

**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 2020**

# THE ISLAND OF HOY DEVELOPMENT TRUST

## LEGAL AND ADMINISTRATIVE INFORMATION

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<b>Directors</b>	M Collop M Cossar I Davidson K Dempsey K Dobney P Hall S Jaques S Johnston  H Seatter E Train J Traynor	(Appointed 26 February 2020)  (Appointed 9 May 2019)
<b>Secretary</b>	A J B Scholes Ltd	
<b>Charity number (Scotland)</b>	SC038909	
<b>Company number</b>	SC306586	
<b>Registered office</b>	8 Albert Street Kirkwall Orkney KW15 1HP	
<b>Auditor</b>	A J B Scholes Ltd 8 Albert Street Kirkwall Orkney KW15 1HP	
<b>Bankers</b>	Bank of Scotland 56 Albert Street Kirkwall Orkney KW15 1HJ  Royal Bank of Scotland 1 Victoria Street Kirkwall Orkney KW15 1DP  Nationwide Building Society PO Box 3 5-11 St. Georges Street Douglas Isle of Man IM99 1AS	

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (INCLUDING TRUSTEES' REPORT)

FOR THE YEAR ENDED 31 MARCH 2020

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The directors present their report and financial statements for the year ended 31 March 2020.

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)" (effective from 1 January 2019)

### Objectives and activities

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

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

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

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

The charity's main objectives for the year ended 31 March 2020 were as follows:

### Community Fund

- To continue to provide good financial and risk management procedures, which are key to the continued operation of the turbine and provide this to the best of the Trust's ability.
- To review and revise the criteria and application forms and procedures associated with the Community funds to make the process more community friendly.
- To continue to encourage the community to apply for grants from the Community funds.

### Community Hall

- To increase the effectiveness of the management of the hall.
- To continue to support the Community Hall Committee to run the hall and to increase its usage.

### Community Bus Service

- To continue to run the community bus service and to seek funds to support that service.
  - To work to increase its usage through greater promotion and the creation of a new dedicated website.
  - To engage further with Community Energy Scotland and the ReFLEX project to progress the longheld aim of establishing a fully 'green' island transport service.
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# THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2020

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### Health and Wellbeing

- To progress with the Enhancing wellbeing project in collaboration with HIE, VAO and other Development Trusts.
- To continue to provide full support to the Enhancing wellbeing project and to work with other agencies to find funding to increase the length of time that the project will run.

### Digital connectivity

- To continue to further liaise with external bodies and organisations to see how better connections might be achieved.

### Youth, Leisure and Heritage

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

### 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, including supporting staff and directors.

### Achievements and performance

**Community Funds:** Funds from the Turbine again provided support to various groups, organisations and individuals on the island.

The main fund provided several grants that were awarded to organisations for the employment of crucial staff to keep their heritage centres operational. The criteria and procedures for the fund are still under review.

Between March 2019 and March 2020, there were 35 applications into the Training and Learning Fund (TLF). Funding was awarded to applicants to undertake a varied range of courses and learning activities; from a once in a lifetime trip to Africa to learn about game reserves and the protection of endangered species (still to take place due to Covid) to instrument tuition for children. Textile courses, astronomy degrees, diving certifications and nail technician courses were also undertaken. Many of the training and learning opportunities have and continue to support employment on the island, including the securing of many qualifications in academic as well as practical fields.

Utilisation of the event support fund was more limited this year but grants towards transport and accommodation costs for theatrical groups, musicians and other performing artists were awarded to the Gable End Theatre, Hoy and Walls Entertainment Group and the Community Hall Committees.

**Community Hall:** The Trust continues to oversee the management of the hall, with some progress made with the Hall Committee on procedures for health and safety. Usage of the hall remains consistent and, as in previous years, the facilities have been extensively used by various community organisations and a number of clubs. The newly formed Lego club continues to flourish as does the popular Friday lunch club run by the Haey Hope.

**Community Bus:** The Hoy and Walls bus service continues to run successfully, with numbers of passengers, mainly residents but also including visitors, remaining constant. The IoHDT maintains the service with funds from ticket sales, 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 the grants and concessionary ticket claims.

Maintenance issues with the buses saw costs again rising and the decision was made to replace one of them. Funding was not available to purchase an electric bus but a new bus with a Euro 6 diesel engine for reduced emissions was purchased and arrived in November 2019. So far it has been a real benefit to the service and the Island.

# THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2020

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Additionally, the IoHDT was successful in becoming involved with the ReFlex project. This £30 million pound Orkney wide project aims to demonstrate new technologies and their ability to balance the local electricity grid through renewable energy generation and storage. The IoHDT had the opportunity to participate in the 'community demonstrator' tasks and created links with Community Energy Scotland in order to obtain 2 electric people carriers for Hoy through the ReFlex project. New rapid charging facilities and an upgrade of the electricity supply at the Community Hall to a higher capacity 3 phase supply will also be implemented through this project. The specific purpose of the people carriers is yet to be defined, but it was established that community benefit and a demonstration of how communities can operate and benefit from this technology would be paramount. The vehicles arrived just weeks before the Covid-19 pandemic shut the whole service down. However, one of the vehicles has been used to deliver prescriptions and hot meals during lockdown and the other is being used by the turbine company for travelling to and from the turbine. There are various other ideas for usage beyond the Covid-19 pandemic.

The pioneering project is funded by UKRI and led locally by the European Marine Energy Centre, along with consortium partners Aquatera, Solo Energy, Community Energy Scotland, Heriot-Watt University and Orkney Islands Council.

**Youth, Leisure and Heritage:** Developing our Heritage initiative, Legacies of Conflict, still remains important to the Trust but has not progressed in the last year.

Progression with the development of the Longhope Playpark has occurred but somewhat slowly. Liaison between the sub-group and the relevant department in Orkney Islands Council has taken place throughout this year. Much research into similar projects and available services has been taking place behind the scenes including correspondence with other groups regarding the process, support, and the professionals that can be utilised locally and further afield. Proposals drawn up by the group were submitted to the council and are now awaiting a response.

**Enhancing Health & Wellbeing:** The year to 31st March 2020 saw the conclusion of the first year of the Aspiring Communities funded project "Enhancing Wellbeing in our Island Communities". The Health & Wellbeing Co-ordinator has made a significant impact building links with members of the community and other professionals working in the NHS, Local Authority and other independent sector organisations both on the island and on mainland Orkney. A key achievement was the establishment, with the support of the GP Health Centre, of the "Daily Living Aids Resource Centre and Dementia Lending Library". The Co-ordinator has also established a much-needed support role for individuals in the community, signposting and assisting people to access to a range of services e.g. Benefits Agency, CAB, Social Services and Advocacy.

Work had begun to establish a volunteer group and to explore options for enhanced care at home when the COVID-19 pandemic intervened. This also meant that plans for a multiagency convention on the island had to be cancelled. Instead, the focus moved to what additional support and interventions were required as the crisis developed including application to possible funding streams to enhance community resilience. An application for funding to extend the "Enhancing Wellbeing in our Island Communities" project for a further two years has been successful.

**Digital Connectivity:** Issues with poor digital connectivity remain a huge problem on the island. Despite various initiatives no government solution appears to be forthcoming and there appears to be no financial grants available to help groups whilst the Scottish Government is still committed to their programme of providing fast and reliable broadband for all by 2021. The pandemic highlighted the inadequacy of the broadband connections in the isles but so far no solutions are apparent. The Trust will continue to liaise with the relevant organisations.

**Community Engagement and Development plan:** Work on the Community Action plan continued throughout the year. The Trust invited interested individuals from different organisations on the island to come together to create a Community Action Planning Group (CAPG). Representatives in the group included members of the Community Council, the School, the North Walls Centre, the Hoy Kirk, the Health Centre and the IoHDT. With support from the Scottish Community Development Centre, CAPG created and structured a draft island development plan utilising the results of the survey and community feedback to shape and structure it. A launch of the draft version for comment was originally scheduled for March 2020 but has since been put on hold as a result of the pandemic.

# THE ISLAND OF HOY DEVELOPMENT TRUST

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

**FOR THE YEAR ENDED 31 MARCH 2020**

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**Trust Structure:** The Trust continues to review its operations to improve the effectiveness of the organisation. Since 2012, the requirements within the Trust office have increased dramatically along with the projects that the IoHDT is involved with. With ever-demanding finance and administration requirements, the Trust undertook a staffing review with the help of an independent HR consultant. The resulting report has enabled the Trust to restructure and reorganise the office, as well as establishing clear and defined roles for staff members. Further training was recommended, hours have been increased and an additional staff member has been welcomed to the team. The Trust now has nine part time employees. The Trust also made a commitment to pay employees at least the real Living Wage as outlined by the Living Wage Foundation, with an annual increase in line with the annual November Consumer Price Index (CPI).

**Covid-19 Response and Impact:** Towards the end of this financial year, Covid-19 impacted the UK and the isles entered lockdown. For Hoy and Walls, as elsewhere, this resulted in restricted movement and limited access to shops, job losses, isolation and financial hardship.

