

Charity Registration No. SC038909

Company Registration No. SC306586 (Scotland)

**THE ISLAND OF HOY DEVELOPMENT TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

THE ISLAND OF HOY DEVELOPMENT TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Directors	M Budge A Clark M Collop I Davidson K Dobney P Hall S Jaques H Seatter J Traynor
Secretary	A J B Scholes Ltd
Charity number	SC038909
Company number	SC306586
Registered office	8 Albert Street Kirkwall Orkney KW15 1HP
Auditors	A J B Scholes Ltd 8 Albert Street Kirkwall Orkney KW15 1HP
Bankers	Bank of Scotland 56 Albert Street Kirkwall Orkney KW15 1HJ

THE ISLAND OF HOY DEVELOPMENT TRUST

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THE ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their report and accounts for the year ended 31 March 2016.

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 the 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 1 January 2015).

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 ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

The charity's main objectives for the year ending 31 March 2016 were as follows:

Community fund: To continue to provide good financial and risk management procedures to maintain the operation of the turbine. To continue to review the processes and procedures associated with the funds. To investigate the possibilities of setting up a loan scheme. The Trust also need to attract further community members to sit on the independent panel that reviews applications to the main fund.

Community Bus Service: To continue to promote and expand the service and to try to link the service more fully with other activities/organisations on the island. To continue to investigate funding sources and negotiate with the Orkney Islands Council to extend the support supplied by the Enhanced Demand Responsive Transport Initiative.

Community Hall: To complete works on the carpark and landscaping associated with the community hall. To continue to expand the use of the hall involving other island community charities, organisations and enterprises and to progress with setting up a community café that will make the most of the new facilities and equipment.

Affordable Warmth: To continue dialogue with all relevant and related agencies and authorities (particularly those with funding) to ensure qualifying ground work such as surveys etc are completed and known so that funding can be channelled efficiently once available.

Home Care: To continue consultation and dialogue with relevant bodies including Orkney Islands Council, and Age Concern, particularly with regards to the latter's *Here 2 Help* scheme. There is also a need to gain further support and feedback from the island community.

Youth, Leisure and Heritage: To work with wider stakeholders in Orkney, Scotland and the UK and to secure funding to take forward some of the staged recommendations in the Heritage Development Document.

Trust Structure: The Trust will work towards restructuring, recording, reporting and record keeping. There is also the intention to conduct an IT assessment. In particular, the remote storing of documents and backups. The Trust needs to attract new Directors to the board, including those with specific interest/expertise with youth and leisure, and IT awareness.

Achievements and performance

Community fund: Processes and procedures for both the Community Fund (CF) and Training and Learning Fund (TLF) funds were reviewed during the first six months of 2015. Subsequently, applications to the CF continued to be reviewed quarterly by a project Evaluation Panel comprising members of the community.

Grants from the CF during this period supported a range of community events and organisations, including including the Hoy Hoolie, the Hoy Kirk (3 jobs), the Haey Hope Club, North Walls School trip to Nethy Bridge, Summer Youth Activities at the Hoy Centre.

Following the review, grant decisions for the TLF are now reviewed and agreed by the Trust within a few days of receipt of applications. Since its establishment, this fund has proved to be enormously successful, with 60 people having applied for and received grants. In some cases, the applicants have gone on to find employment locally, the training having increased their employability. Currently, the Trust are exploring the possibility of introducing a loan scheme to provide support to local businesses.

THE ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Achievements and performance (cont)

Community Hall: In this period, the extension to the Community Hall and all interior refurbishment was finalised, and external painting of the original Community Hall and other exterior landscaping works were completed. Despite various reworking of the design for a garage, planning stipulations rendered this part of the project too costly within the available budget. However, remaining funds were used to construct a carpark to the side of the building, and a compound and hard standing for the use of the Longhope Sailing Club as a place to store their boats and equipment. Additionally, a fenced patio area, with picnic benches, was constructed adjacent to the new extension and other groundworks have recently been undertaken to create a community garden - the latter primarily driven by the community. Usage of the hall has increased over the year, with the computer and craft clubs continuing to be popular attractions for both young and old. The broadband and IT equipment have facilitated training and online meetings and workshops. Community events have increased, including the 'Hoy Hoolie' which utilised all the facilities, including opening a 'pop up' cafe, putting on a Friday night concert, organising a kids fun afternoon and a Saturday night dance, with the technology providing access to online ticketing and e-tickets.

Community Bus: The Hoy and Walls Community Bus Service has continued to deliver a successful scheduled service, despite the last year being quite challenging. One bus was off the road for a protracted period, however, collaboration with the Haey Hope Club and links with Dial-a-Bus Orkney meant that the service continued to run as scheduled. Some minor changes to the service following consultation with the community did lead to a slight reduction in passenger numbers, but local usage remains constant and year round. Funding from Orkney Islands Council has provided additional support, and a further grant has been awarded by them for April 2016 to March 2017. Besides providing a scheduled service, the bus supported the Haey Hope Club for the over 50s and has also been used for other community events and activities, such as the Hoy Half Marathon, the Hoy Hoolie and the summer Youth Activities.

Affordable Warmth: Dialogue continued with the council and their appointed agents, and assistance was given to support the OIC's designated contractors for the installation of energy efficient measures. The Trust continues to keep up-to-date with all developments and partakes in the Fuel Poverty Forums within the County.

Home Care: The Trust has continued to engage with OIC and other relevant bodies regarding community led care. Attendance at several networking events has led to collaboration with other island Trusts, together with HIE. Some study visits to organisations in the Highlands are planned.

Youth, Leisure and Heritage: The Trust is still working on ways to take forward some of the staged recommendations in the Heritage Development Document and investigating funding opportunities, in conjunction with OIC and other stakeholders in the region. The sub-group responsible for the maintenance and upkeep of the Arctic Convey at Lyness has been re-organised to involve other stakeholders including members of OIC, and the Royal British Legion.

Broadband: The Trust are particularly concerned by the delay in the improvement of broadband speeds on the island and have made it a priority to keep up-to-date with developments and to investigate and support ways of improving the situation. It continues to engage with HIE and Community Broadband Scotland and other Development Trusts.

