

Charity Registration No. SC038909 (Scotland)

Company Registration No. SC306586 (Scotland)

THE ISLAND OF HOY DEVELOPMENT TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

THE ISLAND OF HOY DEVELOPMENT TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Directors	M Collop M Cossar I Davidson K Dempsey K Dobney P Hall S Jaques H Seatter E Train J Traynor	(Appointed 9 May 2019)
Secretary	A J B Scholes Ltd	
Charity number (Scotland)	SC038909	
Company number	SC306586	
Registered office	8 Albert Street Kirkwall Orkney KW15 1HP	
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	

THE ISLAND OF HOY DEVELOPMENT TRUST

CONTENTS

	Page
Directors' report	1 - 6
Statement of directors' responsibilities	7
Independent auditor's report	8 - 10
Consolidated statement of financial activities	11
Statement of financial activities	12
Consolidated balance sheet	13
Balance sheet	14
Consolidated statement of cash flows	15
Statement of cash flows	16
Notes to the accounts	17 - 39

THE ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' REPORT (INCLUDING TRUSTEES' REPORT)

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and financial statements for the year ended 31 March 2019.

The accounts have been prepared in accordance with the accounting policies set out in note 2 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)" (as amended for accounting periods commencing from 1 January 2016)

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

The charity's main objectives for the year ended 31 March 2019 were as follows:

Community Fund

- To continue to provide good financial and risk management procedures to maintain the operation of the turbine.
- To review the processes and procedures associated with the Community funds.
- To continue to provide grants to community organisations and enable access to training courses through our community funds.

Community Hall

- To increase the effectiveness of the management of the hall.

Community Bus Service

- To continue to run the community bus service and to seek funds to support that service.
- To investigate and explore the possibility of establishing a low-carbon transport hub on the island that will significantly contribute to a sustainable transport solution for the island.

THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2019

Health and Wellbeing

- To progress with the Enhancing wellbeing project in collaboration with HIE, VAO and other Development Trusts

Digital connectivity

- To continue to support improved digital connectivity.

Youth, Leisure and Heritage

- To continue to support the Heritage project and consult with stakeholders to forward our heritage development plans.

Trust Structure and Development plan

- To progress, together with the Community Council and other island organisations, a community action plan reflecting the ideas, needs and thoughts of the community.
- To continue to review the Trust's operations and ensure that the organisation is working effectively.

Achievements and performance

Community Fund: Funds from the Turbine again provided support to various groups and organisations on the island. Grants were awarded to several groups for the employment of crucial staff to keep their heritage centres operational. The advice and financial support awarded to the Longhope Lifeboat Museum enabled them to engage a key fundraising person and part-time custodian. As a consequence of our support they went on to raise over £50,000 for essential maintenance to the old Lifeboat station (now museum) prior to the 50th anniversary of the Longhope Lifeboat disaster in March 2019.

Funds were also awarded to the Haey Hope Club for their new minibus; to the Hoy Hounds for new agility equipment; to the North Walls Community Centre to support their running costs; to the Hoy Centre for a summer programme of outdoor activities for young people; to Skaldic (heritage/culture/wellbeing group) to run a drumming workshop led by Bomba!, an African drumming group and to put on a talent show. Currently the application forms and the criteria for the Community Fund are under review, with the aim to make applying an easier process.

The Training and Learning Fund (TLF) has continued to be popular and grants have been awarded to individuals for driving lessons, open university courses (one in Astrophysics), training for HGV and VHF licences, courses to qualify as a nail technician, a yacht master day skipper and a certification in open water diving, amongst other things.

The Event support fund was also utilised, benefitting those groups trying to provide transport and accommodation for visiting artists and musicians. As last year, the main organisations benefitting from this fund have been the Gable End Theatre, Hoy and Walls Entertainment Group, Skaldic, the Hoy Hoolie and the Community Hall Committees.

Community Hall: The Trust continues to develop the strategy for the management of the hall. New members have joined the committee and some progress has been made with the review of health and safety policies and procedures. The YM Committee have agreed to abide by a terms of reference document and, hopefully, from next year, will appoint their committee at the Trust's AGM.

Hall usage is constant with the various community organisations and clubs continuing to make good use of the facilities. This year a Lego club has started up on a Sunday which seems to be popular with all generations. The Shore, part of the hall refurbishment initiated and funded through the Trust, remains a popular location for meetings, fundraising events and also for choir practice. Broadband issues still hold back the aspirations of the IT club.

THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2019

Community Bus: The bus service continues to deliver a regular timetabled schedule and has seen steady use by residents and visitors alike. Passenger numbers remain stable with principal users being those holding concessionary passes. It is now viewed as a regular/dependable island amenity and provides an important (lifeline) service for a number of users. Financial support to maintain the bus service continues to derive from ticket purchases for journeys, from Transport Scotland's Bus Service Operators Grant (BSOG), Orkney Islands Council's Community Transport Grant Scheme (CTGS) fund, plus important subsidies from the Trust that supplement our CTGS application and concessionary ticket claims.