The staff and directors of the Trust, together with community volunteers rose to the challenge. The Trust applied for several grants from various Covid Support Funds: Foundation Scotland Community Response, Recovery & Resilience Fund, the Corra Foundation Scotland Wellbeing Fund and the Scottish Government/HIE Supporting Communities Fund –which together enabled us to develop a project aimed at relieving the financial hardship experienced by residents on the islands of Hoy and Walls as a direct impact of Covid-19.

The project was expanded to address the financial difficulties that some of our residents found themselves in as a result of both a loss of income from seasonal/zero hours contracts and for people who were self-employed but also for people on low incomes e.g. minimum wage, in receipt of State pension or other State benefits. Once the inter-island ferries were restricted to essential travel only, living on one of the outer islands meant that residents no longer had access to supermarkets or other budget shops on mainland Orkney with a consequent increase of around 100% on the costs of grocery shopping. With individuals and families staying at home people were also finding significant increases in their utility bills, with Orkney having previously identified high levels of fuel poverty. To address these issues the Trust developed a cash grant scheme funded by the Corra Foundation Wellbeing Fund, which allowed qualifying residents to use the small weekly cash grants where they were needed most – utility bills, household costs or food. The other initiative developed was a Community Larder funded by Scot Gov/HIE Supporting Communities Fund & the Corra Foundation Wellbeing Fund, to provide food/grocery boxes for people on the island who could demonstrate financial need but who were not necessarily on benefits but whose personal circumstances were making finances short.

Additionally, funds achieved from the Wellbeing Fund and the Foundation Scotland Community Response, Recovery & Resilience Fund were used for the purchase of equipment needed to maximise virtual contact between staff and volunteers and also between the Trust's Wellbeing co-ordinator and members of the community who needed help and advice, and also provided the funds for the necessary PPE required. The volunteer group, set up and supported by the co-ordinator provided support for vulnerable members of the community on the island in terms of befriending and maintaining access to essential supplies. They also delivered leaflets and notices island wide to ensure that even the most isolated were kept in touch. The new electric vehicles were also utilised to deliver prescriptions, hot meals on behalf of another community organisation and library books.

Office staff moved to working from home, with some adjustments necessary for the effective running of the office, including the purchase of additional equipment. All office staff remained fully paid and continued to keep the operations of the Trust going as much as possible.

Communication between the board members, staff and volunteers was challenging at times given that the island has such poor broadband and mobile phone network. This has been an issue for some time but this crisis highlighted the problem vividly. Some of the equipment the Trust was able to buy with the funding received has helped to support this infrastructure issue but it has also given valuable information to feed into the Hoy and Walls Community Action plan.

Transport on the island has also been compromised during this period as the Trust had to suspend its community bus service. Some financial assistance was provided by Transport Scotland's Covid Support grant, whilst valuable advice was sought from the Community Transport Association. All but one of the drivers were furloughed for several months but in August 2020 the service resumed, albeit with Covid-19 restrictions and requirements in place.

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# THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2020

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One of the many impacts and outcomes of the COVID-19 crisis has been its profound impact on how we all use public and community spaces. The Community Hall was closed at the beginning of the crisis in line with government legislation, although use of the building was made for essential activities related to the Community Larder set up by the Trust. In the longer term, with the increasing complexity of regulations related to health and safety procedures, the Trust has decided that it must investigate new mechanisms for the management of the Community Hall to ensure that it is fully compliant with COVID-19 related requirements for the safety of those using the facilities.

The impact of the coronavirus crisis on the Trust was relatively minimal and financially, the Trust remains in a good position. However, there will be ongoing additional costs, including extra staff, equipment, ppe, and, probably more importantly, supporting the health and welfare of the Trust's staff and volunteers.

### Investment performance

#### Hoy Energy Ltd - summary report for financial year ending March 2020:

##### Operational Summary:

A challenging year which opened with ongoing operational constraint due to the sub-sea cable failure at Rackwick, then peppered with emerging risks from the likes of the OIC Windfarm Project via wake effect, grid constraint from the new EMEC commercial operations and potential disruption from the proposed ReFLEX Project connections in the Orkney grid.

The Hoy Energy Ltd (HEL) directors are happy to report ongoing success in meeting these challenges and coupled with higher-than-average winds speeds, often record levels in the latter stages of the 2019/20 year, can also report a successful year financially.

##### Financial Summary 2019/20:

The company reported a pre-tax profit of £203,565 on a turnover of £440,995, good compared to a profit of £159,921 on a turnover of £414,733 in the previous year. The 6% increase in turnover came despite external issues affecting generation in the early part of the year. Compensation of £17,053 received from SSEN for the sub-sea cable fault is shown within the accounts as other operating income, though having already been paid to the IoHDT directly.