Trust Structure: The Trust continues to review its operations to improve the effectiveness of the organisation. Attracting new Directors to the board (including those with specific interest/expertise with youth and leisure, and IT awareness) remains a priority and an ongoing activity.

Factors outside the charity's control which are relevant to the achievement of the objectives:

Delays in the progress of projects can be the result of working within the criteria and constraints of different grant funding bodies.

THE ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Investment performance

The year, as expected, presented financial pressures with increased insurance costs (a consequence of a previous and large lightning damage claim), coupled with the loss of revenue due to the unforeseen move by government to cease all LEC's claims/ payments. Additional pressure came from the falling market prices for electricity export, coupled with rising selling costs, further exasperated by a fall in turnover (3.2%) due to low wind levels.

Nonetheless, Hoy Energy Ltd managed to decrease the cost of sales through some operational cost saving measures and thus increased gross margin from 77.9% to 78.5%. As a result a gross profit level (before tax) of £184,598 was achieved. This level of trading surplus left Hoy Energy Ltd with a corporation tax exposure of £19,047. This liability was relieved by a gift aid donation of £95,234 made in October 2016 to the IoHDT as parent company with charitable status, thus wholly resolving the corporation tax exposure.

The planned additional storm mitigation measures have been completed on time and within budget - the turbine site now being ready for the 2016/17 winter generation period.

Financial review

The charity had total incoming resources of £225,034 (2015: £301,259) and total resources expended of £238,830 (2015: £338,510), giving net deficit for the year of £13,796 (2015: deficit of £37,251). Total funds at the balance sheet date amounted to £721,011 (2015: £734,807), split between unrestricted reserves of £662,098 (2015: £360,988) and restricted reserves of £58,913 (2015: £373,819).

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)

FOR THE YEAR ENDED 31 MARCH 2016

Plans for the future

- To continue to provide good financial and risk management procedures to maintain the operation of the turbine. To continue to review the processes and procedures associated with the Community funds. To investigate the possibilities of setting up a loan scheme. To continue to provide grants to community organisations.
- With the completion of the project at the Community Hall, the Trust plans to continue to increase the hall's usage and expand the activities undertaken within the building and its environs.
- 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.
- To investigate community led care and to engage further with the community for feedback and support.
- To continue to support the Heritage project and consult with stakeholders to forward our Heritage development plans.
- To engage with the community to produce a new updated Development plan.
- To continue to review the Trust's operations and ensure that the organisation is working effectively.

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 were:

T Bird (Resigned 9 December 2015)
M Budge
A Clark
M Collop
I Davidson
K Dobney
P Hall
S Jaques
H Seatter
G Simpson (Resigned 1 April 2015)
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.

THE ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Disclosure of information to auditors

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 auditors are 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

S Jaques

Director

Dated: *16-11-2016*

THE ISLAND OF HOY DEVELOPMENT TRUST

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

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 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

We have audited the financial statements of The Island of Hoy Development Trust for the year ended 31 March 2016 which comprise the Group [and Parent] Statement of Financial Activities, the Group [and Parent] Balance Sheet, the Group [and Parent] Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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 Charities 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 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 and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors, who also act as trustees for the charitable activities of The Island of Hoy Development Trust are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Small Entities (Revised)", in the circumstances set out in note 32 to the financial statements.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Directors' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts.

In our opinion the accounts:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

THE ISLAND OF HOY DEVELOPMENT TRUST

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE ISLAND OF HOY DEVELOPMENT TRUST

Matters on which we are required to report by exception

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

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

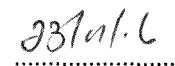
Your attention is drawn to the fact that the charity has prepared accounts in accordance with "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has now been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.



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

Chartered Accountants
Statutory Auditor



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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 2016

	Notes	Unrestricted funds general £	Restricted funds £	Total 2016 £	Total 2015 as restated £
<u>Income from:</u>					
Grants and donations	3	16,331	74,401	90,732	239,933
Charitable activities	4	35,385	-	35,385	36,876
Other trading activities	5	429,768	-	429,768	456,328
Investments	6	692	-	692	2,412
Total		482,176	74,401	556,577	735,549
<u>Expenditure on:</u>					
Raising funds	7	248,310	-	248,310	291,979
Charitable activities	8	124,994	113,836	238,830	338,510
Total		373,304	113,836	487,140	630,489
Net income/(expenditure) before transfers and taxation		108,872	(39,435)	69,437	105,060
Gross transfers between funds		275,471	(275,471)	-	-
Net income/(expenditure) for the year before taxation		384,343	(314,906)	69,437	105,060
Taxation	15	(16,797)	-	(16,797)	(28,612)
Other recognised gains and losses		(6,608)	-	(6,608)	69,144
Net income/(expenditure) for the year after taxation		360,938	(314,906)	46,032	145,592
Fund balances at 1 April 2015		633,389	373,819	1,007,208	861,616
Fund balances at 31 March 2016		994,327	58,913	1,053,240	1,007,208

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

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

All incoming resources and resources expended derive from continuing activities.

THE ISLAND OF HOY DEVELOPMENT TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2016

		Unrestricted funds	Restricted funds	Total 2016	Total 2015 as restated
	Notes	£	£	£	£
<u>Income from:</u>					
Grants and donations	3	4,214	74,401	78,615	168,760
Charitable activities	4	35,385	-	35,385	36,876
Other trading activities	5	-	-	-	12,408
Investments	6	111,034	-	111,034	83,215
Total		<u>150,633</u>	<u>74,401</u>	<u>225,034</u>	<u>301,259</u>
<u>Expenditure on:</u>					
Charitable activities	8	124,994	113,836	238,830	338,510
Total		<u>124,994</u>	<u>113,836</u>	<u>238,830</u>	<u>338,510</u>
Net income/(expenditure) before transfers		25,639	(39,435)	(13,796)	(37,251)
Gross transfers between funds		<u>275,471</u>	<u>(275,471)</u>	-	-
Net income/(expenditure) for the year		301,110	(314,906)	(13,796)	(37,251)
Fund balances at 1 April 2015		<u>360,988</u>	<u>373,819</u>	<u>734,807</u>	<u>772,058</u>
Fund balances at 31 March 2016		<u>662,098</u>	<u>58,913</u>	<u>721,011</u>	<u>734,807</u>

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

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

All incoming resources and resources expended derive from continuing activities.

