

Charity registration number SC038909 (Scotland)

Company registration number SC306586 (Scotland)

**THE ISLAND OF HOY DEVELOPMENT TRUST  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023**

# THE ISLAND OF HOY DEVELOPMENT TRUST

## LEGAL AND ADMINISTRATIVE INFORMATION

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**Directors**

M Collop  
M Cossar  
K Dobney  
A Dobrzynski (Appointed 16 June 2022)  
P Hall  
S Jaques  
S Johnston  
A Sinclair  
K Sinclair (Appointed 11 May 2022)  
J Traynor

**Charity number (Scotland)** SC038909

**Company number** SC306586

**Registered office**

Revenge, 1 Naval Hall  
Longhope  
Stromness  
Orkney  
KW16 3PG

**Auditor**

A.J.B. Scholes Ltd  
8 Albert Street  
Kirkwall  
Orkney  
KW15 1HP

**Bankers**

Bank of Scotland  
56 Albert Street  
Kirkwall  
Orkney  
KW15 1HJ

Royal Bank of Scotland  
1 Victoria Street  
Kirkwall  
Orkney  
KW15 1DP

Nationwide Building Society  
PO Box 3  
5-11 St. Georges Street  
Douglas  
Isle of Man  
IM99 1AS

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# THE ISLAND OF HOY DEVELOPMENT TRUST

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (INCLUDING TRUSTEES' REPORT)

**FOR THE YEAR ENDED 31 MARCH 2023**

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The directors present their annual report and financial statements for the year ended 31 March 2023.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's memorandum and articles of association, the Companies Act 2006, 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 (FRS 102)" (effective from 1 January 2019)

### **Objectives and activities**

The charity's objectives, as more fully detailed in its articles of association, are as follows:

- Manage community land and associated assets for the benefit of the community of the Island of Hoy ("the community") and the public in general;
- Provide - in the interests of social welfare - facilities within the community for recreation and other leisure time occupation;
- Advance education and, in particular, promote opportunities for learning for the benefit of the general public;
- Advance education through promotion of the arts
- Preserve, restore and improve the environment through the provision of public open space and other public amenities;
- Provide housing for people in necessitous circumstances within the community;
- Promote training, which will assist participants in obtaining paid employment;
- Encourage and support volunteering;
- Preserve the historical, architectural and constructional heritage that may exist in and around the community;
- Promote and protect the wellbeing and physical health of the residents of the community;
- Advance education through the provision of learning activities and support;
- Promote other schemes and projects of a charitable nature for the benefit of the residents of the community.

The charity's aims, including the differences it seeks to make through its other activities, are as follows:

- Creating and maintaining partnerships with local groups, local agencies and national partners in the public, private and charitable sectors
- Keeping the £ local/on island – generating and retaining wealth on the island.
- Promoting eco-awareness
- Ensuring sustainability of projects and initiatives
- Being community focussed
- Promote & sustain local business and activities
- Promote grass roots community involvement

Outlined below are our plans for the year ending 31st March 2023. Our objectives for this financial year were much the same as for the previous year, with life and activities still somewhat impacted by the pandemic and then by the cost-of-living crisis.

### **Community Fund**

- To maintain good financial and risk management procedures as these are key to maintaining the Trust's resilience given the continuing fluctuating economic situation.
- To continue to promote the various Community funds to support the aspirations of island residents and to keep community organisations operational.
- To continue to review the criteria and application process to ensure that it remains fit for purpose and is as community friendly as possible.

### **Community Hall**

- To support and encourage the new management group, YM Empower.
- To support YM Empower to set up a community café and youth hub.
- To encourage increased usage of the hall.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT)

FOR THE YEAR ENDED 31 MARCH 2023

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### Community Bus Service

- To continue to source funding to keep the bus service operating.
- To work to increase the bus service's usage through greater promotion and the creation of a new dedicated website.
- To work to expand the service using smaller electric vehicles.
- To continue to seek funds to enhance the service with the purchase of a fully electric minibus.

### Health and Wellbeing

- To continue to provide financial, administrative, and practical support to the Enhancing Wellbeing project and the Health and Wellbeing Coordinator.
- To use knowledge acquired during the pandemic to increase support to where it is most needed.
- To seek further funding to expand the activities of the coordinator.

### Youth, Leisure, and Heritage

- To endeavour to address the lack of facilities and activities for young people
- To review and consult with the community on the progress of the plans for the Longhope Playpark.

### Trust Structure and Development plan

- As in previous years, the Trust will continue to review its operations to ensure that the organisation is working effectively and will continue to review the current staffing structure and the welfare of its employees.
- To progress and revise the Island development plan with a view to its relaunching as a priority.
- To increase relations with other island groups, in particular the Community Council, as part of the progression of the island plan and to increase the resilience of the island.

### Achievements and performance

**Trust Structure:** The Board of the Trust met regularly throughout the year to ensure that all were kept informed of the financial position and the projects and activities being undertaken. The Trust is committed to reviewing its operations to improve the effectiveness of the organisation. Communication has always been somewhat problematic. With the successful application to the National Lottery Community Fund, the Trust were able to employ a Community Development Officer (CDO) in May 2022. This addition to the Trust's team has enabled the progression of several projects and initiatives which had stalled or needed a push forward. The postholder has also endeavoured to improve engagement with the community and to make the community more aware of what projects the Trust is doing.

**Community Engagement and Development plan:** With the advent in May 2022 of the new CDO, the reinvigoration of the Community Action Plan was a priority. A targeted survey sent to a selected group of residents was used to assess the impact of the covid pandemic on residents and if this had altered community priorities. Many of the issues remained the same, with further concerns expressed regarding the cost of energy and the need to encourage young people and families to the island. After several island wide consultation events, the plan was finally launched in early 2023.

**Community Funds:** During this financial year the total spend across the three community funds was £40,475.39. The main community funds were awarded to a range of island organisations. As in previous years, funds were allocated to several groups for the employment of staff, or, in the case of YM Empower, Hoy Energy Matters (a new SCIO) and North Walls Centre Committee, for operational costs and equipment. YM Empower also benefitted from an award to enable them to purchase two ebikes for community use. Additionally, North Walls School applied for funds to support a school trip and an outdoor programme at the school. The Trust received some great pictures and thank you letters from the children. In total, £32,836.65 was awarded, almost double the amount spent in the previous financial year.

Applications to the Training and Learning Fund (TLF) continued, with a total of £7,458.74 being awarded to island residents. These grants were used to fund music lessons, farming skills, workshops, exercise, and dance classes, driving lessons and for support towards university, higher education and apprenticeship studies.

The event support fund was little used, with only the Gable End Theatre being funded a total of £180 to support their events.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT)

**FOR THE YEAR ENDED 31 MARCH 2023**

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**Community Hall:** The new management group, YM Empower, has taken over the day-to-day operation of the Community Hall (YM). A draft lease was developed to create a tenancy agreement between the Trust and YM Empower but the significant increase in utility costs has meant that this may no longer be a viable option for YM Empower and other types of management agreement are now being considered. The aim is to have something in place that will provide a sustainable operational structure that will be effective from 1st April 2023. IoHDT retains responsibility for the maintenance of the building along with buildings and contents insurance liabilities.

The new kitchen equipment and the refurbishment, funded by the Islands Community Fund, was finally finished in July 2022. With the new kitchen in place, and with funds available, the Community café was launched in The Shore in September 2022. Currently, the café is open on Thursdays and Saturdays, with the lunch club on Fridays reintroduced at the same time.

Usage of the Community Hall increased over the year, not only from the presence of the café but also from new groups such as an indoor bowls club, the mother and toddler group and the Hoy Youth Hub.

Fundraising activities and grants are still being explored for continuing operational costs and to support the café.