Direct costs remained comparable with the prior year. Costs associated with the Legacy Project, of circa £59,500 have been absorbed by HEL. Administrative expenses increased by around £9.2k, mostly due to additional wages and costs associated with the sub-sea cable failure. Interest charges continued to fall slightly as loan balances reduced. Insurance premiums, maintenance costs, wages and bank charges all rose in line with the respective indexes to which they are linked. On the company's balance sheet, net current assets are shown to remain within £9.6k of the prior year. The reduction in the fixed asset balance, due to depreciation charges, is largely offset by the capitalised expenditure on the Legacy Project, whilst the £100k loan provided by HEL to the Island of Hoy Development Trust, for cash flow support for the ReFLEX Project, is shown in a movement between current debtors and 'cash at bank and in hand'.

Tax exposure for the trading period was managed by the HEL board allowing a further donation of £65k to the IoHDT (in addition to the £17k already transferred) whilst also topping up the HEL operational reserve by £50k. All costs incurred to date for the development and pilot stages of the Legacy Project will remain with HEL as capitalised assets and will be depreciated over time as planned. Other payments from HEL to the IoHDT within the 2019/20 financial year, covering land lease and loan repayments, totalled £23,250.

Following completion of the formal accounting audit, conducted by Scholes Accountants of Kirkwall, HEL held their AGM on the 23rd of August 2020, wherein the financial statements for 2019/20 were unanimously adopted by the HEL Board. Signed copies were then provided for inclusion into the IoHDT accounts and subsequent filing with Companies House. The Co-op Bank were also furnished with copies in compliance with the overall project finance agreement.



# THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2020

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### Future Challenges:

As the turbine is set to roll into year 10 of operation in October of 2020 the HEL board have continued with strategic and financial planning, in particular with respect to the looming 12-year limit for the manufacturers guaranteed & fixed cost maintenance contract, whilst also remaining mindful of options around project exit / replacement in a UK industry where generation subsidies are essentially no longer available to on-shore wind projects. With commercial viability for our project, currently projected to be somewhat less than the 18 years mechanical life expectancy quoted by the manufacturer, there are perhaps the greatest challenges yet about to present themselves to our community owned project.

### **Financial review**

The charity had total incoming resources of £183,440 (2019: £226,396) and total resources expended of £213,672 (2019: £175,211), giving net deficit for the year of £30,232 (2019: surplus of £51,185). Total funds as at the balance sheet date amounted to £737,304 (2019: £767,536), split between unrestricted reserves of £722,992 (2019: £757,297) and restricted reserves of £14,312 (2019: £10,239).

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.

### **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 intends to continue to encourage the community to apply for grants from the Community Funds and intends to revise the criteria and application forms and procedures to make the process more community friendly.

The Trust will be working to implement all the necessary health and safety policies and risk assessments to ensure the Community Hall is fit for purpose and Covid 19 compliant and will be actively exploring a new route for the management of the hall.

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 expand the service using the smaller electric vehicles. Again, the Trust would like to work towards greater promotion of the service and the creation of a new dedicated website.

The Trust will continue to provide support to the Enhancing wellbeing project and will be using the knowledge acquired during the pandemic to increase the support to the more vulnerable members of the community, including those who have and are suffering financial hardship.

Despite the setback in March 2020, the Trust are determined to progress, as members of the Community Action Planning Group, a community action plan reflecting the aspirations of the community.

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT) FOR THE YEAR ENDED 31 MARCH 2020

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

### Structure, governance and management

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

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

M Collop

M Cossar

I Davidson

K Dempsey

K Dobney

P Hall

S Jaques

S Johnston

(Appointed 26 February 2020)

H Seatter

E Train

(Appointed 9 May 2019)

J Traynor

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

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

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

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

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

### Disclosure of information to auditor

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

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

On behalf of the board of directors

*S. D. Jaques*

Director

Dated: 20-12-2020

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

*FOR THE YEAR ENDED 31 MARCH 2020*

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

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

In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; 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

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#### Opinion

We have audited the financial statements of The Island of Hoy Development Trust (the parent) and its subsidiaries (the group) for the year ended 31 March 2020 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 2020 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

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

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

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

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

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

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

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

#### **Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or parent or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

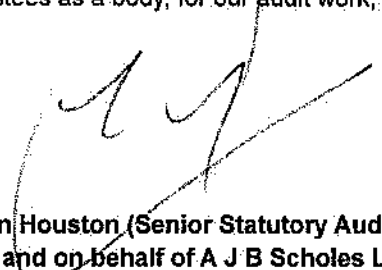
## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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#### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charity and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body, and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



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

Chartered Accountants  
Statutory Auditor

*22/12/20*  
.....

