of loan balances at net present value	205,720	5,827
Provision for bad debt	306,199	[18,224]
Loans written off	35,998	97,791
	547,917	85,394
Governance		
Protector's fee and expenses	15,000	15,257
Audit fee	5,094	4,950
Legal & other professional fees	8,116	6,285
Other governance costs	520	2,378
	28,730	28,870
Total	1,744,790	1,343,093

Insurance costs are also included under this heading, part of which covers the costs of Trustee Indemnity cover.

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 £79,622 [2019: £90,645], total employer pension contributions were £3,223 [2019: £5,400] and the employer's NI was £8,612 [2019: £9,796]. There are no employees who received employee benefits of more than £60,000.

No trustees received any remuneration in the period [2019: £nil]. Other governance costs include £118 [2019: £646] of expenses paid to one trustee [2019: three] of Resilient Scotland Limited for their attendance at board meetings.

4. Investments

	2020	2019
	£	£
Market value as at 1st April	2,116,413	2,085,588
Additions	16,688	29,455
Disposal proceeds	[350,000]	-
Net investment [loss] / gain	[2,530]	1,370
Market value as at 31 st March	1,780,571	2,116,413
Historic cost as at 31 st March	1,795,904	2,130,457

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

- Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk: this comprises currency risk, interest rate risk and other price risk.
- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices [other than those arising from interest rate risk or currency risk], whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Charity has exposure to these risks because of the investments it makes to implement its investment strategy. The Trustees manage investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Charity's strategic investment objectives. These investment objectives and risk limits are implemented through the investment manager agreements in place with the Charity's investment managers and monitored by the Trustees by regular reviews of the investment portfolios.

Further information on the Trustees' approach to risk management and the Charity's exposure to credit and market risks are set out below.

Credit Risk

The Charity invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled manager operates and diversification of investments amongst a number of pooled arrangements. The Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the regulatory and operating environment of the pooled manager. Pooled investment arrangements used by the Charity comprise authorised unit trusts.

Currency risk

The Charity is subject to currency risk because some of the Charity's investments are held in overseas markets.

Interest rate risk

The Charity is subject to interest rate risk through investments comprising bonds.

Other price risk

Other price risk arises principally in relation to equities held in pooled vehicles. The Charity manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets.

5. Debtors

	2020 £	2019 £
Debtors due in less than one year		
Prepayments	3,115	3,046
Bank interest receivable	16,535	18,704
Current portion of loan receivable	325,281	470,674
	<u>344,931</u>	<u>492,424</u>
Debtors due in more than one year		
Loans receivable 2-5 years	1,046,470	1,369,842
Loan receivable greater than 5 years	454,687	494,711
	<u>1,501,157</u>	<u>1,864,553</u>
Bad debt provision*	-	[577,287]
	<u>1,846,088</u>	<u>1,779,690</u>

*The bad debt provision has been allocated against the ageing of the debt and totaled £883,486.

6. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	-	2,130
Accruals	738,545	716,000
Grant and loan making contribution	22,999	72,259
	<u>761,544</u>	<u>790,389</u>

7. Analysis of charitable funds

	Balance brought forward £	Income £	Expenditure £	Gains & [losses] £	Balance carried forward £
Big Lottery Endowment	8,771,694	203,743	[1,744,790]	[2,530]	7,228,117
<u>2018-19</u>					
Big Lottery Endowment	9,920,236	193,181	[1,343,093]	1,370	8,771,694

8. Big Lottery Endowment cumulative figures to date:

	2020	2019
	£	£
Big Lottery grant	14,920,000	14,920,000
Interest and dividend income	1,955,940	1,752,197
Total income	<u>16,875,940</u>	<u>16,672,197</u>
Grants	5,154,710	4,266,877
Administration & support services	2,580,164	2,271,123
Loans written off	428,753	392,755
Total expenditure	<u>8,163,627</u>	<u>6,930,755</u>
Income less expenditure	8,712,314	9,741,442
Unrealised losses	[37,947]	[35,417]
Net funds	<u>8,674,367</u>	<u>9,706,025</u>
Bad debt provision	[883,486]	[577,288]
Reinstatement of loan book to NPV	[562,763]	[357,043]
	<u>7,228,117</u>	<u>8,771,694</u>
Loans advanced	5,549,476	4,555,476

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

	2020	2019
	£	£
Net expenditure per the Statement of Financial Activities	[1,543,577]	[1,148,542]
Losses/[Gains] on investments	2,530	[1,370]
Interest and dividend income	[203,743]	[193,181]
[Increase]/Decrease in debtors	[66,398]	34,681
[Decrease]/Increase in creditors	[28,845]	650,371
Net cash used in operating activities	<u>[1,840,033]</u>	<u>[658,041]</u>

10. Related party transactions

One [2019: One] directors of Resilient Scotland Ltd are also directors of Foundation Scotland. Payments to Foundation Scotland for the year for the day to day running of the Trust were £265,944 [2019: £271,854] with £22,999 outstanding at the year end [2019: £72,259].

Two directors were also directors of Freedom Bakery during the year who have received grant funding of £137,500 & loan funding of £150,000 in previous years. The value of the outstanding loan funding at the year end was £105,607. Capital and interest repayments of £18,070 and £7,238 respectively were received during the year. One director received £2,100 in consultancy fees one month prior to becoming a director.

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.

	2020 £	2019 £
Grants	125,000	988,550
Loans	929,217	1,386,550
	1,054,217	2,375,100

12. Financial Instruments

	2020 £	2019 £
<u>Carrying amount of financial assets</u>		
Assets measured at fair value amortised through profit & loss	1,780,571	2,116,413

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 will replace Resilient as the corporate trustee for the JESSICA (Scotland) Trust, from 01 April 2021. Foundation Scotland and JESSICA (Scotland) Trust already have an existing relationship, and this new formal arrangement will offer a real opportunity to re-capitalise the trust.