**Community bus:** The Community Bus service has continued to operate its main service between Longhope to Lyness with few interruptions except for the weather. However, the Trust has been struggling to sustain more than a single day service to Hoy (the north end of the island) to meet the ferry at Moaness. Although the bus service is now supported by a one day a week contract with OIC and again this year by OIC's Community Transport Grant Scheme, the current cost of living crisis has impacted the Trust's finances considerably, putting pressure on all the projects it supports. Increased costs of fuel, electricity and the maintenance of vehicles have seen the outlays of running the service rise significantly.

The unreliability of one of the vehicles led to the purchase of a new diesel minibus which went into service in January 2023. An application to the Plugged-in Communities Grant, managed by the Energy Saving Trust, in September 2022 was successful and the Trust was awarded just over £80,000 (net of VAT) to purchase a fully electric minibus. This vehicle was delivered in late February 2023. Hopefully these two new additions will help to reduce some of the maintenance and fuel costs.

Passenger numbers have still not returned to those seen prior to covid but the service is still being used and numbers are slightly up on last year. As already stated, funding for the service is partly provided by OIC, together with continued assistance from Transport Scotland's Network Support grant and from the Trust's turbine fund.

**Enhancing Health & Wellbeing:** Voluntary Action Orkney secured full funding for the project for 2 days per week until 31st March 2024. There is an, as yet, a shortfall in funding for the following year to 31st March 2025 but VAO are confident that this will not have a significant impact on project delivery. The Trust continued to fund a third day per week in this financial year.

Our Wellbeing Coordinator remained very busy, both with the weekly groups (Chair Based Exercise and the Barnacle Club) that she established last year, and with the one-to-one support providing information, advice and assistance across a range of socio-economic and health related factors. Members of the community were still experiencing the longer-term financial impacts of the Covid-19 pandemic and during this financial year the increasing effects of the cost-of-living crisis became evident. The Trust secured funding which became available to anchor organisations via the Big Lottery to support communities with the effects of the cost-of-living crisis. This funding will be used to operate the Community Larder for 6 months from the 1st April 2023, providing fortnightly food boxes to households requiring support. With new project officers in place within VAO some changes in the operations and management of this project were introduced. VAO and HIE are trying to work out a strategy for the continuation of this project from the end of March 2025.

**Youth, Leisure, and Heritage:** Once in place the new CDO put a lot of time and effort into networking with other organisations, compiling information and engaging with the community to try and establish a working group to progress the Longhope Playpark initiative. This is still ongoing. This year also saw the Mother and toddler group restart and the CDO worked with OIC to get the youth club at North Walls School back up and running. A very successful youth pizza night was held in the community hall to find out what sort of activities the young people wanted. Subsequently the Youth Hub, held on a Saturday night, was formed.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT)

FOR THE YEAR ENDED 31 MARCH 2023

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**Carbon Neutral Islands Project:** In April 2022, Hoy was chosen by the Scottish Government (SG) as one of six islands to be part of the Carbon Neutral Islands project, an initiative to work with communities to move towards carbon neutrality by 2040 and to share outcomes with other Scottish Islands. The project, led by SG, with support from Community Energy Scotland (CES), saw the setting up of a steering group of interested islanders to represent Hoy and Walls. The Trust, as a local anchor organisation, was provided with funds to employ a Carbon Neutral Island development officer. In a relatively short time, the postholder, with support from the steering group, CES and several external agencies, managed to produce a comprehensive action plan for Hoy and Walls. At the end of the initial phase of the project in March 2023, the Trust was asked to play a larger role in the project, with the promise of further funds for the development officer and a grant to support community projects aimed at carbon reduction and sustainability.

### Investment performance

#### Hoy Energy Ltd - summary report for financial year ending March 2023:

A generally pleasing year where better wind levels were recorded; grid interruptions were minimal and turbine reliability was good. In the few instances where the turbine required attention the Enercon team in Orkney were usually prompt and more importantly, effective. Prior analysis of age-related problems being experienced on older Enercon turbines in Orkney and further afield across Scotland made us aware of the potential for less pleasant times ahead. At the end the previous year one Orkney generator sold all three of his Enercon turbines to avoid the spiralling maintenance / repair costs – HEL and the loHDT investigated this option but upon completion of the study decided not to sell. This decision of course logically led to the inception of our current 'extension of life' program as another route to avoid crippling costs and losses through refurbishment / replacement, whilst also securing a future revenue stream for the trust. The Flotta turbine stands largely idle of late and as a stark reminder that the clock is ticking in this regard, although good progress is being made and interest in our work from the other Orkney community projects is high, something of value perhaps as things / options develop.

The relatively static export market prices, low interest rates and low inflation of recent years has now definitely become a thing of the past – on one hand we have recently enjoyed a 100% increase in export prices, which now means this equates to almost half of our income, the larger part being the FiT payment, but on the other hand we have seen sizeable increases in operating expenses. The rising operating costs are driven by various direct factors – rising interest rates, general inflation, weakening exchange rates, post Brexit technology tariffs and age-related costs for insurance and maintenance – all challenges we aim to meet confidently through prudent financial planning.

For the 2022/23 financial year the company reported a pre-tax profit of £170k on a turnover of £636k, compared to a profit of £129k on a turnover of £375k in the previous year. This increase in turnover reflects the higher levels of generation over the previous year with an increase in the export rate during the financial year to a rate of close to 11p per unit from an average rate of around 5p per unit the previous year.

Operating costs totalled £425k compared with £202k in the previous year, although it should be noted that this figure includes £195k of charitable donation in relation to the gifting of solar equipment to Hoy Energy Matters SCIO to progress the loHDT Legacy Project. These figures also include the last of the Legacy Project pilot costs along with additional staff employment costs following the activation of our succession strategy and extension of life project for site regeneration.

The bottom-line calculation shows an increase in comprehensive income to £180k from £142k in the previous year which then allowed a donation of £112k to the loHDT, the increased income during this year has allowed for a donation of £168k to be allocated to the loHDT and is scheduled to be transferred across to the trust in November of this year. This will coincide with a minimum of £20k being added to the HEL reserve fund, a small start to the concerted effort HEL will now make to significantly increase reserves, year on year, to allow any realistic chance of being able to fund any future options for turbine replacement / refurbishment. It is calculated that the company is liable for £4,788 corporation tax for this period.

In summary, favourable conditions in respect of wind yield, grid access and turbine availability coupled with elevated export prices gave us an excellent start to the year, which continued throughout and helped us effectively manage the escalating operating costs as they landed in the latter part of the year. In financial terms it has been our best year to date, allowing the trust to fund the Legacy Project to the tune of £200k, provide an annual donation to the trust of £168k (equal to our highest ever in 2021), cement our 'extension of life project' with the appointment of an additional staff member and still allocate a minimum of £20k for the HEL reserve fund.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT)

### FOR THE YEAR ENDED 31 MARCH 2023

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As you read this HEL will have entered the second half its next financial year, and despite a slightly better PPA for export we are currently over 10% down on turnover compared to the same point last year. With operating costs still increasing this is not what we hoped for. However, we remain positive following the achievements of last year. October 20th will see-in the start of our 13th year of turbine operation. Finally, I would like extend the gratitude of the HEL board to the trustees of the loHDT for the continued unwavering support extended to us throughout another unique year.

#### **Financial review**

The charity had total incoming resources of £306,814 (2022: £423,527) and total resources expended of £312,225 (2022: £245,574), giving net deficit for the year of £5,411 (2022: surplus of £177,953). Total funds as at the balance sheet date amounted to £888,447 (2022: £893,858), split between unrestricted reserves of £742,855 (2022: £811,022) and restricted reserves of £145,592 (2022: £82,836).

It is the policy of the charity that unrestricted funds, which have not been designated for a specific use, should be maintained at a level equivalent to between three and six months expenditure. The Directors consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the charity's current activities while consideration is given to ways in which additional funds may be raised.