8 Albert Street  
Kirkwall  
Orkney  
KW15 1HP

# THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Unrestricted funds 2020 £	Restricted funds 2020 £	Total Unrestricted funds 2020 £	Restricted funds 2019 £	Total 2019 £
<b>Income from:</b>						
Grants and donations	3	2,832	31,090	33,922	1,327	15,283
Charitable activities	4	52,843	-	52,843	38,066	38,066
Other trading activities	5	458,048	-	458,048	-	414,733
Investments	6	2,317	-	2,317	614	614
<b>Total income</b>		<b>516,040</b>	<b>31,090</b>	<b>547,130</b>	<b>13,956</b>	<b>468,696</b>
<b>Expenditure on:</b>						
Raising funds	9	247,482	-	247,482	-	246,843
Charitable activities	10	185,869	27,499	213,368	16,643	173,799
Other	15	-	-	-	31	31
<b>Total expenditure</b>		<b>433,351</b>	<b>27,499</b>	<b>460,850</b>	<b>16,643</b>	<b>420,673</b>
<b>Net income/(expenditure) for the year before transfers and tax</b>		<b>82,689</b>	<b>3,591</b>	<b>86,280</b>	<b>(2,687)</b>	<b>48,023</b>
Gross transfers between funds		(482)	482	-	-	-
<b>Net (expenditure)/income for the year before tax</b>		<b>82,207</b>	<b>4,073</b>	<b>86,280</b>	<b>(2,687)</b>	<b>48,023</b>
Taxation	17	(22,280)	-	(22,280)	459	459
<b>Other recognised gains and losses</b>		<b>(2,161)</b>	<b>-</b>	<b>(2,161)</b>	<b>(1,004)</b>	<b>(1,004)</b>
<b>Net movement in funds</b>		<b>57,766</b>	<b>4,073</b>	<b>61,839</b>	<b>(2,687)</b>	<b>47,478</b>
Fund balances at 1 April 2019		1,231,916	10,239	1,242,155	12,926	1,194,677
<b>Fund balances at 31 March 2020</b>		<b>1,289,682</b>	<b>14,312</b>	<b>1,303,994</b>	<b>10,239</b>	<b>1,242,155</b>

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

All income and expenditure derive from continuing activities.

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Unrestricted funds 2020 £	Restricted funds 2020 £	Total Unrestricted funds 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
<b>Income from:</b>							
Grants and donations	3	2,832	31,090	33,922	1,327	13,956	15,283
Charitable activities	4	52,843	-	52,843	38,066	-	38,066
Investments	6	96,675	-	96,675	173,047	-	173,047
<b>Total income</b>		<b>152,350</b>	<b>31,090</b>	<b>183,440</b>	<b>212,440</b>	<b>13,956</b>	<b>226,396</b>
<b>Expenditure on:</b>							
Raising funds	9	304	-	304	1,381	-	1,381
Charitable activities	10	185,869	27,499	213,368	157,156	16,643	173,799
Other	15	-	-	-	31	-	31
<b>Total resources expended</b>		<b>186,173</b>	<b>27,499</b>	<b>213,672</b>	<b>158,568</b>	<b>16,643</b>	<b>175,211</b>
<b>Net (outgoing)/ incoming resources before transfers</b>		<b>(33,823)</b>	<b>3,591</b>	<b>(30,232)</b>	<b>53,872</b>	<b>(2,687)</b>	<b>51,185</b>
Gross transfers between funds		(482)	482	-	-	-	-
<b>Net (expenditure)/income for the year/ Net movement in funds</b>		<b>(34,305)</b>	<b>4,073</b>	<b>(30,232)</b>	<b>53,872</b>	<b>(2,687)</b>	<b>51,185</b>
Fund balances at 1 April 2019		757,297	10,239	767,536	703,425	12,926	716,351
<b>Fund balances at 31 March 2020</b>		<b>722,992</b>	<b>14,312</b>	<b>737,304</b>	<b>757,297</b>	<b>10,239</b>	<b>767,536</b>

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

All income and expenditure derive from continuing activities.