THE ISLAND OF HOY DEVELOPMENT TRUST

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016		2015 as restated	
		£	£	£	£
Fixed assets					
Tangible assets	16		1,426,386		1,495,323
Investments	17		1		1
			<u>1,426,387</u>		<u>1,495,324</u>
Current assets					
Stock	19	717		-	
Debtors	20	123,663		286,075	
Cash at bank and in hand		1,003,244		794,164	
		<u>1,127,624</u>		<u>1,080,239</u>	
Creditors: amounts falling due within one year	21	<u>(137,694)</u>		<u>(143,303)</u>	
Net current assets			989,930		936,936
Total assets less current liabilities			<u>2,416,317</u>		<u>2,432,260</u>
Creditors: amounts falling due after more than one year	22		(1,283,857)		(1,362,203)
Provisions for liabilities	23		(79,220)		(62,849)
Net (liabilities)/assets			<u>1,053,240</u>		<u>1,007,208</u>
Income funds					
Funds retained within non-subsidiary			332,328		272,501
Restricted funds	24		58,913		373,819
<u>Unrestricted funds – general</u>					
Designated funds	25	107,092		51,101	
General unrestricted funds		554,907		309,787	
		<u>661,999</u>		<u>360,888</u>	
			<u>1,053,240</u>		<u>1,007,208</u>

THE ISLAND OF HOY DEVELOPMENT TRUST

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2016

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

The financial statements were approved by the board of directors and authorised for issue on 16-11-2016 and are signed on its behalf by:

S. D. Jaques

S Jaques
Director

Company Registration No. SC306586

THE ISLAND OF HOY DEVELOPMENT TRUST


BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Tangible assets	16		352,554		359,171
Investments	17		101		101
			<u>352,655</u>		<u>359,272</u>
Current assets					
Stocks	19	717		-	
Debtors	20	175,218		207,983	
Cash at bank and in hand		206,313		198,289	
		<u>382,248</u>		<u>406,272</u>	
Creditors: amounts falling due within one year	21	<u>(13,892)</u>		<u>(30,737)</u>	
Net current assets			<u>368,356</u>		<u>375,535</u>
Total assets less current liabilities			<u>721,011</u>		<u>734,807</u>
Income funds					
Restricted funds	24		58,913		373,819
<u>Unrestricted funds</u>					
Designated funds	25	107,092		51,101	
General unrestricted funds		<u>555,006</u>		<u>309,887</u>	
			<u>662,098</u>		<u>360,988</u>
			<u>721,011</u>		<u>734,807</u>

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

The financial statements were approved by the board of directors and authorised for issue on 16-11-2016 and are signed on its behalf by:


S Jaques
Director

Company Registration No. SC306586

THE ISLAND OF HOY DEVELOPMENT TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016		2015	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	32		445,206		381,823
Interest paid			(68,355)		(48,672)
Income taxes paid			-		(942)
Net cash inflow from operating activities			<u>376,850</u>		<u>332,209</u>
Investing activities					
Purchase of tangible fixed assets		(87,490)		(142,473)	
Investment income received		692		2,412	
Net cash used in investing activities			<u>(86,798)</u>		<u>(140,061)</u>
Financing activities					
Repayment of bank loans		(80,972)		(75,721)	
Net cash used in financing activities			<u>(80,972)</u>		<u>(75,721)</u>
Net increase/(decrease) in cash and cash equivalents			209,080		116,427
Cash and cash equivalents at beginning of year			794,164		677,737
Cash and cash equivalents at end of year			<u>1,003,244</u>		<u>794,164</u>

THE ISLAND OF HOY DEVELOPMENT TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	31		(34,193)		148,166
Investing activities					
Purchase of tangible fixed assets		(77,152)		(142,473)	
Repayment of investment loans and receivables		8,335		7,692	
Investment income received		111,034		83,215	
Net cash generated from/(used in) investing activities			42,217		(51,566)
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents			8,024		96,600
Cash and cash equivalents at beginning of year			198,289		101,689
Cash and cash equivalents at end of year			206,313		198,289

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company 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.

1.1 Accounting convention

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 as applicable to companies subject to the small companies regime, and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view. The charity is a Public Benefit Entity as defined by FRS 102.

The accounts have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following the Statement of Recommended Practice for charities applying FRS 102 rather than the version of the Statement of Recommended Practice which is referred to in the Regulations but which has since been withdrawn.

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

The accounts have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

These accounts for the year ended 31 March 2016 are the first accounts of The Island of Hoy Development Trust prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 34.

1.2 Going concern

At the time of approving the accounts, 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 accounts.

1.3 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 charity for specific purposes. The purposes and uses of the designated funds are set out in the notes to the accounts.

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.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

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.

1.5 Resources expended

Expenditure is included in resources expended on an accruals basis, inclusive of any VAT which cannot be recovered.

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 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) / land is not depreciated
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

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.

1.7 Fixed asset investments

Fixed asset investments are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in net income/(expenditure) for the year.

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.

THE ISLAND OF HOY DEVELOPMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

1.8 Impairment of fixed assets

At each reporting 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 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 for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 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 to be incurred in marketing, selling and distribution.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The Company 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 when the charity becomes party to the contractual provisions of the instrument.

Financial assets are offset, with the net amounts presented in the accounts 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 trade and other receivables 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 unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

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 end 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, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Accounts 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 payables 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 and forward foreign exchange contracts, 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 company's contractual obligations expire or are discharged or cancelled.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

1.12 Derivatives

Hedge accounting

The Company has designated certain hedging instruments, including derivatives, embedded derivatives and non-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.

1.13 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.

1.14 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 it arises.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

1.15 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.

1.16 Retirement benefits

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

1.17 Leases

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

1.18 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.