Costs to maintain current service are increasing – specifically with regards to fuel (diesel), regular maintenance and repairs. Both buses are building up significant mileage and this is now being reflected in increasing frequency of mechanical problems. The Trust continued this year to investigate replacing the vehicles with a greener option, i.e. a wholly electric vehicle, to reduce running costs and carbon emissions. Towards the end of 2018, the Trust began discussing a collaboration with Community Energy Scotland as part of the ReFLEX initiative, a project aimed at the use of renewable energy and backed by UKRI through the Industrial Strategy Challenge Fund. This project may help to provide electric vehicles and the infrastructure necessary to support them.

Youth, Leisure and Heritage: Developing our Heritage initiative, Legacies of Conflict, still remains important to the Trust but beyond providing financial support to the temporary Scapa Flow exhibition at Lyness, this project has not progressed significantly in the last year.

The Hoy Hoolie was held again during this period and was extremely successful, with much community support and many volunteers from the community helping to make the weekend a great success.

With the Orkney Islands Council (OIC) no longer able to maintain and develop the playpark at Longhope, a community group decided to attempt to take over its management and development. The group has become a sub-group of the Trust, with the Chair of the group being a Trust director. The initial aim of the project is to engage with OIC and negotiate the potential for this asset to be taken over by the community. Fundraising activities have already been undertaken.

Enhancing Health & Wellbeing: The Trust is participating in a project supported by the Scottish Government Aspiring Communities Fund and in collaboration with four other Development Trusts, Voluntary Action Orkney (VAO) and Highland and Islands Enterprise (HIE). Funding was achieved at the end of 2018 and this enabled a Wellbeing co-ordinator for the island to be employed in March 2019. The project is initially funded until 31st March 2020 and will focus on developing local initiatives that reduce the barriers for older people accessing beneficial services.

Digital Connectivity: The IoHDT's 2018 community wide survey showed that over 50% of respondents were fairly or very dissatisfied with the current digital service on Hoy. Other feedback highlighted how important good digital connections were to the sustainability of the island and the need to stem the growing problem of digital exclusion. The Trust continues to liaise with the Community Council and relevant external stakeholders, but little progress has been made and the Government initiative Reaching 100% (R100) seems to have stalled somewhat.

Community Engagement and Development plan: In March 2018, the Trust launched a community survey created with the support of the Scottish Community Development Centre, with the aim of finding out what the local community felt about living in Hoy and Walls. The Trust went on to hold several sessions to feedback results and to garner any further thoughts. Subsequently several focus groups were held with representatives from community groups, the Community Council, IoHDT, Orkney Islands Council, Voluntary Action Orkney, Highlands and Islands Enterprise and the Island councillors. The aim of these meetings was to start discussions around the key priorities identified by the community and to agree the next steps in creating a Community Action Plan. The IoHDT recognised that the delivery of the communities' priorities was beyond the scope and responsibility of a single organisation, hence the need for a co-ordinated and integrated approach with other island organisations working together to achieve the community's aspirations. Work on the community action plan continues.

THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2019

Trust Structure: The Trust continues to review its operations to improve the effectiveness of the organisation. In February 2019, the Trust instigated a review of its current staffing structure to ensure that it was robust and could meet the needs of the organisation both now and in the future. The results of this will enable the Trust to identify gaps and restructure in order to deliver projects more effectively.

Attracting new Directors to the board is still a challenge but two new directors joined the Trust in 2019, one of which has a specific interest in promoting projects for young people. Encouraging people to join the Trust and become involved in our projects remains an ongoing activity.

Investment performance

Hoy Energy Ltd - summary report for financial year ending March 2019:

The year started very slow due to unusually low wind levels and the first quarter income was circa £95k where seasonal expectations drawn from the previous 7 years would expect circa £120k to be more normal. Projecting that level of variance through budget planning lead to the issue of a formal profit warning to the trust to afford them as much warning as possible for a potential reduction in any trading surplus.

Fortunately, the weather that followed decided to rubbish any and all spreadsheet outcomes and the three remaining quarters were high in wind yield for our site, coupled with good stable grid conditions we literally sailed through to profitability and a trading surplus by the year end.

Pre-tax profit stood at £159,921 on a turnover of £414,733 compared to a profit of £202,083 on a turnover of £460,425 during the previous year, over 10% less. Points of note were a £5k increase in direct costs due the Legacy Project and DBM fee's along with a counter balancing decrease of over £5k from the removal of the various BT comms systems and telephone services, all other direct costs remained largely the same as the previous year.