All areas of core operational expenditure were successfully funded by either specific grants or unrestricted funds held by the Trust.

Funding support enabled the Trust to develop robust internal financial and administrative procedures and acquire resources to support them. Other major funders have enabled several aspects of the Trust's objectives to be constructively addressed and these have been progressed through the year as reported above.

The directors have assessed the major risks to which the charity is exposed, and are satisfied that systems are in place to mitigate exposure to the major risks.

#### **Plans for the future**

Good financial and risk management procedures are key to maintaining the Trust's resilience. Given the current fluctuating economic situation, the Trust will be monitoring finances to ensure it maintains its ability to adapt under challenging circumstances and to keep the organisation running smoothly.

The Trust intends to continue to support community groups and individuals with its Community and Training and Learning funds. More than ever organisations on the island need support to keep their activities going and, with the cost-of-living crisis, residents need to enhance their skills to increase their opportunities or just to do something new to help mental and physical wellbeing.

The Trust has found the support of a dedicated Community Development officer invaluable and some of the projects that needed more time than the voluntary board had available have progressed considerably since the CDO has been in place. The Trust is committed to investigate funding opportunities to fund this post beyond March 2024.

Although a new management group has taken over the day to day running of the Community Hall, the Trust is still committed to providing support to this group, both in helping to find funds and also in human resources, i.e. support of the Trust's CDO.

A review of the bus service is still to take place and a new website for the promotion of the service is still a priority. The service to north of the island is poor and this is something that needs addressing in the future. The Trust will continue to seek and apply for funds to keep the service operational.

The Wellbeing project and our resident wellbeing co-ordinator has been essential for supporting our community in these challenging times. The Trust will be working with VAO and HIE to develop a strategy for the long-term continuation of this project.

The Trust will continue its involvement in the Carbon Neutral Islands project, supporting the CNI development officer and delivering various projects as outlined in the Carbon Neutral Islands Action plan



# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT)

**FOR THE YEAR ENDED 31 MARCH 2023**

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As in previous years, the Trust will continue to review its operations to ensure that the organisation is working effectively and will continue to review the current staffing structure and the welfare of its employees.

### **Structure, governance and management**

The charity is a company limited by guarantee and a registered Scottish charity no. SC038909. The charity's governing document is its memorandum and articles of association.

The directors who served during the year and up to the date of signature of the financial statements were:

Mrs C Bolton	(Resigned 2 May 2023)
M Collop	
M Cossar	
K Dobney	
A Dobrzynski	(Appointed 16 June 2022)
P Hall	
S Jaques	
S Johnston	
A Sinclair	
K Sinclair	(Appointed 11 May 2022)
E Train	(Resigned 11 May 2022)
J Traynor	

At each annual general meeting, the members may elect any member to be a trustee. Trustees are subject to retirement by rotation, as described in the articles of association.

The charity provides appropriate training and induction to all newly appointed trustees.

Significant strategic decisions are made by the trustees at board meetings which are held frequently throughout the year. Less significant matters are delegated to staff and volunteers who are accountable to the board of trustees.

The charity has two wholly-owned subsidiary companies, Hoy Energy Limited, which operates a community wind turbine, and Hoy and Walls Community Transport Limited, which is dormant.

None of the directors has any beneficial interest in the company. All of the directors are members of the company and guarantee to contribute £1 in the event of a winding up.

### **Disclosure of information to auditor**

Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

This report is prepared in accordance with the special provisions relating to small companies contained within Part 15 of the Companies Act 2006.

On behalf of the board of directors



Director

Dated: 15 November 2023

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

*FOR THE YEAR ENDED 31 MARCH 2023*

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The directors, who also act as trustees for the charitable activities of the company, are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS AND DIRECTORS OF THE ISLAND OF HOY DEVELOPMENT TRUST

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#### Opinion

We have audited the financial statements of The Island of Hoy Development Trust (the parent) and its subsidiaries (the group) for the year ended 31 March 2023 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent's affairs as at 31 March 2023 and of the group's and parent's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### Basis for 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 group 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 the provisions available for small entities, in the circumstances set out in note 35 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 parent or group'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 directors with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS AND DIRECTORS OF THE ISLAND OF HOY DEVELOPMENT TRUST

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#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the trustees report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and parent and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees report.

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

#### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors 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 directors 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 directors are responsible for assessing the group's and parent'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 directors either intend to liquidate the group or parent 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 Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS AND DIRECTORS OF THE ISLAND OF HOY DEVELOPMENT TRUST

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In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- . the nature of the industry and sector, and control environment;
- . results of our enquiries of management;
- . any matters we identified having obtained and reviewed the parent and group's documentation of their policies and procedures relating to:
  - . identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - . detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - . the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- . the matters discussed among the audit engagement team.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and irregularities. Income recognition was a key area of focus. In common with all audits under ISA's (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the parent and group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements, such as the UK Companies Act 2006, tax legislation, and relevant charities acts.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the charitable company's ability to operate or to avoid a material penalty. These include laws and regulations pertaining to public transport and employment.

In addition to the above, our procedures to respond to risks identified included the following:

- . reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- . enquiring of management concerning actual potential litigation and claims;
- . performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- . reading minutes of meetings of those charged with governance; and
- . in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS AND DIRECTORS OF THE ISLAND OF HOY DEVELOPMENT TRUST

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#### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charity and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditors' 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 charitable company, the charitable company's members as a body, and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Ryan Allan (Senior Statutory Auditor)**  
for and on behalf of A.J.B. Scholes Ltd

27/11/2023

**Chartered Accountants**  
**Statutory Auditor**

8 Albert Street  
Kirkwall  
Orkney  
KW15 1HP

# THE ISLAND OF HOY DEVELOPMENT TRUST

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Unrestricted funds 2023 £	Restricted funds 2023 £	Total 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
<b><u>Income and endowments from:</u></b>							
Grants and donations	3	732	151,984	152,716	915	189,567	190,482
Charitable activities	4	30,180	-	30,180	54,113	-	54,113
Other trading activities	5	635,876	-	635,876	375,472	-	375,472
Investments	6	2,474	-	2,474	162	-	162
Other income	7	1,229	(76)	1,153	2,500	-	2,500
<b>Total income</b>		<b>670,491</b>	<b>151,908</b>	<b>822,399</b>	<b>433,162</b>	<b>189,567</b>	<b>622,729</b>
<b><u>Expenditure on:</u></b>							
Raising funds	8	457,713	-	457,713	238,995	-	238,995
Charitable activities	10	238,674	73,551	312,225	195,982	49,592	245,574
<b>Total expenditure</b>		<b>696,387</b>	<b>73,551</b>	<b>769,938</b>	<b>434,977</b>	<b>49,592</b>	<b>484,569</b>
<b>Net income/(expenditure) for the year before transfers and tax</b>		<b>(25,896)</b>	<b>78,357</b>	<b>52,461</b>	<b>(1,815)</b>	<b>139,975</b>	<b>138,160</b>
Gross transfers between funds	26	15,601	(15,601)	-	78,376	(78,376)	-
<b>Net (expenditure)/income for the year before tax</b>		<b>(10,295)</b>	<b>62,756</b>	<b>52,461</b>	<b>76,561</b>	<b>61,599</b>	<b>138,160</b>
Taxation	16	1,483	-	1,483	(2,400)	-	(2,400)
<b>Other recognised gains and losses</b>	17	<b>8,572</b>	<b>-</b>	<b>8,572</b>	<b>16,037</b>	<b>-</b>	<b>16,037</b>
<b>Net movement in funds</b>		<b>(240)</b>	<b>62,756</b>	<b>62,516</b>	<b>90,198</b>	<b>61,599</b>	<b>151,797</b>
Fund balances at 1 April 2022		1,441,638	82,836	1,524,474	1,351,440	21,237	1,372,677
<b>Fund balances at 31 March 2023</b>		<b>1,441,398</b>	<b>145,592</b>	<b>1,586,990</b>	<b>1,441,638</b>	<b>82,836</b>	<b>1,524,474</b>