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



# THE ISLAND OF HOY DEVELOPMENT TRUST

## CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	18		1,255,443		1,150,622
<b>Current assets</b>					
Stocks	20		-		539
Debtors	22		176,531		135,500
Cash at bank and in hand			1,083,462		1,183,862
			<u>1,259,993</u>		<u>1,319,901</u>
<b>Creditors: amounts falling due within one year</b>	23		<u>(220,526)</u>		<u>(167,106)</u>
Net current assets			<u>1,039,467</u>		<u>1,152,795</u>
<b>Total assets less current liabilities</b>			<u>2,294,910</u>		<u>2,303,417</u>
<b>Creditors: amounts falling due after more than one year</b>	24		(881,640)		(962,265)
<b>Provisions for liabilities</b>	25		<u>(109,276)</u>		<u>(98,997)</u>
<b>Net assets</b>			<u><u>1,303,994</u></u>		<u><u>1,242,155</u></u>
<b>Income funds</b>					
Funds retained within subsidiary			566,690		474,619
Restricted funds	27		14,312		10,239
<u>Unrestricted funds</u>					
Designated funds	28		174,798		244,847
General unrestricted funds			<u>548,194</u>		<u>512,450</u>
			<u>722,992</u>		<u>757,297</u>
			<u><u>1,303,994</u></u>		<u><u>1,242,155</u></u>

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

The accounts were approved by the Directors on 20-12-2020

*S. D. Jaques*

Director

Company Registration No. SC306586

# THE ISLAND OF HOY DEVELOPMENT TRUST

## BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	18		409,360		291,977
Investments	19		101		101
			<u>409,461</u>		<u>292,078</u>
<b>Current assets</b>					
Stocks	20		-	539	
Debtors falling due after one year	22	85,141		95,783	
Debtors falling due within one year	22	56,536		50,407	
Cash at bank and in hand		364,952		347,247	
			<u>506,629</u>	<u>493,976</u>	
<b>Creditors: amounts falling due within one year</b>	23	<u>(148,739)</u>		<u>(18,518)</u>	
Net current assets			<u>357,890</u>		<u>475,458</u>
<b>Total assets less current liabilities</b>			<u>767,351</u>		<u>767,536</u>
<b>Creditors: amounts falling due after more than one year</b>	24		<u>(30,047)</u>		-
<b>Net assets</b>			<u><u>737,304</u></u>		<u><u>767,536</u></u>
<b>Income funds</b>					
Restricted funds	27		14,312		10,239
<u>Unrestricted funds</u>					
Designated funds	28	174,798		244,847	
General unrestricted funds		548,194		512,450	
			<u>722,992</u>		<u>757,297</u>
			<u><u>737,304</u></u>		<u><u>767,536</u></u>

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

The accounts were approved by the Directors on 20-12-2020

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 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	35	211,331		171,202	
Taxes paid		(14,787)		-	
Interest paid		(52,425)		(56,439)	
<b>Net cash generated from operating activities</b>		<b>144,119</b>		<b>114,763</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(140,870)		(353)	
Interest received		2,317		614	
<b>Net cash (used in)/generated from investing activities</b>		<b>(138,553)</b>		<b>261</b>	
<b>Financing activities</b>					
Repayment of bank loans		(105,966)		(99,073)	
<b>Net cash used in financing activities</b>		<b>(105,966)</b>		<b>(99,073)</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(100,400)</b>		<b>15,951</b>	
Cash and cash equivalents at beginning of year		1,183,862		1,167,911	
<b>Cash and cash equivalents at end of year</b>		<b>1,083,462</b>		<b>1,183,862</b>	

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	35		(111,742)		(103,764)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(81,315)		-	
Repayment of investment loans and receivables		14,087		9,616	
Investment income		96,675		173,047	
<b>Net cash generated from investing activities</b>			29,447		182,663
<b>Financing activities</b>					
Proceeds from borrowings		100,000		-	
Repayment of borrowings		-		(400,000)	
<b>Net cash used in financing activities</b>			(100,000)		(400,000)
<b>Net decrease in cash and cash equivalents</b>			(182,295)		(321,101)
Cash and cash equivalents at beginning of year			347,247		668,348
<b>Cash and cash equivalents at end of year</b>			<u>364,952</u>		<u>347,247</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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### 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)" (effective from 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

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

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

#### 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.

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 2020

### 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, 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 2020

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### 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 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).

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 2020

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### 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 2020

### 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 2020

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### 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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to net income/(expenditure) for the year so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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 2020

### 3 Grants and donations - group and charity

	Unrestricted funds 2020 £	Restricted funds 2020 £	Total Unrestricted funds 2020 £	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £
Donations and gifts	1,015	2,509	3,524	137	-	137
Grants receivable for core activities	1,817	28,581	30,398	1,190	13,956	15,146
	<u>2,832</u>	<u>31,090</u>	<u>33,922</u>	<u>1,327</u>	<u>13,956</u>	<u>15,283</u>