The annual audit process was again in depth and increasingly complex due to HMRC requirements etc but was completed with minimal fuss perhaps due largely to all records and documents being in digital format.

The donation level from HEL to IoHDT during this financial period, from the trading surplus generated in the previous year, was £163,083.00.

Moving forward the HEL board will progress the Legacy Project which began in Feb of 2019, and also continue to assess market conditions/services for options to offset increasing operational costs as the turbine now enters its eight year of generation.

Financial review

The charity had total incoming resources of £226,396 (2018: £141,054) and total resources expended of £175,211 (2018: £151,263), giving net surplus for the year of £51,185 (2018: deficit of £10,209). Total funds as at the balance sheet date amounted to £767,536 (2018: £716,351), split between unrestricted reserves of £757,297 (2018: £703,425) and restricted reserves of £10,239 (2018: £12,296).

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 from HIE, OIC etc has 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.

THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2019

Plans for the future

Good financial and risk management procedures are key to maintaining the operation of the turbine and the Trust will continue to provide these to the best of their ability.

The Trust intend to continue to encourage the community to apply for grants from the Community Funds and intend to revise the criteria and application forms and procedures to make the process more community friendly.

The Trust will continue to support the Community Hall Committee to run the hall successfully and to increase its usage.

Digital connectivity (or lack of) continues to be a frustration for the community and this next year the Trust are keen to further liaise with external bodies and organisations to see how better connections might be achieved.

The Trust are committed to continuing the community bus service and will be working to increase its usage through greater promotion and the creation of a new dedicated website. Further engagement with Community Energy Scotland and the ReFLEX project will be undertaken in order to progress the long-held aim of establishing a fully 'green' island transport service.

The Trust will continue to provide its full support to the Enhancing wellbeing project and will work with other agencies to find funding to increase the length of time that the project will run.

The Trust will continue to progress, together with the Community Council and other island organisations, a community action plan reflecting the aspirations of the community.

As in previous years, the Trust will continue to review its operations to ensure that the organisation is working effectively and this will also include implementing the results of a review of the current staffing structure.

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:

M Collop
M Cossar
I Davidson
K Dempsey
K Dobney
P Hall
S Jaques
H Seatter
E Train
J Traynor

(Appointed 9 May 2019)

THE ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT) FOR THE YEAR ENDED 31 MARCH 2019

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

S. D. Jaques

Director

Dated: 4-12-19

THE ISLAND OF HOY DEVELOPMENT TRUST

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2019

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 OF THE ISLAND OF HOY DEVELOPMENT TRUST

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 2019 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 2019 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 accounts section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 36 to the accounts, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

THE ISLAND OF HOY DEVELOPMENT TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE ISLAND OF HOY DEVELOPMENT TRUST

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.

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

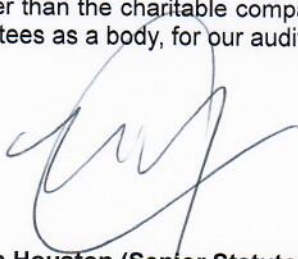
THE ISLAND OF HOY DEVELOPMENT TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE ISLAND OF HOY DEVELOPMENT TRUST

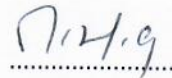
Use of our report

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.



Ivan Houston (Senior Statutory Auditor)
for and on behalf of A J B Scholes Ltd

Chartered Accountants
Statutory Auditor



8 Albert Street
Kirkwall
Orkney
KW15 1HP

THE ISLAND OF HOY DEVELOPMENT TRUST

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCLUDING CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<u>Income from:</u>					
Grants and donations	3	1,327	13,956	15,283	15,307
Charitable activities	4	38,066	-	38,066	29,854
Other trading activities	5	414,733	-	414,733	460,425
Investments	6	614	-	614	1,493
Total income		454,740	13,956	468,696	507,079
<u>Expenditure on:</u>					
Raising funds	8	246,843	-	246,843	250,454
Charitable activities	10	157,156	16,643	173,799	149,624
Other	15	31	-	31	264
Total expenditure		404,030	16,643	420,673	400,342
Net income/(expenditure) for the year before taxation		50,710	(2,687)	48,023	106,737
Taxation	17	459	-	459	(21,691)
Other recognised gains and losses		(1,004)	-	(1,004)	19,351
Net income/(expenditure) for the year after taxation		50,165	(2,687)	47,478	104,397
Fund balances at 1 April 2018		1,181,751	12,926	1,194,677	1,090,280
Fund balances at 31 March 2019		1,231,916	10,239	1,242,155	1,194,677