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

		Unrestricted funds 2023 £	Restricted funds 2023 £	Total Unrestricted funds 2023 £	Restricted funds 2022 £	Total 2022 £
	Notes					
<b>Income and endowments from:</b>						
Grants and donations	3	732	151,984	152,716	915	190,482
Charitable activities	4	30,180	-	30,180	54,113	54,113
Other trading activities	5	-	-	-	77	77
Investments	6	122,765	-	122,765	176,355	176,355
Other income	7	1,229	(76)	1,153	2,500	2,500
<b>Total income</b>		<b>154,906</b>	<b>151,908</b>	<b>306,814</b>	<b>233,960</b>	<b>423,527</b>
<b>Expenditure on:</b>						
Charitable activities	10	238,674	73,551	312,225	195,982	245,574
<b>Total expenditure</b>		<b>238,674</b>	<b>73,551</b>	<b>312,225</b>	<b>195,982</b>	<b>245,574</b>
<b>Net (outgoing)/incoming resources before transfers</b>		<b>(83,768)</b>	<b>78,357</b>	<b>(5,411)</b>	<b>37,978</b>	<b>177,953</b>
Gross transfers between funds	26	15,601	(15,601)	-	78,376	-
<b>Net (expenditure)/income for the year/ Net movement in funds</b>		<b>(68,167)</b>	<b>62,756</b>	<b>(5,411)</b>	<b>116,354</b>	<b>177,953</b>
Fund balances at 1 April 2022		811,022	82,836	893,858	21,237	715,905
<b>Fund balances at 31 March 2023</b>		<b>742,855</b>	<b>145,592</b>	<b>888,447</b>	<b>82,836</b>	<b>893,858</b>

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.



# THE ISLAND OF HOY DEVELOPMENT TRUST

## CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	18		1,204,801		1,186,928
<b>Current assets</b>					
Debtors	21	161,401		212,830	
Cash at bank and in hand		1,119,811		1,060,948	
		<u>1,281,212</u>		<u>1,273,778</u>	
<b>Creditors: amounts falling due within one year</b>	22	<u>(320,624)</u>		<u>(214,844)</u>	
Net current assets			<u>960,588</u>		<u>1,058,934</u>
<b>Total assets less current liabilities</b>			2,165,389		2,245,862
<b>Creditors: amounts falling due after more than one year</b>	23		(432,814)		(572,390)
<b>Provisions for liabilities</b>	24		<u>(145,585)</u>		<u>(148,998)</u>
<b>Net assets</b>			<u>1,586,990</u>		<u>1,524,474</u>
<b>Income funds</b>					
Funds retained within subsidiary			698,543		630,616
Restricted funds	26		145,592		82,836
<u>Unrestricted funds</u>					
Designated funds	27	199,436		232,294	
General unrestricted funds		<u>543,419</u>		<u>578,728</u>	
			<u>742,855</u>		<u>811,022</u>
			<u>1,586,990</u>		<u>1,524,474</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The accounts were approved by the Directors on 15 November 2023

*S. D. Jaques*

Director

Company Registration No. SC306586

# THE ISLAND OF HOY DEVELOPMENT TRUST

## BALANCE SHEET

AS AT 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	18		514,737		433,215
Investments	19		101		101
			<u>514,838</u>		<u>433,316</u>
<b>Current assets</b>					
Debtors falling due after one year	21	64,056		65,387	
Debtors falling due within one year	21	72,604		101,280	
Cash at bank and in hand		262,180		335,987	
		<u>398,840</u>		<u>502,654</u>	
<b>Creditors: amounts falling due within one year</b>	22	<u>(25,231)</u>		<u>(42,112)</u>	
Net current assets			<u>373,609</u>		<u>460,542</u>
<b>Total assets less current liabilities</b>			<u><u>888,447</u></u>		<u><u>893,858</u></u>
<b>Income funds</b>					
Restricted funds	26		145,592		82,836
<u>Unrestricted funds</u>					
Designated funds	27	199,436		232,294	
General unrestricted funds		<u>543,419</u>		<u>578,728</u>	
			<u>742,855</u>		<u>811,022</u>
			<u><u>888,447</u></u>		<u><u>893,858</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The accounts were approved by the Directors on 15 November 2023

*S. D. Jaques*

Director

Company Registration No. SC306586

# THE ISLAND OF HOY DEVELOPMENT TRUST

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 £	£	2022 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	34	379,104		284,120	
Interest paid		(37,345)		(42,063)	
<b>Net cash generated from operating activities</b>		<b>341,759</b>		<b>242,057</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(156,243)		(152,873)	
Proceeds on disposal of tangible fixed assets		526		625	
Interest received		2,474		162	
<b>Net cash used in investing activities</b>		<b>(153,243)</b>		<b>(152,086)</b>	
<b>Financing activities</b>					
Repayment of bank loans		(129,653)		(121,222)	
Payment of obligations under finance leases		-		(27,638)	
<b>Net cash used in financing activities</b>		<b>(129,653)</b>		<b>(148,860)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>58,863</b>		<b>(58,889)</b>	
Cash and cash equivalents at beginning of year		1,060,948		1,119,837	
<b>Cash and cash equivalents at end of year</b>		<b>1,119,811</b>		<b>1,060,948</b>	

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2023

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	Notes	2023 £	£	2022 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	34		(66,021)		12,800
<b>Investing activities</b>					
Purchase of tangible fixed assets		(141,861)		(111,817)	
Proceeds on disposal of tangible fixed assets		526		625	
Repayment of investment loans and receivables		10,784		9,035	
Investment income		122,765		176,355	
<b>Net cash (used in)/generated from investing activities</b>			(7,786)		74,198
<b>Financing activities</b>					
Repayment of borrowings		-		(100,000)	
Payment of obligations under finance leases		-		(27,638)	
<b>Net cash used in financing activities</b>			-		(127,638)
<b>Net decrease in cash and cash equivalents</b>			(73,807)		(40,640)
Cash and cash equivalents at beginning of year			335,987		376,627
<b>Cash and cash equivalents at end of year</b>			<u>262,180</u>		<u>335,987</u>

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2023**

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### **1 Accounting policies**

#### **Charity information**

The Island of Hoy Development Trust is a private company limited by guarantee incorporated in Scotland. The registered office is Revenge, 1 Naval Hall, Longhope, Stromness, Orkney, KW16 3PG.

#### **1.1 Accounting convention**

The accounts have been prepared in accordance with the charity's memorandum and articles of association, the Companies Act 2006, 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 (FRS 102)" (effective from 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Charitable funds**

Unrestricted funds are available for use at the discretion of the directors in furtherance of their charitable objectives.

Designated funds comprise funds which have been set aside at the discretion of the directors for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

#### **1.4 Incoming resources**

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Donations, legacies and other forms of voluntary income are recognised as incoming resources when receivable, except insofar as they are incapable of financial measurement. Interest income is included when receivable by the charity. The value of services provided by volunteers has not been included.

Grants, including grants for the purchase of fixed assets, are recognised in full in the SOFA in the year in which they are receivable. Grants relating to future accounting periods are deferred.

Donations of post-tax profits received from the charity's subsidiary, Hoy Energy Limited, are recognised as investment income in accordance with published accounting guidance.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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### 1 Accounting policies

(Continued)

Income from other trading activities includes the fair value of the consideration received or receivable and represents amounts receivable for electricity produced and exported in the period and associated government subsidies, net of VAT.

#### 1.5 Resources expended

Expenditure is included in resources expended on an accruals basis.

Costs of raising funds comprise the costs associated with attracting voluntary income, the costs of fundraising events, and the running costs incurred by non-charitable subsidiaries.