1.19 Distributions

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

1.20 Group accounts

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

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.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

3 Grants and donations – group

	Unrestricted funds	Restricted funds	Total 2016	Total 2015 as restated
	£	£	£	£
Donations and gifts	3,089	640	3,729	2,167
Legacies receivable	-	1,945	1,945	4,762
Grants receivable for core activities	13,242	71,816	85,058	233,004
	<u>16,331</u>	<u>74,401</u>	<u>90,732</u>	<u>239,933</u>
For the year ended 31 March 2015	<u>75,247</u>	<u>164,686</u>		<u>239,933</u>

	Unrestricted funds	Restricted funds	Total 2016	Total 2015 as restated
	£	£	£	£
Donations and gifts	3,089	640	3,729	2,167
Legacies receivable	-	1,945	1,945	4,762
Grants receivable for core activities	1,125	71,816	72,941	161,831
	<u>4,214</u>	<u>74,401</u>	<u>78,615</u>	<u>168,760</u>
For the year ended 31 March 2015	<u>4,074</u>	<u>164,686</u>		<u>168,760</u>

Grants receivable for core activities – charity

Orkney Islands Council - ERDTI bus service	-	10,295	10,295	-
HIE - project manager	-	17,010	17,010	24,158
Big Lottery Fund – bus service revenue grant	-	-	-	30,000
Big Lottery Fund - YM phase 2	-	28,519	28,519	26,720
Big Lottery Fund - Hoy Hoolie	-	9,225	9,225	-
Community Council - YM operations	1,125	-	1,125	1,375
Cashback for Communities	-	2,430	2,430	-
Heritage Lottery Fund - South Isles Ranger	-	3,554	3,554	-
Scottish Community Alliance - Ardroy	-	783	783	-
CCF - fuel poverty reduction	-	-	-	70,913
Heritage graduate placement	-	-	-	8,314
Orkney Islands Council/ Leader	-	-	-	1,500
Leader - community hall ("YM")	-	-	-	(2,208)
Other	-	-	-	1,059
	<u>1,125</u>	<u>71,816</u>	<u>72,941</u>	<u>161,831</u>
For the year ended 31 March 2015	<u>1,907</u>	<u>159,924</u>		<u>161,831</u>

In addition to the above grants receivable by the charity, unrestricted grants receivable by the group includes £12,117 (2015: £71,173) received by the charity's subsidiary in respect of the Demand Side Management project.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

4 Charitable activities – group and charity

	Hall hire	Community events	Bus income	Hoy Hoolie	Total	Total 2015 as restated
	£	£	£	£	£	£
Non-performance related income	1,248	5,197	6,046	3,767	16,258	14,496
Performance related grant income	-	-	19,127	-	19,127	22,380
	<u>1,248</u>	<u>5,197</u>	<u>25,173</u>	<u>3,767</u>	<u>35,385</u>	<u>36,876</u>

All income from charitable activities in the current year was unrestricted in nature (2015: £22,380 performance related grant income was restricted in nature, £14,496 was unrestricted in nature).

5 Other trading activities

	Group 2016	2015	Charity 2016	2015
	£	£	£	£
Energy sales	429,768	443,920	-	-
CCF project admin support	-	12,408	-	12,408
	<u>429,768</u>	<u>456,328</u>	<u>-</u>	<u>12,408</u>

6 Investments

	Group 2016	2015	Charity 2016	2015
	£	£	£	£
Rental income	-	-	5,000	5,000
Income from unlisted investments	-	-	101,366	73,400
Interest receivable	692	2,412	4,668	4,815
	<u>692</u>	<u>2,412</u>	<u>111,034</u>	<u>83,215</u>

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

7 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 own and operate 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:

	Total	Total
		2015
		as restated
	£	£
Turnover	429,768	443,920
Cost of sales and administration	(245,859)	(230,613)
Interest receivable	689	2,404
	<hr/>	<hr/>
Net profit	184,598	215,711
Taxation	(16,797)	(28,612)
Other recognised gains and losses	(6,608)	69,144
Donations of profit gift aided to charity	(101,366)	(73,400)
Grant income receivable (note 3)	12,117	71,173
Costs relating to grant income	(12,117)	(71,173)
	<hr/>	<hr/>
<u>Retained in subsidiary</u>	59,827	182,943
	<hr/>	<hr/>
Assets	1,970,031	1,966,777
Liabilities	(1,637,703)	(1,694,276)
	<hr/>	<hr/>
Funds	332,328	272,501
	<hr/>	<hr/>

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. The charity incurred no expenditure on raising funds.

Grant income receivable by HEL is included in income from grants and donations, as explained in note 3.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

8 Charitable activities – group and charity

	Community benefit £	Bus service £	Total £	Total 2015 £
Staff costs	28,770	28,776	57,546	75,365
Depreciation and impairment	15,193	10,133	25,326	17,814
Charitable projects - DSM	-	-	-	70,934
Community events	14,014	-	14,014	4,855
Bus running costs	-	14,663	14,663	18,309
	<u>57,977</u>	<u>53,572</u>	<u>111,549</u>	<u>187,277</u>
Grant funding of activities (see note)	22,179	-	22,179	16,917
Share of support costs (see note 11)	92,083	6,833	98,916	128,892
Share of governance costs (see note 11)	5,568	618	6,186	5,424
	<u>177,807</u>	<u>61,023</u>	<u>238,830</u>	<u>338,510</u>
Analysis by fund				
Unrestricted funds	120,376	4,618	124,994	
Restricted funds	57,431	56,405	113,836	
	<u>177,807</u>	<u>61,023</u>	<u>238,830</u>	
For the year ended 31 March 2015				
Unrestricted funds	129,538	3,533		133,071
Restricted funds	144,196	61,243		205,439
	<u>273,734</u>	<u>64,776</u>		<u>338,510</u>

Support costs for the comparative period include a one-off impairment totalling £79,966, following a revaluation of the community hall.

9 Description of charitable activities

Community benefit

Costs associated with supporting projects and grant applications that directly come under the Trust's charitable aims. 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 2016

10 Grants payable

	2016 £	2015 £
Grants to institutions (8 grants):		
Friends of Hoy Kirk	4,346	5,432
Arctic Convoy	-	1,950
Hoy Trust	-	1,000
North Walls School	864	495
Hoy Half Marathon	-	480
North Walls Centre	3,160	-
Hoy Hounds	491	-
Hoy Centre - 2016 Youth Activity Programme	2,691	-
Community Council - War Memorial	1,600	-
Haey Hope Community Fund	1,364	-
Other	85	810
	<u>14,601</u>	<u>10,167</u>
Grants to individuals (39 grants)	7,578	6,750
	<u>22,179</u>	<u>16,917</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, 39 training bursaries totalling £7,578 (2015: 20 bursaries totalling £6,750) were issued to help local residents to undertake training and learn new skills to continue to live in the islands.