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

Orkney Islands Council - community bus service	-	14,258	14,258	-	13,761	13,761
Hoy Hoolie	-	-	-	1,458	-	1,458
VAO - Wellbeing co-ordinator	-	14,323	14,323	-	195	195
Community Council - YM operations	-	-	-	500	-	500
Other	1,817	-	1,817	(768)	-	(768)
	<u>1,817</u>	<u>28,581</u>	<u>30,398</u>	<u>1,190</u>	<u>13,956</u>	<u>15,146</u>

### 4 Charitable activities

	Hall hire 2020 £	Community events 2020 £	Bus Income 2020 £	Hoy Hoolie 2020 £	Total 2020 £	Total 2019 £
Non-performance related income	5,030	1,278	6,318	2,513	15,139	22,063
Services provided under contract	-	-	28,329	-	28,329	-
Performance related grant income	-	-	9,375	-	9,375	16,003
	<u>5,030</u>	<u>1,278</u>	<u>44,022</u>	<u>2,513</u>	<u>52,843</u>	<u>38,066</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 4 Charitable activities (Continued)

For the year ended 31 March 2019

	Half hire	Community events	Bus income	Hoy Hoolie	Total 2019
	£	£	£	£	£
Non-performance related income	5,118	1,125	6,391	9,429	22,063
Performance related grant income	-	-	16,003	-	16,003
	<u>5,118</u>	<u>1,125</u>	<u>22,394</u>	<u>9,429</u>	<u>38,066</u>
Analysis by fund					
Unrestricted funds	<u>5,118</u>	<u>1,125</u>	<u>22,394</u>	<u>9,429</u>	<u>38,066</u>

### 5 Other trading activities - group

	Total 2020	Total 2019
	£	£
Energy sales	458,048	414,733
Other trading activities	458,048	414,733

### 6 Investments - group

	2020	2019
	£	£
Interest receivable	2,317	614
	<u>2,317</u>	<u>614</u>

#### Investments - charity

	2020	2019
	£	£
Rental income	5,000	5,000
Income from unlisted investments	87,053	163,083
Interest receivable	4,622	4,964
	<u>96,675</u>	<u>173,047</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 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.

### 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:

	2020	2019
	£	£
Turnover	440,995	414,733
Cost of sales and administration	(256,341)	(254,846)
Other operating income	17,053	-
Interest receivable	1,858	34
Net profit	203,565	159,921
Taxation	(22,280)	459
Other recognised gains and losses	(2,161)	(1,004)
Donations of profit gift aided to charity	(87,053)	(163,083)
Retained in subsidiary	92,071	(3,707)
Assets	1,811,528	1,810,738
Liabilities	(1,244,738)	(1,336,019)
Funds	566,790	474,719

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

	2020	2019
	£	£
<u>Fundraising and publicity</u>		
Staging fundraising events	304	1,381

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

### 10 Charitable activities

	Community Bus service benefit		Total 2020	Community Bus service benefit		Total 2019
	2020	2020		2019	2019	
	£	£	£	£	£	£
Staff costs	15,122	33,817	48,939	5,000	31,532	36,532
Depreciation and impairment	684	12,945	13,629	802	5,047	5,849
Community events	6,723	-	6,723	12,533	-	12,533
Bus running costs	-	18,022	18,022	-	20,289	20,289
	<u>22,529</u>	<u>64,784</u>	<u>87,313</u>	<u>18,335</u>	<u>56,868</u>	<u>75,203</u>
Grant funding of activities (see note 12)	60,653	-	60,653	33,757	-	33,757
Share of support costs (see note 13)	49,794	8,447	58,241	49,611	8,345	57,956
Share of governance costs (see note 13)	6,087	1,074	7,161	5,851	1,032	6,883
	<u>139,063</u>	<u>74,305</u>	<u>213,368</u>	<u>107,554</u>	<u>66,245</u>	<u>173,799</u>
<b>Analysis by fund</b>						
Unrestricted funds	126,304	59,565	185,869	105,714	51,442	157,156
Restricted funds	12,759	14,740	27,499	1,840	14,803	16,643
	<u>139,063</u>	<u>74,305</u>	<u>213,368</u>	<u>107,554</u>	<u>66,245</u>	<u>173,799</u>

### 11 Directors

None of the directors (or any persons connected with them) received any remuneration or benefits from the charity during the year. However, two directors of the charity did receive remuneration from the subsidiary company totalling £4,000 (2019: two directors received £4,000).

During the year, no directors were reimbursed for expenses incurred in the course of their duties (2019: no directors).