Charitable expenditure comprises those costs incurred in the delivery of the charity's activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity.

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Expenditure on fixed assets held for ongoing use by the charity is capitalised and depreciated over the life of each asset. Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings	2 - 5% straight line (buildings)
Plant and machinery	5% straight line basis (wind turbines); 25% reducing balance basis (other plant)
Fixtures, fittings & equipment	20 - 33% straight line
Motor vehicles	25% reducing balance

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

#### 1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at cost less provisions for impairment.

Investments in subsidiaries are classed as fixed asset investments. A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.8 Impairment of fixed assets

At each reporting period end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

---

### 1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/ (expenditure).

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply.

#### 1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

#### 1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method. Financial assets classified as receivable within one year are not amortised.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in net income/(expenditure) for the year.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in net income/(expenditure) for the year.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the charity transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors and other payables are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

#### 1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in income/(expenditure) immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in income/expenditure depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### **Hedge accounting**

The charity's subsidiary has designated certain hedging instruments, including derivatives, as cash flow hedges.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item along with risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

#### **Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income.

The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line in this item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in the profit or loss in the same line as of the income statement as the recognised hedged item. However when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability concerned.

#### 1.12 Taxation



# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

---

### 1 Accounting policies

(Continued)

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### Deferred tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### 1.13 Provisions

Provisions are recognised when the charity has a legal or constructive present obligation as a result of a past event, it is probable that the charity will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in net income/(expenditure) in the period in which it arises.

#### 1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in net income/(expenditure) for the period.

#### 1.17 Distributions

Donations from the charity's subsidiary, Hoy Energy Limited, are classified as investment income in line with UK accounting guidance.

#### 1.18 Group Accounts

The consolidated financial statements include the results of the company and its subsidiaries, Hoy Energy Limited and Hoy and Walls Community Transport Limited, drawn up to 31 March each year.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the directors 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Grants and donations - group and charity

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total Unrestricted funds 2023 £	Unrestricted funds 2022 £	Restricted funds 2022 £	Total 2022 £
Donations and gifts	72	-	72	15	-	15
Grants receivable for core activities	660	151,984	152,644	900	189,567	190,467
	<u>732</u>	<u>151,984</u>	<u>152,716</u>	<u>915</u>	<u>189,567</u>	<u>190,482</u>

#### Grants receivable for core activities - group and charity

Orkney Islands Council - community bus service	-	9,122	9,122	-	8,565	8,565
Energy Savings Trust - electric buses	-	80,856	80,856	-	-	-
VAO - wellbeing co- ordinator	-	11,417	11,417	-	11,983	11,983
Community Energy Scotland - CNI	-	26,211	26,211	-	-	-
The National Lottery - Larder	-	23,320	23,320	-	-	-
Inspiring Scotland - island communities fund	-	-	-	-	99,437	99,437
Cycling Scotland - bike shelter	-	-	-	-	12,580	12,580
Community Fund - Community Development	-	-	-	-	53,688	53,688
Other	660	1,058	1,718	900	3,314	4,214
	<u>660</u>	<u>151,984</u>	<u>152,644</u>	<u>900</u>	<u>189,567</u>	<u>190,467</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 4 Charitable activities - group and charity

	Hall hire	Bus income	Total 2023	Hall hire	Bus income	Total 2022
	2023	2023		2022	2022	
	£	£	£	£	£	£
Non-performance related income	1,372	18,032	19,404	890	14,363	15,253
Services provided under contract	-	1,051	1,051	-	29,568	29,568
Performance related grant income	-	9,725	9,725	-	9,292	9,292
	<u>1,372</u>	<u>28,808</u>	<u>30,180</u>	<u>890</u>	<u>53,223</u>	<u>54,113</u>

### 5 Other trading activities - group

	2023	2022
	£	£
Energy sales	635,876	375,395
Fundraising events	-	77
Other trading activities	<u>635,876</u>	<u>375,472</u>

### Other trading activities - charity

	2023	2022
	£	£
Fundraising events	<u>-</u>	<u>77</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 6 Investments - group

	2023 £	2022 £
Interest receivable	2,474	162
	<u>2,474</u>	<u>162</u>

### Investments - charity

	2023 £	2022 £
Rental income	5,000	5,000
Income from unlisted investments	112,180	168,361
Interest receivable	5,585	2,994
	<u>122,765</u>	<u>176,355</u>

### 7 Other income - group and charity

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total Unrestricted funds 2023 £	Total Unrestricted funds 2022 £
Net gain on disposal of tangible fixed assets	426	(76)	350	-
Insurance claims	803	-	803	2,500
	<u>1,229</u>	<u>(76)</u>	<u>1,153</u>	<u>2,500</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 8 Raising funds - group and charity

The wholly owned trading subsidiary Hoy Energy Limited, is incorporated in the United Kingdom (company number SC365871) and distributes post-tax profits to the charity under the gift aid scheme. Hoy Energy Limited owns and operates a wind turbine situated on land leased to it by the charity. A summary of the trading results is shown below.

A summary of the financial performance of the trading subsidiary alone is:

	2023 £	2022 £
Turnover	635,876	375,395
Cost of sales and administration	(467,929)	(246,961)
Interest receivable	2,105	134
Net profit	170,052	128,568
Taxation	1,483	(2,400)
Other recognised gains and losses	8,572	16,037
Donations of profit gift aided to charity	(112,180)	(168,361)
Retained in subsidiary	67,927	(26,156)
Assets	1,650,298	1,613,483
Liabilities	(951,655)	(982,767)
Funds	698,643	630,716

Income and expenditure on raising funds in the consolidated SOFA includes the results of Hoy Energy Limited (HEL) excluding transactions with the charity and grant income receivable by HEL.

### 9 Description of charitable activities

#### Community benefit

Costs associated with supporting projects and grant applications that directly come under the charitable aims of the charity, including organising events and hire of the community hall. All grant funding of activities in the current and prior year were for the benefit of the community.

#### Bus service

Costs associated with running a community bus service available to all island residents and visitors.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 10 Charitable activities - group and charity

	Community benefit 2023 £	Bus service 2023 £	Total 2023 £	Community benefit 2022 £	Bus service 2022 £	Total 2022 £
Staff costs	53,403	33,849	87,252	32,462	43,599	76,061
Depreciation and impairment	25,191	25,644	50,835	7,254	17,436	24,690
Community events	4,946	-	4,946	10,958	-	10,958
Bus running costs	-	23,102	23,102	-	18,998	18,998
	<u>83,540</u>	<u>82,595</u>	<u>166,135</u>	<u>50,674</u>	<u>80,033</u>	<u>130,707</u>
Grant funding of activities (see note 12)	40,475	-	40,475	27,426	-	27,426
Share of support costs (see note 13)	61,294	35,629	96,923	48,110	31,879	79,989
Share of governance costs (see note 13)	5,650	3,042	8,692	4,698	2,754	7,452
	<u>190,959</u>	<u>121,266</u>	<u>312,225</u>	<u>130,908</u>	<u>114,666</u>	<u>245,574</u>
<b>Analysis by fund</b>						
Unrestricted funds	129,899	108,775	238,674	96,379	99,603	195,982
Restricted funds	61,060	12,491	73,551	34,529	15,063	49,592
	<u>190,959</u>	<u>121,266</u>	<u>312,225</u>	<u>130,908</u>	<u>114,666</u>	<u>245,574</u>

### 11 Directors

None of the directors (or any persons connected with them) received any remuneration or benefits from the charity during the year. However, two directors of the charity did receive remuneration from the subsidiary company totalling £4,000 (2022: two directors received £4,000).

During the year, no directors were reimbursed for expenses incurred in the course of their duties (2022: no directors).

During the year, the charity paid a grant to one trustee totalling £180 (2022: two grants totalling £654).