At the balance sheet date, the Trust had not authorised any grants which remained unpaid (2015: the Trust authorised grants for which the conditions were not met until after the year end totalling £4,130 to individuals, and £10,864 to institutions).

Payment of these grants will be made in future periods once the relevant conditions are met by the respective applicant.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

11 Support costs

	Support costs	Governance costs	2016	2015	Basis of allocation
	£	£	£	£	
Staff costs	18,717	-	18,717	13,494	Staff time
Depreciation	58,443	-	58,443	80,785	Assets employed
Rent and rates	4,183	-	4,183	3,227	Floor area
Insurance	4,318	-	4,318	5,363	Premium split
Heat, light and power	2,200	-	2,200	1,757	Floor area
Office costs	3,908	-	3,908	4,287	Staff time
Travelling expenses	1,716	-	1,716	1,232	All community benefit
Sundry and subscriptions	4,154	-	4,154	15,054	Staff time
Legal and professional	370	-	370	3,693	Actual
Repairs and renewals	907	-	907	-	Actual
Audit fees	-	5,940	5,940	5,424	Governance
Legal and professional	-	246	246	-	Governance
	<u>98,916</u>	<u>6,186</u>	<u>105,102</u>	<u>134,316</u>	
Analysed between					
Charitable activities	<u>98,916</u>	<u>6,186</u>	<u>105,102</u>	<u>134,316</u>	

12 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

	2016	2015
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	5,940	5,424
Fees payable to the company's auditor and its associates for other services to the Group		
- the audit of the company's subsidiaries – included in expenditure on raising funds	5,522	5,278
Total audit fees	<u>11,462</u>	<u>10,702</u>

13 Directors

No directors received remuneration from the charity during the year (2015: no directors). Two directors of the charity received remuneration from the subsidiary company totalling £4,000 (2015: two directors received £4,000).

During the year, no directors were reimbursed for expenses incurred in the course of their duties (2015: no directors).

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

14 Employees

Number of employees	Group		Charity	
	2016	2015	2016	2015
The average monthly number of employees during the year was:				
	Number	Number	Number	Number
Administration	1	1	1	1
Engaged in direct charitable activities	2	3	2	3
Engaged in subsidiary operating activities	2	2	-	-
	5	6	3	4

Employment Cost	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Wages and salaries	118,017	128,230	73,673	85,355
Social security costs	3,813	4,651	2,590	3,504
	121,830	132,881	76,263	88,859

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

During the year, the company paid one redundancy payment totalling £1,385 (2015: no payments). The redundancy payment was made following the cessation of grant funding for the former employee's role within the organisation.

The average number of employees is calculated based on the full time equivalent of all staff.

15 Taxation – group only

	2016	2015
	£	£
Domestic current year tax		
U.K. corporation tax	19,047	20,273
Adjustments in respect of prior periods	(20,273)	(14,480)
Total current tax	(1,226)	5,793
Deferred tax		
Origination and reversal of timing differences	18,023	22,819
	16,797	28,612

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

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

16 Tangible fixed assets - group	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2015	360,749	1,421,297	42,844	96,240	1,921,130
Additions	73,647	10,338	3,505	-	87,490
Disposals	-	(1,573)	-	-	(1,573)
At 31 March 2016	<u>434,396</u>	<u>1,430,062</u>	<u>46,349</u>	<u>96,240</u>	<u>2,007,047</u>
Depreciation and impairment					
At 1 April 2015	80,648	282,157	16,037	46,965	425,807
Depreciation charged in the year	64,321	72,182	9,405	9,855	155,763
Eliminated in respect of disposals	-	(909)	-	-	(909)
At 31 March 2016	<u>144,969</u>	<u>353,430</u>	<u>25,442</u>	<u>56,820</u>	<u>580,661</u>
Carrying amount					
At 31 March 2016	<u>289,427</u>	<u>1,076,632</u>	<u>20,907</u>	<u>39,420</u>	<u>1,426,386</u>
At 31 March 2015	<u>280,101</u>	<u>1,139,140</u>	<u>26,807</u>	<u>49,275</u>	<u>1,495,323</u>
Tangible fixed assets - charity					
	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2015	360,749	3,740	42,844	96,240	503,573
Additions	73,647	-	3,505	-	77,152
At 31 March 2016	<u>434,396</u>	<u>3,740</u>	<u>46,349</u>	<u>96,240</u>	<u>580,725</u>
Depreciation and impairment					
At 1 April 2015	80,648	752	16,037	46,965	144,402
Depreciation charged in the year	64,321	188	9,405	9,855	83,769
At 31 March 2016	<u>144,969</u>	<u>940</u>	<u>25,442</u>	<u>56,820</u>	<u>228,171</u>
Carrying amount					
At 31 March 2016	<u>289,427</u>	<u>2,800</u>	<u>20,907</u>	<u>39,420</u>	<u>352,554</u>
At 31 March 2015	<u>280,101</u>	<u>2,988</u>	<u>26,807</u>	<u>49,275</u>	<u>359,171</u>

Following the completion of building the new car park and patio in the year, land and building assets were revalued by a third party surveyor. The valuation indicated that the realisable value of the property was £280,000. Consequently, additional depreciation was recognised in accordance with UK GAAP.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

17	Fixed asset investments - charity	2016 £	2015 £
	Investments in subsidiaries (see note 29)	<u>101</u>	<u>101</u>
	Movements in fixed asset investments		Shares £
	Cost or valuation		
	At 1 April 2015 & 31 March 2016		<u>101</u>
	Carrying amount		
	At 1 April 2015 & 31 March 2016		<u>101</u>
	<p>The group accounts include £1 (2015: £1) in respect of the charity's investment in Hoy and Walls Community Transport Limited, a dormant company.</p>		
18	Financial instruments - group	2016 £	2015 £
	Carrying amount of financial assets		
	Debt instruments measured at amortised cost	1,101,114	1,062,795
	Equity instruments measured at cost less impairment	<u>1</u>	<u>1</u>
		<u>1,101,115</u>	<u>1,062,796</u>
	Carrying amount of financial liabilities		
	Debt instruments measured at amortised cost	1,450,290	1,526,134
	Other financial instruments measured through other comprehensive income	<u>50,481</u>	<u>42,221</u>
		<u>1,500,771</u>	<u>1,568,355</u>
	Financial instruments - charity	2016 £	2015 £
	Carrying amount of financial assets		
	Debt instruments measured at amortised cost	377,025	401,573
	Equity instruments measured at cost less impairment	<u>101</u>	<u>101</u>
		<u>377,126</u>	<u>401,674</u>
	Carrying amount of financial liabilities		
	Measured at amortised cost	<u>13,892</u>	<u>20,194</u>