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 2019

	Notes	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<u>Income from:</u>					
Grants and donations	3	1,327	13,956	15,283	15,307
Charitable activities	4	38,066	-	38,066	29,854
Investments	6	173,047	-	173,047	95,893
Total income		212,440	13,956	226,396	141,054
<u>Expenditure on:</u>					
Raising funds	9	1,381	-	1,381	1,375
Charitable activities	10	157,156	16,643	173,799	149,624
Other	15	31	-	31	264
Total expenditure		158,568	16,643	175,211	151,263
Net income/(expenditure) for the year/ Net movement in funds		53,872	(2,687)	51,185	(10,209)
Fund balances at 1 April 2018		703,425	12,926	716,351	726,560
Fund balances at 31 March 2019		757,297	10,239	767,536	716,351

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 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	18		1,150,622		1,239,573
Current assets					
Stocks	20	539		540	
Debtors	22	135,500		137,436	
Cash at bank and in hand		1,183,862		1,167,911	
		<u>1,319,901</u>		<u>1,305,887</u>	
Creditors: amounts falling due within one year	23	(167,106)		(187,031)	
Net current assets			1,152,795		1,118,856
Total assets less current liabilities			<u>2,303,417</u>		<u>2,358,429</u>
Creditors: amounts falling due after more than one year	24		(962,265)		(1,066,990)
Provisions for liabilities	25		(98,997)		(96,762)
Net assets			<u>1,242,155</u>		<u>1,194,677</u>
Income funds					
Funds retained within subsidiary			474,619		478,326
Restricted funds	27		10,239		12,926
<u>Unrestricted funds</u>					
Designated funds	28	244,847		148,838	
General unrestricted funds		512,450		554,587	
		<u></u>	757,297	<u></u>	703,425
			<u>1,242,155</u>		<u>1,194,677</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 4-12-19

S. D. Jaques

Director

Company Registration No. SC306586

THE ISLAND OF HOY DEVELOPMENT TRUST

BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	18		291,977		309,545
Investments	19		101		101
			<u>292,078</u>		<u>309,646</u>
Current assets					
Stocks	20	539		540	
Debtors falling due after one year	22	95,783		106,426	
Debtors falling due within one year	22	50,407		47,907	
Cash at bank and in hand		347,247		668,348	
		<u>493,976</u>		<u>823,221</u>	
Creditors: amounts falling due within one year	23	(18,518)		(416,516)	
Net current assets			<u>475,458</u>		<u>406,705</u>
Total assets less current liabilities			<u>767,536</u>		<u>716,351</u>
Income funds					
Restricted funds	27		10,239		12,926
<u>Unrestricted funds</u>					
Designated funds	28	244,847		148,838	
General unrestricted funds		<u>512,450</u>		<u>554,587</u>	
			<u>757,297</u>		<u>703,425</u>
			<u>767,536</u>		<u>716,351</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 4-12-19

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 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	35	171,202		287,366	
Interest paid		(56,439)		(60,278)	
Net cash generated from operating activities		114,763		227,088	
Investing activities					
Purchase of tangible fixed assets		(353)		(2,195)	
Interest received		614		1,494	
Net cash generated from/(used in) investing activities		261		(701)	
Financing activities					
Repayment of bank loans		(99,073)		(92,630)	
Net cash used in financing activities		(99,073)		(92,630)	
Net increase in cash and cash equivalents		15,951		133,757	
Cash and cash equivalents at beginning of year		1,167,911		1,034,154	
Cash and cash equivalents at end of year		1,183,862		1,167,911	

THE ISLAND OF HOY DEVELOPMENT TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash absorbed by operations	35		(103,764)		(78,887)
Investing activities					
Purchase of tangible fixed assets		-		(1,323)	
Repayment of investment loans and receivables		9,616		9,361	
Investment income		173,047		95,893	
Net cash generated from investing activities			182,663		103,931
Financing activities					
Proceeds from borrowings		-		400,000	
Repayment of borrowings		400,000		-	
Net cash (used in)/generated from financing activities			(400,000)		400,000
Net (decrease)/increase in cash and cash equivalents			(321,101)		425,044
Cash and cash equivalents at beginning of year			668,348		243,304
Cash and cash equivalents at end of year			347,247		668,348

THE ISLAND OF HOY DEVELOPMENT TRUST

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 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.

2 Accounting policies

Charity information

The Island of Hoy Development Trust is a private company limited by guarantee incorporated in Scotland. The registered office is 8 Albert Street, Kirkwall, Orkney, KW15 1HP.

2.1 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)" (as amended for accounting periods commencing from 1 January 2016). 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.

2.2 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.

2.3 Charitable funds

Unrestricted funds are available for use at the discretion of the directors in furtherance of their charitable objectives unless the funds have been designated for other purposes.

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.

2.4 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.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

2 Accounting policies

(Continued)

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.

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.

2.5 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.