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 12 Grants payable - group and charity

	2023	2022
	£	£
Grants to institutions (11 grants):		
YM Empower - E-bikes; Printer/ continuity project	1,484	7,000
Hoy Kirk - employment	7,938	6,000
Gable End Theatre - Twelfth Day/ Budapest Cafe	180	454
Longhope Lifeboat Museum - custodian	6,000	5,000
North Walls Community School - circus trip; Hoy outdoor programme	2,914	-
Hoy Energy Matters - energy efficient technology	8,000	-
North Walls Centre - levy payment	2,400	-
Scapa Flow Lyness Trail - leaflets	500	-
Hoy Youth Hub - start up funding	3,600	-
	<u>33,016</u>	<u>18,454</u>
Grants to individuals (24 grants)	7,459	8,972
	<u>40,475</u>	<u>27,426</u>

Under the charity's objective to undertake activities within the terms of its governing documents for the benefit of the community of the island, the charity set up a system whereby individuals and community organisations can apply for a grant to support specific objectives, with each application being considered on their merits by the board at its regular meetings.

During the year, 24 training bursaries totalling £7,459 (2022: 20 bursaries totalling £8,672) were issued to help local residents to undertake training and learn new skills to continue to live in the islands.

During the prior year, the charity received funding to provide grants to families suffering financial hardship due to Covid-19. The charity awarded grants to no households and paid out £nil (2022: three households, £300 paid) in respect of those awards.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 13 Support costs - group and charity

	Support costs	Governance costs	2023	Support costs	Governance costs	2022
	£	£	£	£	£	£
Staff costs	47,276	-	47,276	40,630	-	40,630
Depreciation	9,328	-	9,328	8,509	-	8,509
Rent & rates	4,251	-	4,251	3,253	-	3,253
Insurance	9,093	-	9,093	9,362	-	9,362
Heat, light & power	5,753	-	5,753	3,561	-	3,561
Office costs	9,015	-	9,015	6,389	-	6,389
Travelling expenses	536	-	536	-	-	-
Sundry & subscriptions	3,999	-	3,999	2,124	-	2,124
Legal & professional fees	5,169	-	5,169	1,662	-	1,662
Repairs & renewals	2,503	-	2,503	4,499	-	4,499
Audit fees	-	8,270	8,270	-	6,960	6,960
Accountancy	-	393	393	-	475	475
Other governance costs	-	29	29	-	17	17
	<u>96,923</u>	<u>8,692</u>	<u>105,615</u>	<u>79,989</u>	<u>7,452</u>	<u>87,441</u>
Analysed between						
Charitable activities	<u>96,923</u>	<u>8,692</u>	<u>105,615</u>	<u>79,989</u>	<u>7,452</u>	<u>87,441</u>

### 14 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2023	2022
	£	£
<b>Fees payable to the charity's auditor and its associates for the audit of the annual accounts:</b>	6,250	5,650
<b>Other services to the group</b> - the audit of the charity's subsidiaries and other services - included in expenditure on raising funds	7,181	6,830
<b>Total audit fees</b>	<u>13,431</u>	<u>12,480</u>
<b>Non-audit services - charity</b> All other non-audit services	<u>259</u>	<u>598</u>



# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 15 Employees

#### Number of employees

The average monthly number of employees during the year was:

	<b>Group 2023 Number</b>	<b>Group 2022 Number</b>	<b>Charity 2023 Number</b>	<b>Charity 2022 Number</b>
Administration	4	4	4	4
Direct charitable activities	11	11	11	11
Engaged in subsidiary operating activities	7	6	-	-
	<u>22</u>	<u>21</u>	<u>15</u>	<u>15</u>

	<b>Group 2023 £</b>	<b>Group 2022 £</b>	<b>Charity 2023 £</b>	<b>Charity 2022 £</b>
Wages and salaries	184,594	157,201	124,803	109,404
Social security costs	6,109	3,849	1,573	357
Other pension costs	10,939	9,129	8,152	6,930
	<u>201,642</u>	<u>170,179</u>	<u>134,528</u>	<u>116,691</u>

The average number of the charity's employees during the year, calculated on the full time equivalent basis, was 6 (2022: 5).

There were no employees whose annual remuneration was £60,000 or more.

### 16 Taxation

The group taxation charge relates solely to the trading subsidiary, as explained at note 8.

There is no taxation charge in the charity's individual accounts as the Trust is a registered charity and all of its income is charitable in nature and is applied for its charitable purposes.

### 17 Other recognised gains and losses - group only

	<b>Total 2023 £</b>	<b>Total 2022 £</b>
Cash flow hedge (loss)/gain	11,430	19,731
Tax relating to other gains/losses	(2,858)	(3,694)
	<u>8,572</u>	<u>16,037</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 18 Tangible fixed assets - group

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2022	454,598	1,543,596	151,383	152,411	2,301,988
Additions	-	14,382	14,547	127,314	156,243
Disposals	-	(1,788)	(12,149)	-	(13,937)
At 31 March 2023	454,598	1,556,190	153,781	279,725	2,444,294
<b>Depreciation and impairment</b>					
At 1 April 2022	186,158	788,211	58,022	82,669	1,115,060
Depreciation charged in the year	7,303	77,917	27,028	25,644	137,892
Eliminated in respect of disposals	-	(1,486)	(11,973)	-	(13,459)
At 31 March 2023	193,461	864,642	73,077	108,313	1,239,493
<b>Carrying amount</b>					
At 31 March 2023	261,137	691,548	80,704	171,412	1,204,801
At 31 March 2022	268,440	755,385	93,361	69,742	1,186,928

### Tangible fixed assets - charity

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2022	454,598	3,740	151,383	152,411	762,132
Additions	-	-	14,547	127,314	141,861
Disposals	-	-	(12,149)	-	(12,149)
At 31 March 2023	454,598	3,740	153,781	279,725	891,844
<b>Depreciation and impairment</b>					
At 1 April 2022	186,158	2,068	58,022	82,669	328,917
Depreciation charged in the year	7,303	188	27,028	25,644	60,163
Eliminated in respect of disposals	-	-	(11,973)	-	(11,973)
At 31 March 2023	193,461	2,256	73,077	108,313	377,107
<b>Carrying amount</b>					
At 31 March 2023	261,137	1,484	80,704	171,412	514,737
At 31 March 2022	268,440	1,672	93,361	69,742	433,215

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 19 Fixed asset investments - charity

	Other investments
<b>Cost or valuation</b>	
At 1 April 2022 & 31 March 2023	101
<b>Carrying amount</b>	
At 31 March 2023	101
At 31 March 2022	101

	2023	2022
	£	£
Other investments comprise:		
Investments in subsidiaries	101	101

### 20 Financial instruments - group

	2023	2022
	£	£
<b>Carrying amount of financial assets</b>		
Instruments measured at fair value through profit or loss	10,528	-
<b>Carrying amount of financial liabilities</b>		
Measured at fair value through profit or loss		
- Other financial liabilities	-	902

### 21 Debtors

	Group 2023	Group 2022	Charity 2023	Charity 2022
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	1,531	70,629	1,530	3,001
Amounts due from subsidiary undertakings	-	-	13,807	23,260
Other debtors	115,533	108,822	45,798	66,287
Prepayments and accrued income	44,337	33,379	11,469	8,732
	161,401	212,830	72,604	101,280
<b>Amounts falling due after more than one year:</b>				
Amounts due from subsidiary undertakings	-	-	64,056	65,387
<b>Total debtors</b>	161,401	212,830	136,660	166,667

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 21 Debtors

(Continued)

Other debtors include grants receivable totalling £45,575 (2022: £66,033).