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

19	Stocks	2016 £	2015 £
	Finished goods and goods for resale	717	-

20	Debtors	Group		Charity	
		2016	2015	2016	2015
		£	£	£	£
	Amounts owed by group undertakings	-	-	148,324	156,658
	Trade debtors	52,525	16,384	4,257	1,850
	Other debtors	45,345	252,247	18,130	44,776
	Prepayments and accrued income	25,793	17,444	4,507	4,699
		123,663	286,075	175,218	207,983

Amounts falling due after more than one year and included in the debtors above are:

	2016	2015	2016	2015
	£	£	£	£
Amounts owed by group undertakings	-	-	127,712	138,354

Other debtors include grants receivable totalling £12,183 (2015: £44,122).

21	Creditors: amounts falling due within one year	Group		Charity	
		2016	2015	201	2
		£	£	£	£
	Bank loans	86,605	80,972	-	-
	Trade creditors	3,869	-	-	-
	Corporation tax	19,047	20,273	-	-
	Other taxation and social security	9,698	3,945	-	1,713
	Other creditors	2,350	8,320	2,350	8,320
	Deferred income	-	10,543	-	10,54
	Accruals	16,125	19,250	11,542	10,1
		137,694	143,303	13,892	30,73
					7

Deferred income includes a proportion of grants awarded as follows:

- Scottish Natural Heritage, in respect of the South Isles Ranger £nil (2015: £3,554), and;
- Highlands and Islands Enterprise, in respect of the project manager £nil (2015: £6,989)

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

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

	2016	2015
	as restated	
	£	£
Bank loans	1,233,376	1,319,982
Derivative financial instruments	50,481	42,221
	<u>1,283,857</u>	<u>1,362,203</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 standard securities over its interest in two leases of land granted to it by the charity as a security for all sums advanced by the bank.

HEL has a loan with Co-operative Bank PLC of £1,319,981 (2015: £1,400,954). 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 the company's liability in respect of the hedging instrument was £50,481 (2015: £42,221). The directors obtained confirmation of this valuation directly from Co-operative Bank PLC.

Amounts included above which fall due after five years are as follows:

Bank loans payable by instalments	<u>822,362</u>	<u>935,701</u>
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23 Provisions for liabilities - group

	2016	2015
	as restated	
	£	£
Decommissioning liability	15,000	15,000
Deferred tax liabilities	64,220	47,849
	<u>79,220</u>	<u>62,849</u>

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

The provision of £64,220 (2015: £47,849) for deferred tax relates to accelerated capital allowances and other timing differences.

Movements in deferred tax liabilities included £1,652 (2015: negative £17,286) recognised in other gains and losses in respect of changes in the value of the hedging instrument referred to in note 22.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

24 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:

	Movement in funds				Balance at 31 March 2016
	Balance at 1 April 2015 as restated	Incoming resources	Resources expended	Transfers	
	£	£	£	£	£
Arctic convoy memorial	12,028	-	(1,106)	-	10,922
Big Lottery – community bus	69,515	40	(45,351)	14,291	38,495
Big Lottery – community outcomes	84,496	-	(144)	(84,352)	-
Big Lottery – office	6,033	-	(4,045)	(1,881)	106
Big Lottery – affordable warmth	5,309	-	(1,383)	(3,926)	-
Big Lottery – YM phase 2	37,008	28,519	(10,455)	(53,253)	1,819
Big Lottery – Hoy Hoolie	-	9,225	(8,308)	(227)	690
Community Hall	142,955	-	-	(142,955)	-
Project manager	-	17,010	(16,650)	(360)	-
YM operation	11,548	2,545	(10,592)	-	3,501
ERDTI - buses	-	10,295	(10,804)	509	-
Other restricted funds	4,927	6,767	(4,998)	(3,316)	3,380
	<u>373,819</u>	<u>74,401</u>	<u>(113,836)</u>	<u>(275,471)</u>	<u>58,913</u>

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

24 Restricted funds (cont.)

Big Lottery - community outcomes - this fund exists to promote the charitable objectives of the Trust, as laid out in the directors report.

Big Lottery - community bus - this is a BLF fund for running a community bus service which has been running since June 2013. The final revenue grant payment from BLF was received in December 2014. The final expenses associated with this fund occurred in May 2015, the fund is now closed with the balance remaining on the fund after final income and expenditure is related to asset balances.

Arctic Convoy Memorial - this is an ongoing project to complete the memorial for sailors of the arctic convoys. Donations were received from the Russian Federation with a very strong wish to have the memorial. There have been two ceremonies to date held there which the Russian Federation attended. This is part funded by an OIC grant, and part funded through the Community Fund. Work is still to be carried out at the memorial, the current deadline for the OIC grant is 9 October 2016.

Big Lottery - affordable warmth (AWSS) - this was fully funded by the Big Lottery Fund and was the pre-stage to the current climate challenge fund project.

Community Hall - this fund represents the South Walls and Brims Community Hall extension project. A transfer was made to BLF YM Phase 2 with the agreement of BLF as these funds were considered to be part of a single overall project.

Big Lottery YM Phase 2 – the project was initially for extending the car park at the YM and building a bus garage there. Unfortunately, however it was not financially viable to build the bus garage due to increased costs as a result of planning requirements. The project was completed by 31 January 2016 with the residual balance being spent after the year end.

Big Lottery office - this is currently funded by BLF to a total spend allowable of £12,000, thereafter the Trust will need to find funds to continue with the office facility. The aim is to provide a central point for the Trusts operations and also to provide a central point for members of the community to drop in to.