2.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, 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	20% 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 net income/(expenditure) for the year.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Accounting policies

(Continued)

2.7 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.

2.8 Impairment of fixed assets

At each reporting period end date, the charity reviews the carrying amounts of its tangible and intangible 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).

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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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.

2.9 Stocks

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

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.10 Cash and cash equivalents

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

2.11 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.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Accounting policies

(Continued)

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.

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.

2.12 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.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

2 Accounting policies

(Continued)

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.

2.13 Taxation

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.

2.14 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.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

2 Accounting policies

(Continued)

2.15 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.

2.16 Retirement benefits

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

2.17 Leases

Rentals payable and receivable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease.

2.18 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.

2.19 Distributions

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

2.20 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 2019

3 Grants and donations - group and charity

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
Donations and gifts	137	-	137	825
Legacies receivable	-	-	-	52
Grants receivable for core activities	1,190	13,956	15,146	14,430
	<u>1,327</u>	<u>13,956</u>	<u>15,283</u>	<u>15,307</u>
For the year ended 31 March 2018	<u>1,540</u>	<u>13,767</u>		<u>15,307</u>
Grants receivable for core activities - group and charity				
Orkney Islands Council - community bus service	-	13,761	13,761	13,715
Hoy Hoolie	1,458	-	1,458	-
VAO - Wellbeing co-ordinator	-	195	195	-
Community Council - YM operations	500	-	500	715
Other	(768)	-	(768)	-
	<u>1,190</u>	<u>13,956</u>	<u>15,146</u>	<u>14,430</u>

4 Charitable activities - group and charity

	Hall hire £	Community events £	Bus income £	Hoy Hoolie £	Total 2019 £	Total 2018 £
Non-performance related income	5,118	1,125	6,391	9,429	22,063	14,225
Performance related grant income	-	-	16,003	-	16,003	15,629
	<u>5,118</u>	<u>1,125</u>	<u>22,394</u>	<u>9,429</u>	<u>38,066</u>	<u>29,854</u>

5 Other trading activities - group

	2019 £	2018 £
Energy sales	<u>414,733</u>	<u>460,425</u>

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

6 Investments - group

	2019 £	2018 £
Interest receivable	614	1,493
	<u>614</u>	<u>1,493</u>

Investments - charity

	2019 £	2018 £
Rental income	5,000	5,000
Income from unlisted investments	163,083	85,000
Interest receivable	4,964	5,893
	<u>173,047</u>	<u>95,893</u>

7 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 (such as the Hoy Hoolie) 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 2019

8 Raising funds - group

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:

	2019 £	2018 £
Turnover	414,733	460,425
Cost of sales and administration	(254,846)	(258,354)
Interest receivable	34	240
Net profit	159,921	202,311
Taxation	459	(21,691)
Other recognised gains and losses	(1,004)	19,351
Donations of profit gift aided to charity	(163,083)	(85,000)
Retained in subsidiary	(3,707)	114,971
Assets	1,810,738	1,948,478
Liabilities	(1,336,019)	(1,470,052)
Funds	474,719	478,426

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. In addition to the above, the charity incurred expenditure on raising funds as detailed in note 9.

9 Raising funds - charity

	Unrestricted funds £	Restricted funds £	Total 2019 £	Total 2018 £
<u>Fundraising and publicity</u>				
Staging fundraising events	1,381	-	1,381	1,375
For the year ended 31 March 2018				
Fundraising and publicity	1,323	52		1,375

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Charitable activities - group and charity

	Community benefit £	Bus service £	Total 2019 £	Total 2018 £
Staff costs	5,000	31,532	36,532	35,442
Depreciation and impairment	802	5,047	5,849	7,233
Community events	12,533	-	12,533	-
Bus running costs	-	20,289	20,289	18,169
	<u>18,335</u>	<u>56,868</u>	<u>75,203</u>	<u>60,844</u>
Grant funding of activities (see note 11)	33,757	-	33,757	25,446
Share of support costs (see note 13)	49,611	8,345	57,956	52,792
Share of governance costs (see note 13)	5,851	1,032	6,883	10,542
	<u>107,554</u>	<u>66,245</u>	<u>173,799</u>	<u>149,624</u>
Analysis by fund				
Unrestricted funds	105,714	51,442	157,156	
Restricted funds	1,840	14,803	16,643	
	<u>107,554</u>	<u>66,245</u>	<u>173,799</u>	
For the year ended 31 March 2018				
Unrestricted funds	86,059	43,274		129,333
Restricted funds	1,149	19,142		20,291
	<u>87,208</u>	<u>62,416</u>		<u>149,624</u>