### 22 Creditors: amounts falling due within one year

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Bank loans	138,679	129,658	-	-
Other taxation and social security	11,847	11,338	3,674	3,066
Trade creditors	144,391	35,108	2,161	6,411
Other creditors	1,090	1,013	1,090	1,013
Accruals and deferred income	24,617	37,727	18,306	31,622
	<u>320,624</u>	<u>214,844</u>	<u>25,231</u>	<u>42,112</u>

### 23 Creditors: amounts falling due after more than one year - group

	Notes	2023 £	2022 £
Bank loans		432,814	571,488
Derivative financial instruments		-	902
		<u>432,814</u>	<u>572,390</u>

The charity's subsidiary, Hoy Energy Limited (HEL), has granted to The Co-operative Bank PLC a bond and floating charge over all property, and a standard security over its interest in a lease of land granted to it by The Island of Hoy Development Trust, as security for all sums advanced by the bank.

HEL has a loan with Co-operative Bank PLC of £571,493 (2022: £701,146). The loan is repayable over the period until December 2026. The interest rate on the loan is LIBOR + 2.25%.

HEL entered into an interest swap arrangement as part of its term loan with Co-operative Bank PLC. Under the swap arrangement, the company pays interest at a fixed rate and receives interest at a variable rate connected to the LIBOR.

The hedging instrument is a designated cash flow hedge which effectively removes the cash flow risk associated with the variable interest element of the term loan.

At the balance sheet date the fair value of HEL's liability in respect of the hedging instrument was £nil (2022: £902). The directors obtained confirmation of this valuation directly from Co-operative Bank PLC.

Bank loans payable by instalments due in over five years	-	<u>22,816</u>
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# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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24 Provisions for liabilities - group	Notes	2023 £	2022 £
Decommissioning liability		15,000	15,000
Deferred tax liabilities	25	130,585	133,998
		<u>145,585</u>	<u>148,998</u>

A provision of £15,000 has been raised for the anticipated cost to HEL of fulfilling its obligation to decommission the Hoy community turbine at the end of its useful life.

### 25 Deferred taxation

Deferred tax assets and liabilities are offset where the charity has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Liabilities 2023 £	Liabilities 2022 £
ACAs	127,953	134,224
Hedging reserve	2,632	(226)
	<u>130,585</u>	<u>133,998</u>

**THE ISLAND OF HOY DEVELOPMENTS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**26 Restricted funds - group and charity**

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 April 2021		Movement in funds			Movement in funds			Balance at 31 March 2023	
	£	£	Incoming resources	Resources expended	Transfers	Balance at 1 April 2022	Incoming resources	Resources expended	Transfers	£
Arctic convoy memorial	9,442	-	-	(147)	-	9,295	-	(147)	-	9,148
Energy Saving Trust - electric bus	-	-	-	-	-	-	80,856	(3,369)	-	77,487
OIC - CTGS	-	8,565	8,565	(15,063)	6,498	-	9,122	(9,122)	-	-
Corra Foundation - wellbeing fund	1,001	-	-	(300)	-	701	-	(445)	-	256
VAO - wellbeing co-ordinator	4,530	11,983	11,983	(16,513)	-	-	11,417	(11,417)	-	-
HIE - communities recovery fund	5,480	-	-	(5,480)	-	-	-	-	-	-
Community Energy Scotland - carbon neutral	-	-	-	-	-	-	26,211	(25,278)	-	933
Cycling Scotland - bike shelter	-	12,580	12,580	(243)	-	12,337	-	(629)	(11,708)	-
Inspiring Scotland - island communities fund	-	99,437	99,437	(10,791)	(84,874)	3,772	-	-	(3,772)	-
Community Fund - community development	-	53,688	53,688	-	-	53,688	958	(18,827)	-	35,819
National Lottery - community anchors fund	-	-	-	-	-	-	23,320	(2,886)	-	20,434
Other funds	784	3,314	3,314	(1,055)	-	3,043	24	(1,431)	(121)	1,515
	<u>21,237</u>	<u>189,567</u>	<u>189,567</u>	<u>(49,592)</u>	<u>(78,376)</u>	<u>82,836</u>	<u>151,908</u>	<u>(73,551)</u>	<u>(15,601)</u>	<u>145,592</u>

Arctic Convoy Memorial - this is an ongoing project to provide maintenance for the memorial site for sailors of the arctic convoys.

Energy Saving Trust - funding awarded through the Plugged-In Communities project towards the cost of purchasing a new electric minibus.

OIC CTGS – this fund is the OIC grant for the "Community Transport Grant Scheme" which replaces the previous EDRTI "Enhanced Demand Responsive Transport Initiative". It is a 15.5% grant up to a maximum of £9,873 for the year 2022/23 and is paid on production of invoices and a grant claim form.

Corra Foundation Wellbeing Fund - funding awarded to set up a grant fund for those most in need to help with household bills through COVID and also for additional staff hours to achieve this.

**THE ISLAND OF HOY DEVELOPMENT TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2023**

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**26 Restricted funds - group and charity**

**(Continued)**

VAO Well-Being Coordinator (RF) – this fund was to support the post of a wellbeing co-ordinator on the island. The grant was awarded from the Scottish Government by Voluntary Action Orkney which enabled the funding of 4 posts across the outer isles. The grant is passed on to us in arrears by VAO on production of payroll and pension costs, the grant also allows for 40% admin contribution to be claimed. The post on the island started in March 2019 and was originally to run for twelve months, however VAO have achieved further funding to keep the post running until 31 March 2025.

HIE Communities Recovery Fund - this fund was awarded to continue the community larder work (see below), for volunteer costs and community engagement costs, for the post of a cleaner for the community hall, for cleaning equipment and consumables for the community hall and some of the costs for the YM Project Development Officer post.

Community Energy Scotland - this was a revenue funding grant towards delivering community-led climate plans through the Carbon Neutral Islands project.

Cycling Scotland – This was a capital funding grant achieved to purchase and erect a bike shelter. Cycling Scotland then provide the bikes on loan as and when they are available. A transfer was made to unrestricted funds for capital expenditure to which restrictions no longer apply.

Inspiring Scotland Island Communities Fund – This was a capital funding grant achieved to provide and install new equipment at the YM. A transfer was made to unrestricted funds for capital expenditure to which restrictions no longer apply.

Community Fund Community Development – This is funding to employ a Community Development Officer and cover some of the expenses associated with the post for a period of 2 years.

National Lottery - this is a revenue funding grant towards the cost of providing community larder boxes, along with the associated costs.

**THE ISLAND OF HOY DEVELOPMENTS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**27 Designated funds - group and charity**

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Balance at 1 April 2021		Movement in funds		Movement in funds		Balance at 31 March 2023			
	£	£	Incoming resources	Resources expended	Transfers	Balance at 1 April 2022	Incoming resources	Resources expended	Transfers	Balance at 31 March 2023
Well-being coordinator	7,632	4,500		(5,966)	-	6,166	-	(4,814)	4,000	5,352
Operating reserve	38,125	-		-	18,500	56,625	-	-	-	56,625
Priority projects	44,338	96,361		(1,378)	(46,202)	93,119	112,180	(2,120)	(186,946)	16,233
YM operation	11,994	5,790		(7,952)	402	10,234	2,685	(8,893)	10,400	14,426
Buses	53,713	49,665		(50,468)	4,483	57,393	27,804	(60,093)	70,646	95,750
Electric vehicles	-	-		-	-	-	-	(6,182)	10,550	4,368
Arctic Convoy memorial	1,950	-		-	-	1,950	-	-	-	1,950
YM development project	6,954	-		(15,899)	15,752	6,807	-	(2,075)	-	4,732
	<u>164,706</u>	<u>156,316</u>		<u>(81,663)</u>	<u>(7,065)</u>	<u>232,294</u>	<u>142,669</u>	<u>(84,177)</u>	<u>(91,350)</u>	<u>199,436</u>

Well-being coordinator – This is match funding agreed by loHDT to enable an extra days employment plus 10% expenses for the Wellbeing Co-ordinator alongside the two days funded by VAO.