Project Manager – this post was part funded by HIE and the post came to an end at 31 March 2016.

ERDTI – this is funding received from Orkney Islands Council for the provision of a community bus service on the island.

YM Operation – this fund represents donations and legacies which the charity has received for the specific benefit of the community hall.

Big Lottery Hoy Hoolie – this is a BLF fund representing money received for the running of the 2015 Hoy Hoolie. The funds received during the year were not fully spent, and will instead be used for the running of the 2016 Hoy Hoolie, as agreed with the fund provider.

Transfers took place during the year within a number of the Big Lottery Fund (BLF) restricted funds. These transfers represent the net book value of tangible fixed assets previously acquired using restricted BLF funds, which BLF confirmed are no longer subject to any further restrictions.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

25 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 31 March 2016 £
	Balance at 1 April 2015 £	Incoming resources £	Resources expended £	Transfers £	
Homecare	2,220	-	(284)	(25)	1,911
Operating reserve	28,125	-	-	-	28,125
Priority projects	14,000	-	(270)	33,788	47,518
YM operation	6,756	7,802	-	832	15,390
Buses - BSOG	-	25,415	-	(17,663)	7,752
Hoy Hoolie	-	6,384	-	12	6,396
	<u>51,101</u>	<u>39,601</u>	<u>(554)</u>	<u>16,944</u>	<u>107,092</u>

Homecare – this is funding from the Community Fund for a feasibility study into the homecare provision on the island. The feasibility study is completed in the prior year. 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 will remain designated for the homecare purpose.

Operating Reserve – this fund was agreed on and set up by the board as a 12 month core operating reserve for the Trust. Minutes of the March 2015 board meeting confirm the Directors' agreement to the designation of these funds.

Priority Projects - at the same board meeting as the Operating Reserve, this fund was agreed on and set up by the board as a support for the Trusts priority projects should it be needed.

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.

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 balance on this fund for 2015-16 has now been moved to a designated fund (BSOG) following confirmation from Transport Scotland.

Hoy Hoolie – the surplus generated by the 2015 Hoy Hoolie event has been designated to fund similar events in the future.

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

26 Analysis of net assets between funds - group

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2016 are represented by:			
Tangible assets	1,376,653	49,733	1,426,386
Investments	1	-	1
Current assets/(liabilities)	980,750	9,180	989,930
Long term liabilities	(1,283,857)	-	(1,283,857)
Provisions	(79,220)	-	(79,220)
	994,327	58,913	1,053,240

Analysis of net assets between funds - charity

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2016 are represented by:			
Tangible assets	302,821	49,733	352,554
Investments	101	-	101
Current assets/(liabilities)	359,176	9,180	368,356
	662,098	58,913	721,011

27 Operating lease commitments

Lessee – group and charity

The Trust leases the Revenge Naval Hall for office accommodation. The office lease is renewed every 6 months on a rolling basis.

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 company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year – land and buildings	1,192	1,192
Within one year – electric car	-	791
	1,192	1,983

Lessor – charity

The Trust 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 total future minimum sublease payments expected to be received under non-cancellable subleases was £100,000 (2015: £105,000).

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016	2015
	£	£
Aggregate compensation - charity	-	-
Aggregate compensation – Hoy Energy Limited	39,466	37,759
	<hr/>	<hr/>
Aggregate compensation - group	39,466	37,759
	<hr/>	<hr/>

Transactions with trustees - group and charity

Income from other trading activities includes £nil (2015: £12,408) charged to Catalyst, a business owned by Mr B Clegg, a director in Hoy Energy Limited.

Expenditure on raising funds includes amounts totalling £1,676 (2015: £895) and tangible asset additions include amounts totalling £1,708 (2015: £nil) charged by Catalyst for administrative services provided to the charity. Income from raising funds includes amounts totalling £248 (2015: £33,483) charged to Catalyst in respect of the Demand Side Management project.

Expenditure on raising funds includes £nil (2015: £70,913) in respect of amounts charged by Catalyst in connection with the same project.

At the balance sheet date, debtors included £nil (2015: £556) due from Catalyst, and creditors due within one year included £nil (2015: £3,175) due to Catalyst. All transactions between the group and Catalyst were on normal commercial terms.

Transactions with Hoy Energy Limited (HEL) - charity

Investment income includes £5,000 (2015: £5,000) charged to HEL in respect of land occupied by the company during the year, and £101,366 (2015: £73,400) being distributions of profit donated by HEL. Debtors include £2,500 (2015: £nil) for rent receivable from HEL.

During the year, HEL repaid to the charity loans and interest totalling £13,000 (2015: £12,500).

At the balance sheet date, debtors include a loan of £148,324 (2015: £156,658) to HEL. Interest is chargeable on the loan at a rate of 2.25% over LIBOR from April 2013 onwards. Investment income in the year includes interest of £4,666 (2015: £4,807) charged to HEL.

All transactions were on normal commercial terms.

The charity is controlled by the directors.

29 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held		
			Direct	Indirect	
Hoy Energy Limited	Scotland	Renewable energy production	Ordinary	100.00	-
Hoy and Walls Community Transport Limited	Scotland	Dormant	Ordinary	100.00	-

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

30 Funds held as custodian trustee

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

The details of funds held by the charity as custodian trustee during the year are as follows:

Health Centre

The charity received funds of £36,617 (2015: £nil) from Health Centre. At the balance sheet date, the charity holds Health Centre funds of £36,617 (2015: £nil).

Hoy Dancers

The charity received funds of £4,617 (2015: £2,030) and paid out £3,161 (2015: £nil) on behalf of Hoy Dancers. At the balance sheet date, the charity holds Hoy Dancers' funds of £3,486 (2015: £2,030).