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

11 Grants payable - group and charity

	2019 £	2018 £
Grants to institutions:		
Friends of Hoy Kirk	-	5,432
North Walls School	-	2,000
North Walls Centre	-	900
GG Productions	-	2,000
Hoy Centre - Youth Activity Programme	-	2,778
Sailing Club - shed	-	1,484
Gable End Theatre	-	680
Scapa Flow Visitor Centre & Museum	10,161	-
Longhope Lifeboat Museum - custodian	5,000	-
Hoy Community Association	-	500
Longhop Lifeboat Museum - fundraiser	5,000	-
Choir L Rugg	650	-
North Walls Centre	602	-
Skaldic - workshops	519	-
Other	799	503
	<u>22,731</u>	<u>16,277</u>
Grants to individuals	11,026	9,169
	<u>33,757</u>	<u>25,446</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, 30 training bursaries totalling £11,026 (2018: 28 bursaries totalling £9,169) were issued to help local residents to undertake training and learn new skills to continue to live in the islands.

12 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 (2018: two directors received £4,000).

During the year, no directors were reimbursed for expenses incurred in the course of their duties (2018: no directors).

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

13 Support costs - group and charity

	Support costs	Governance costs	2019	2018	Basis of allocation
	£	£	£	£	
Staff costs	25,739	-	25,739	19,960	Staff time
Depreciation	11,688	-	11,688	12,997	Assets employed
Rent & rates	3,253	-	3,253	3,914	Floor area
Insurance	5,682	-	5,682	4,701	Premium split
Heat, light & power	1,964	-	1,964	3,294	Floor area
Office costs	3,781	-	3,781	5,353	Staff time
Travelling expenses	128	-	128	213	100% community benefit
Sundry & subscriptions	2,295	-	2,295	1,166	Staff time
Legal & professional	786	-	786	302	Actual costs incurred
Repairs & renewals	2,640	-	2,640	892	Actual costs incurred
Audit fees	-	6,380	6,380	6,180	Governance
Accountancy	-	503	503	331	Governance
Legal and professional	-	-	-	4,031	Governance
	<u>57,956</u>	<u>6,883</u>	<u>64,839</u>	<u>63,334</u>	
Analysed between					
Charitable activities	<u>57,956</u>	<u>6,883</u>	<u>64,839</u>	<u>63,334</u>	

14 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2019 £	2018 £
Fees payable to the charity's auditor and its associates for the audit of the annual accounts:	5,350	5,170
Other services to the group		
- the audit of the charity's subsidiaries - included in expenditure on raising funds	5,927	4,636
Total audit fees	<u>11,277</u>	<u>9,806</u>
Non-audit services - charity		
All other non-audit services	<u>432</u>	<u>276</u>

15 Other - group and charity

	2019 £	2018 £
Net loss on disposal of tangible fixed assets	<u>31</u>	<u>264</u>

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

16 Employees

Number of employees

The average monthly number of employees during the year was:

	Group 2019 Number	Group 2018 Number	Charity 2019 Number	Charity 2018 Number
Administration	2	2	2	2
Direct charitable activities	4	4	4	4
Engaged in subsidiary operating activities	6	2	-	-
	<u>12</u>	<u>8</u>	<u>6</u>	<u>6</u>

Employment costs

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Wages and salaries	105,001	96,812	58,169	52,033
Social security costs	433	286	-	-
Other pension costs	6,209	5,398	4,102	3,369
	<u>111,643</u>	<u>102,496</u>	<u>62,271</u>	<u>55,402</u>

The average number of the charity's employees during the year, calculated on the full time equivalent basis, was 3 (2018: 2).

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

17 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.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

18 Tangible fixed assets - group

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2018	434,396	1,427,952	46,989	96,240	2,005,577
Additions	-	353	-	-	353
Disposals	-	-	(151)	-	(151)
At 31 March 2019	434,396	1,428,305	46,838	96,240	2,005,779
Depreciation and impairment					
At 1 April 2018	159,209	495,500	40,285	71,010	766,004
Depreciation charged in the year	7,120	71,924	5,182	5,047	89,273
Eliminated in respect of disposals	-	-	(120)	-	(120)
At 31 March 2019	166,329	567,424	45,347	76,057	855,157
Carrying amount					
At 31 March 2019	268,067	860,881	1,491	20,183	1,150,622
At 31 March 2018	275,187	932,452	6,704	25,230	1,239,573

Tangible fixed assets - charity

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2018	434,396	3,740	46,989	96,240	581,365
Disposals	-	-	(151)	-	(151)
At 31 March 2019	434,396	3,740	46,838	96,240	581,214
Depreciation and impairment					
At 1 April 2018	159,209	1,316	40,285	71,010	271,820
Depreciation charged in the year	7,120	188	5,182	5,047	17,537
Eliminated in respect of disposals	-	-	(120)	-	(120)
At 31 March 2019	166,329	1,504	45,347	76,057	289,237
Carrying amount					
At 31 March 2019	268,067	2,236	1,491	20,183	291,977
At 31 March 2018	275,187	2,424	6,704	25,230	309,545