Operating Reserve – In March 2015, this fund was agreed on and set up by the board as a 12 month core operating reserve for the Trust.

Priority Projects - This fund was agreed on and set up by the board as a support for the Trusts priority projects should it be needed (as evidenced in the minutes of March 2015).

YM Operations – This fund is for the running of the community hall. The YM Operations is expected to produce its own income to cover its own costs as it has always done in the past, however the COVID pandemic has left the community hall without income since March 2020. The board are monitoring this and will make whatever decisions are necessary to enable the facility to re-open.



**THE ISLAND OF HOY DEVELOPMENT TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**27 Designated funds - group and charity**

**(Continued)**

Buses – This funding was achieved through Transport Scotland for the on-going operation of the community bus, from concessions and fares, and from the charity's own funds. It is based on mileage and the mileage records require audit prior to being submitted to Transport Scotland. The fund includes a transfer to cover the deficit in the OIC CTGS restricted fund.

Electric vehicles - this fund represents the charity's contribution for running two electric vehicles for their purpose of: assisting vulnerable groups with essential transport needs; and contributing to the operation of the Hoy Energy Ltd turbine.

Arctic Convoy Memorial - this is an ongoing project to provide maintenance for the memorial site for sailors of the arctic convoys.

YM Development Project - a YM Development Project Officer was engaged to get the hall to a COVID safe state to open and to look at community engagement re the future operation of the facility. The business support grant from the Scottish Government for the community hall has been used towards funding this project.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 28 Analysis of net assets between funds - group

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2023 are represented by:			
Tangible assets	1,119,424	85,377	1,204,801
Current assets/(liabilities)	900,373	60,215	960,588
Long term liabilities	(432,814)	-	(432,814)
Provisions	(145,585)	-	(145,585)
	<u>1,441,398</u>	<u>145,592</u>	<u>1,586,990</u>

### Analysis of net assets between funds - charity

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2023 are represented by:			
Tangible assets	429,360	85,377	514,737
Investments	101	-	101
Current assets/(liabilities)	313,394	60,215	373,609
	<u>742,855</u>	<u>145,592</u>	<u>888,447</u>

### 29 Subsidiaries

Details of the charity's subsidiaries at 31 March 2023 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Hoy and Walls Community Transport Limited	Scotland	Dormant	Ordinary	100.00	
Hoy Energy Limited	Scotland	Renewable energy production	Ordinary	100.00	

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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### 30 Operating lease commitments

#### Lessee - group and charity

The Trust leases the Revenge Naval Hall for office accommodation.

The Trust also leases the Arctic Memorial under a 60 year lease expiring on 5 June 2071 for nil consideration. However, the Trust is liable for any costs to repair and maintain it.

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023	2022
	£	£
Within one year	2,870	2,631
	<u>2,870</u>	<u>2,631</u>

#### Lessor - charity

The charity leases land to its subsidiary, Hoy Energy Limited, for a consideration of £5,000 per annum under the terms of a 25 year lease expiring in 2036.

At the reporting end date the charity had contracted with tenants for the following minimum lease payments:

	2023	2022
	£	£
Within one year	5,000	5,000
Between two and five years	20,000	20,000
In over five years	42,500	47,500
	<u>67,500</u>	<u>72,500</u>

### 31 Analysis of changes in net funds

The charity repaid finance leases totalling £nil (2022: £27,638).

The group also has bank loans as described at note 22, which shows the movements of those loans in the year.

### 32 Related party transactions

#### Remuneration of key management personnel

Remuneration of key management personnel of the parent charity and group during the year was £nil (2022: £nil).

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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### 32 Related party transactions

(Continued)

#### Transactions with related parties - charity

During the year the charity entered into the following transactions with Hoy Energy Limited (HEL), the charity's subsidiary, as follows:

	2023 £	2022 £
Distributions receivable	112,180	168,361
Rental income	5,000	5,000
Interest receivable	5,216	2,966
	<u>122,396</u>	<u>176,327</u>

At the balance sheet date, debtors include a loan of £77,863 (2022: £88,647) receivable from HEL. Interest is chargeable on the loan at a rate of 2.25% over LIBOR from April 2013 onwards.

The above transaction is on normal commercial terms.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

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### 33 Funds held as custodian trustee

The charity holds funds on behalf of third parties. The third parties are responsible for approving grant applications and instructing the charity to process payments from funds held by the charity on their behalf.

The details of these bodies and the movements on funds held by the charity as custodian trustee are as follows:

#### **Your Island, Your Choice 2**

This fund is held on behalf of the Lego Club and the Playpark Group, who were awarded grants through the Your Island, Your Choice programme. During the year, the charity paid costs totalling £590 (2022: £575). At the balance sheet date, the charity held £nil for the Lego Club (2022: £40) and £6,594 for the Playpark Group (2022: £7,144).

#### **Hoolie Group of Hoy and Walls (HGHW)**

This fund is held on behalf of HGHW until such time as they open their own bank account. During the year, the charity paid costs totalling £83 (2022: £435). At the balance sheet date the charity held £4,928 (2022: £5,011) in cash funds as custodian for HGHW.

#### **YM Empower**

This fund was held on behalf of YM Empower until they opened their own bank account. During the year, the charity received funds of £7,344 (2022: £nil) and paid costs totalling £3,665 (2022: £nil). £3,679 was transferred to YM Empower on the opening of their bank account. At the balance sheet date the charity held £nil (2022: £nil) in cash funds as custodian for YM Empower.

#### **Youth Cafe**

This fund was held on behalf of the Youth Cafe, who were awarded a donation from Cooke Aquaculture. During the year, the charity received funds of £100 (2022: £nil) and paid costs totalling £100 (2022: £nil). At the balance sheet date the charity held £nil (2022: £nil) in cash funds as custodian for the Youth Cafe.

#### **CAP Group**

This fund is held on behalf of the CAP Group, who were awarded a grant from the Graemsay, Hoy & Walls Community Council. During the year, the charity received funds of £398 (2022: £nil) and paid costs totalling £326 (2022: £nil). At the balance sheet date, the charity held £72 (2022: £nil) in cash funds as custodian for the CAP Group.

Funds administered by the charity in its role as custodian are not recognised in the charity's statement of financial activities or balance sheet.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

### 34 Cash generated from operations - group

	2023 £	2022 £
(Deficit)/surplus for the year	62,516	151,797
Adjustments for:		
Investment income	(2,474)	(162)
Taxation charged	(1,483)	2,400
Gain on disposal of tangible fixed assets	(48)	-
Finance costs	37,345	42,063
Depreciation and impairment of tangible fixed assets	137,892	109,826
Net gain on other comprehensive income	(8,572)	(16,037)
Movements in working capital:		
Decrease/(increase) in debtors	61,957	(63,954)
Increase in creditors	91,971	58,187
<b>Cash generated from operations</b>	<u>379,104</u>	<u>284,120</u>

### Cash generated from operations - charity

	2023 £	2022 £
(Deficit)/surplus for the year	(5,411)	177,953
Adjustments for:		
Investment income recognised in statement of financial activities	(122,765)	(176,355)
Gain on disposal of tangible fixed assets	(350)	-
Depreciation and impairment of tangible fixed assets	60,163	33,199
Movements in working capital:		
Decrease/(increase) in debtors	19,223	(49,725)
(Decrease)/increase in creditors	(16,881)	27,728
<b>Cash (absorbed by)/generated from operations</b>	<u>(66,021)</u>	<u>12,800</u>

### 35 Non-audit services provided by auditor

The relevant circumstances requiring disclosure in accordance with the requirements of APB Ethical Standard - Provisions Available for Small Entities are that, in common with many charities of our size and nature we use our auditor to assist with the preparation of the accounts.