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

31 Cash generated from operations - group	2016	2015
	£	£
Surplus/(deficit) for the year	52,640	76,449
Adjustments for:		
Taxation charged	16,797	28,612
Finance costs	68,355	48,672
Investment income	(692)	(2,412)
Loss on disposal of fixed assets	664	141
Depreciation and impairment of tangible fixed assets	155,763	170,094
Movements in working capital:		
(Increase) in stocks	(717)	-
Decrease in debtors	159,912	54,807
(Decrease)/increase in creditors	3,027	4,681
(Decrease)/increase in deferred income	(10,543)	779
	<hr/>	<hr/>
Cash generated from operations	445,206	381,823
	<hr/>	<hr/>
Cash generated from operations - charity	2016	2015
	£	£
Surplus/(deficit) for the year	(13,796)	(37,251)
Adjustments for:		
Investment income recognised in profit or loss	(111,034)	(83,215)
Depreciation and impairment of tangible fixed assets	83,769	98,599
Movements in working capital:		
(Increase) in stocks	(717)	-
Decrease in debtors	24,430	159,713
(Decrease)/increase in creditors	(6,302)	9,541
(Decrease)/increase in deferred income	(10,543)	779
	<hr/>	<hr/>
Cash (absorbed by)/generated from operations	(34,193)	148,166
	<hr/>	<hr/>

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

32 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 auditors to assist with the preparation of the accounts.

33 Reconciliations on adoption of FRS 102 - group

Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) consolidated statement of financial activities for the comparative period; (ii) group funds at the date of transition to FRS 102; and (iii) group funds at the end of the comparative period reported under previous UK GAAP are given below.

Reconciliation of net movements in funds

	Period ended 31 March 2015		
	Previous UK GAAP	Effect of transition	FRS 102
	£	£	£
Income from:			
Grants and donations	706,233	(466,300)	239,933
Charitable activities	14,496	22,380	36,876
Other trading activities	12,408	443,920	456,328
Investments	2,412	-	2,412
	<u>735,549</u>	<u>-</u>	<u>735,549</u>
Operating (loss)/profit			
Expenditure on:			
Raising funds	(286,701)	(5,278)	(291,979)
Charitable activities	(333,086)	(5,424)	(338,510)
Governance costs	(10,702)	10,702	-
	<u>(630,489)</u>	<u>-</u>	<u>(630,489)</u>
Net incoming resources before transfers	<u>105,060</u>	<u>-</u>	<u>105,060</u>
Taxation	(28,612)	-	(28,612)
Other recognised gains and losses	-	69,144	69,144
Net movement in funds	<u>76,448</u>	<u>69,144</u>	<u>145,592</u>

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

33 Reconciliations on adoption of FRS 102 - group (continued)

	At 1 April 2014			At 31 March 2015			
	Notes	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
Fixed assets							
Tangible assets		1,523,083	-	1,523,083	1,495,323	-	1,495,323
Investments	1	1	-	1	1	-	1
		<u>1,523,084</u>	<u>-</u>	<u>1,523,084</u>	<u>1,495,324</u>	<u>-</u>	<u>1,495,324</u>
Current assets							
Debtors		340,883	-	340,883	286,075	-	286,075
Bank and cash		677,737	-	677,737	794,164	-	794,164
		<u>1,018,620</u>	<u>-</u>	<u>1,018,620</u>	<u>1,080,239</u>	<u>-</u>	<u>1,080,239</u>
Creditors due within one year							
Loans and overdrafts		(75,705)	-	(75,705)	(80,972)	-	(80,972)
Taxation		(29,673)	-	(29,673)	(24,218)	-	(24,218)
Other creditors		(22,346)	-	(22,346)	(38,113)	-	(38,113)
		<u>(127,724)</u>	<u>-</u>	<u>(127,724)</u>	<u>(143,303)</u>	<u>-</u>	<u>(143,303)</u>
Net current assets		<u>890,896</u>	<u>-</u>	<u>890,896</u>	<u>936,936</u>	<u>-</u>	<u>936,936</u>
Total assets less current liabilities		<u>2,413,980</u>	<u>-</u>	<u>2,413,980</u>	<u>2,432,260</u>	<u>-</u>	<u>2,432,260</u>
Creditors due after one year							
Loans and overdrafts		(1,400,969)	-	(1,400,969)	(1,319,982)	-	(1,319,982)
Derivatives		-	(128,651)	(128,651)	-	(42,221)	(42,221)
		<u>(1,400,969)</u>	<u>(128,651)</u>	<u>(1,529,620)</u>	<u>(1,319,982)</u>	<u>(42,221)</u>	<u>(1,362,203)</u>
Provisions for liabilities							
Deferred tax		(33,474)	25,730	(7,744)	(56,293)	8,444	(47,849)
Other provisions		(15,000)	-	(15,000)	(15,000)	-	(15,000)
		<u>(48,474)</u>	<u>25,730</u>	<u>(22,744)</u>	<u>(71,293)</u>	<u>8,444</u>	<u>(62,849)</u>
Net assets		<u>964,537</u>	<u>(102,921)</u>	<u>861,616</u>	<u>1,040,985</u>	<u>(33,777)</u>	<u>1,007,208</u>
Income funds							
Non-charitable subsidiary		192,579	(102,921)	89,658	306,278	(33,777)	272,501
Restricted funds		424,332	-	424,332	373,819	-	373,819
Unrestricted funds		347,626	-	347,626	360,888	-	360,888
Total funds		<u>964,537</u>	<u>(102,921)</u>	<u>861,616</u>	<u>1,040,985</u>	<u>(33,777)</u>	<u>1,007,208</u>

THE ISLAND OF HOY DEVELOPMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2016

Notes to reconciliations on adoption of FRS 102

Interest rate swap

Hoy Energy Limited (HEL), the charity's subsidiary, is party to an interest rate swap which was not required to be recognised under previous UK GAAP. The swap is designated as a cash flow hedging instrument and is now recognised on the group's consolidated balance sheet.

The effect of the transition to FRS102 was to create a hedging reserve and introduce charges to Other Comprehensive Income in respect of movements in the fair value of the hedging instrument and associated deferred tax.

Energy sales

HEL earns income for the sale of energy subsidised by payments from the government.

The effect of the transition to FRS102 was to recognise such income as income from other trading activities rather than voluntary income.

Bus Service Operators Grant

The charity receives income upon the satisfaction of certain performance-related conditions connected to the running of its community bus service.

The effect of the transition to FRS102 was to recognise such income as unrestricted income from charitable activities rather than restricted income from grants and donations.

Governance costs

In accordance with SORP 2015 (FRS102), governance costs are now recognised as part of the activity to which they relate. Governance costs incurred by HEL are now recognised as part of the non-charitable subsidiary's total expenditure on raising funds.