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

19 Fixed asset investments - charity

		Other investments
Cost or valuation		
At 1 April 2018 & 31 March 2019		101
Carrying amount		
At 31 March 2019		101
At 31 March 2018		101

Other investments comprise:	Notes	2019 £	2018 £
Investments in subsidiaries	31	101	101

20 Stocks - group and charity

	2019 £	2018 £
Finished goods and goods for resale	539	540

21 Financial instruments - group

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,287,613	1,273,226
	1,287,613	1,273,226
Carrying amount of financial liabilities		
Debt instruments measured at amortised cost	1,162,340	1,147,517
Other financial instruments measured through other comprehensive income	26,559	25,320
	1,188,899	1,172,837

Financial instruments - charity

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	486,757	816,234
Equity instruments measured at cost less impairment	101	101
	486,858	816,335
Carrying amount of financial liabilities		
Measured at amortised cost	4,250	406,036

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

22 Debtors

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Amounts falling due within one year:				
Trade debtors	50,504	44,992	1,197	866
Amounts due from subsidiary undertakings	-	-	27,886	26,859
Other debtors	53,247	60,324	14,644	13,735
Prepayments and accrued income	31,749	32,120	6,680	6,447
	<u>135,500</u>	<u>137,436</u>	<u>50,407</u>	<u>47,907</u>
Amounts falling due after more than one year:				
Amounts due from subsidiary undertakings	-	-	95,783	106,426
	<u>-</u>	<u>-</u>	<u>95,783</u>	<u>106,426</u>
Total debtors	<u>135,500</u>	<u>137,436</u>	<u>146,190</u>	<u>154,333</u>

Other debtors include grants receivable totalling £10,213 (2018: £10,554).

23 Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Bank loans	105,967	99,076	-	-
Other taxation and social security	37,770	40,315	788	724
Trade creditors	735	28,098	-	-
Amounts due to subsidiary undertakings	-	-	-	400,000
Other creditors	4,250	6,036	4,250	6,036
Accruals and deferred income	18,384	13,506	13,480	9,756
	<u>167,106</u>	<u>187,031</u>	<u>18,518</u>	<u>416,516</u>

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

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

	Notes	2019 £	2018 £
Bank loans		935,706	1,041,670
Derivative financial instruments		26,559	25,320
		<u>962,265</u>	<u>1,066,990</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 £1,041,673 (2018: £1,140,746). 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 £26,559 (2018: £25,320). The directors obtained confirmation of this valuation directly from Co-operative Bank PLC.

Bank loans payable by instalments due in over five years	432,797	571,476
--	---------	---------

25 Provisions for liabilities - group

	Notes	2019 £	2018 £
Decommissioning liability		15,000	15,000
Deferred tax liabilities	26	83,997	81,762
		<u>98,997</u>	<u>96,762</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.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

26 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:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
ACAs	89,043	86,573
Hedging reserve	(5,046)	(4,811)
	<u>83,997</u>	<u>81,762</u>

27 Restricted funds

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 2018 £	Incoming resources £	Resources expended £	Balance at 31 March 2019 £
Arctic convoy memorial	9,700	-	(149)	9,551
Big Lottery - YM phase 2	1,036	-	(533)	503
OIC CTGS	847	13,761	(14,608)	-
Other funds	1,343	195	(1,353)	185
	<u>12,926</u>	<u>13,956</u>	<u>(16,643)</u>	<u>10,239</u>

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

BLF YM Phase 2 –The BLF project was completed by 31 January 2016; the only balance left related to this part of the project is the cash balance of £503 at 31 March 2019 which BLF agreed could be used for any further capital expenditure on the YM.

OIC CTGS 2018-19 – 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 25% grant up to a maximum of £13,761 for the year 2018-19 and is paid on production of invoices and a grant claim form.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

28 Designated funds

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:

	Movement in funds				
	Balance at 1 April 2018	Incoming resources	Resources expended	Transfers	Balance at 31 March 2019
	£	£	£	£	£
Homecare	1,911	-	-	-	1,911
Operating reserve	28,125	-	-	-	28,125
Priority projects	93,465	27,180	(10,161)	(22,781)	87,703
YM operation	17,001	6,489	(7,538)	-	15,952
Buses - BSOG	1,255	22,518	(40,718)	36,945	20,000
Hoy Hoolie	5,131	9,429	(11,954)	5,058	7,664
Arctic Convoy memorial	1,950	-	-	-	1,950
Reserve for 19/20	-	81,542	-	-	81,542
	<u>148,838</u>	<u>147,158</u>	<u>(70,371)</u>	<u>19,222</u>	<u>244,847</u>

Homecare – this is funding from the Community Fund for a feasibility study into the homecare provision on the island. The feasibility study is complete at a cost of £2,600, and further work is being done to assess the different options with the input of the community. It was agreed by the board that the balance of this fund remains designated for the homecare purpose.

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). The board agreed to ring-fence 1/3 of donations from HEL for Priority Projects. During the year, further to board agreement to top up the concession fares for the buses, £22,781 was transferred to the bus operation.

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 and the day to day running remains with the YM Committee (previously the South Walls and Brims Community Association). Its income is from events held at the hall and hire by community groups of the hall.

Buses – Bus Service Operators Grant (BSOG) – This funding was achieved through Transport Scotland for the on-going operation of the community bus. It is based on mileage and the mileage records require audit prior to being submitted to Transport Scotland. The board agreed to transfer funds from the Priority Projects designated fund to contribute £20k towards future bus running costs.

Hoy Hoolie – This fund is made up of the surplus from three Hoolie events held to date, this to be used towards future Hoolie events.

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

Reserve for 19/20 - The IHDT board agreed to set aside a reserve of 50% (£81,542) of the donation from HEL following information from the subsidiary that wind levels for the first 5 months of the financial year and projections forward showed a strong possibility of continuation of low seasonal averages for wind yield for the remainder of the year.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

29 Analysis of net assets between funds - group

	Unrestricted funds	Restricted funds	Total
	£	£	£
Fund balances at 31 March 2019 are represented by:			
Tangible assets	1,142,973	7,649	1,150,622
Current assets/(liabilities)	1,150,205	2,590	1,152,795
Long term liabilities	(962,265)	-	(962,265)
Provisions	(98,997)	-	(98,997)
	<u>1,231,916</u>	<u>10,239</u>	<u>1,242,155</u>

Analysis of net assets between funds - charity

	Unrestricted funds	Restricted funds	Total
	£	£	£
Fund balances at 31 March 2019 are represented by:			
Tangible assets	284,328	7,649	291,977
Investments	101	-	101
Current assets/(liabilities)	472,868	2,590	475,458
	<u>757,297</u>	<u>10,239</u>	<u>767,536</u>

30 Events after the reporting date

In July 2019, the charity purchased a new bus for a total cost of £57,267, to replace an existing ageing bus.

31 Subsidiaries

Details of the charity's subsidiaries at 31 March 2019 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 2019

32 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:

	2019 £	2018 £
Within one year	2,631	2,631

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:

	2019 £	2018 £
Within one year	5,000	5,000
Between two and five years	20,000	20,000
In over five years	62,800	67,800
	87,800	92,800

33 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation - group	43,405	42,006

Remuneration of key management personnel of the parent charity during the year was £nil (2018: £nil).

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

33 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:

	2019 £	2018 £
Distributions receivable	163,083	85,000
Rental income	5,000	5,000
Interest receivable	4,384	4,640
	<u>172,467</u>	<u>94,640</u>

At the balance sheet date, debtors include a loan of £123,669 (2018: £133,285) receivable from HEL. Interest is chargeable on the loan at a rate of 2.25% over LIBOR from April 2013 onwards.

Debtors also include £2,500 (2018: £2,500) for rent receivable from HEL.

All the above transactions were on normal commercial terms.

Creditors due within one year include loans from HEL totalling £nil (2018: £400,000). The balance was repaid during the year.

34 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 received funds totalling £4,680. At the balance sheet date, the charity held £4,680 (2018: £nil) on behalf of those organisations.

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 2019

35 Cash generated from operations - group

	2019 £	2018 £
Surplus/(deficit) for the year	48,482	85,046
Adjustments for:		
Investment income	(614)	(1,493)
Taxation charged	(459)	21,691
Loss on disposal of tangible fixed assets	31	2,943
Finance costs	56,439	60,278
Depreciation and impairment of tangible fixed assets	89,273	92,127
Movements in working capital:		
Decrease in stocks	1	166
Decrease in debtors	1,936	6,412
(Decrease)/increase in creditors	(23,887)	20,196
Cash generated from operations	171,202	287,366

Cash generated from operations - charity

	2019 £	2018 £
Surplus/(deficit) for the year	51,185	(10,209)
Adjustments for:		
Investment income recognised in statement of financial activities	(173,047)	(95,893)
Loss on disposal of tangible fixed assets	31	264
Depreciation and impairment of tangible fixed assets	17,537	20,230
Movements in working capital:		
Decrease in stocks	1	166
(Increase)/decrease in debtors	(1,473)	1,005
Increase in creditors	2,002	5,550
Cash absorbed by operations	(103,764)	(78,887)

36 Auditors' Ethical Standards

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.