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 12 Grants payable - group and charity

	2020	2019
	£	£
Grants to institutions:		
Haey Hope Club - bus	7,500	-
Hoy Kirk - employment	12,000	-
Hoy Kirk - water	2,500	-
Hoy Centre - summer act 2019	3,000	-
North Walls School - nethy trip	1,640	-
Hoy Hounds - walkway	1,295	-
The Hoolie Group of Hoy and Walls - hoolie funds	6,942	-
Scapa Flow Visitor Centre & Museum	-	10,161
Longhope Lifeboat Museum - custodian	10,000	5,000
Longhop Lifeboat Museum - fundraiser	-	5,000
Choir L Rugg	-	650
North Walls Centre	1,800	602
Skaldic - workshops	-	519
Other	2,881	799
	<u>49,558</u>	<u>22,731</u>
Grants to individuals	11,095	11,026
	<u>60,653</u>	<u>33,757</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 £11,095 (2019: 30 bursaries totalling £11,026) were issued to help local residents to undertake training and learn new skills to continue to live in the islands.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 13 Support costs

	Support costs	Governance costs	2020	Support costs	Governance costs	2019
	£	£	£	£	£	£
Staff costs	26,678	-	26,678	25,739	-	25,739
Depreciation	7,977	-	7,977	11,688	-	11,688
Rent & rates	3,646	-	3,646	3,253	-	3,253
Insurance	6,851	-	6,851	5,682	-	5,682
Heat, light & power	3,518	-	3,518	1,964	-	1,964
Office costs	4,770	-	4,770	3,781	-	3,781
Travelling expenses	135	-	135	128	-	128
Sundry & subscriptions	2,239	-	2,239	2,295	-	2,295
Legal & professional fees	1,070	-	1,070	786	-	786
Repairs & renewals	1,357	-	1,357	2,640	-	2,640
Audit fees	-	6,400	6,400	-	6,380	6,380
Accountancy	-	682	682	-	503	503
Other governance costs	-	79	79	-	-	-
	<u>58,241</u>	<u>7,161</u>	<u>65,402</u>	<u>57,956</u>	<u>6,883</u>	<u>64,839</u>
Analysed between						
Charitable activities	<u>58,241</u>	<u>7,161</u>	<u>65,402</u>	<u>57,956</u>	<u>6,883</u>	<u>64,839</u>

### 14 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2020	2019
	£	£
<b>Fees payable to the charity's auditor and its associates for the audit of the annual accounts:</b>	5,350	5,350
<b>Other services to the group</b>		
- the audit of the charity's subsidiaries - included in expenditure on raising funds	6,341	5,927
<b>Total audit fees</b>	<u>11,691</u>	<u>11,277</u>
<b>Non-audit services - charity</b>		
All other non-audit services	<u>469</u>	<u>432</u>

### 15 Other - group and charity

	2020	2019
	£	£
Net loss on disposal of tangible fixed assets	-	31



# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 16 Employees

#### Number of employees

The average monthly number of employees during the year was:

	Group 2020 Number	Group 2019 Number	Charity 2020 Number	Charity 2019 Number
Administration	2	2	2	2
Direct charitable activities	8	4	8	4
Engaged in subsidiary operating activities	6	6	-	-
	<u>16</u>	<u>12</u>	<u>10</u>	<u>6</u>
<b>Employment costs</b>	<b>Group 2020 £</b>	<b>Group 2019 £</b>	<b>Charity 2020 £</b>	<b>Charity 2019 £</b>
Wages and salaries	121,565	105,001	70,782	58,169
Social security costs	3,956	433	-	-
Other pension costs	7,292	6,209	4,835	4,102
	<u>132,813</u>	<u>111,643</u>	<u>75,617</u>	<u>62,271</u>

The average number of the charity's employees during the year, calculated on the full time equivalent basis, was 3 (2019: 3).

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 2020

### 18 Tangible fixed assets - group

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2019	434,396	1,428,305	46,838	96,240	2,005,779
Additions	-	59,555	1,150	137,839	198,544
Disposals	-	(659)	-	-	(659)
At 31 March 2020	434,396	1,487,201	47,988	234,079	2,203,664
<b>Depreciation and impairment</b>					
At 1 April 2019	166,329	567,424	45,347	76,057	855,157
Depreciation charged in the year	7,121	72,027	1,352	12,945	93,445
Eliminated in respect of disposals	-	(381)	-	-	(381)
At 31 March 2020	173,450	639,070	46,699	89,002	948,221
<b>Carrying amount</b>					
At 31 March 2020	260,946	848,131	1,289	145,077	1,255,443
At 31 March 2019	268,067	860,881	1,491	20,183	1,150,622

### Tangible fixed assets - charity

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2019	434,396	3,740	46,838	96,240	581,214
Additions	-	-	1,150	137,839	138,989
At 31 March 2020	434,396	3,740	47,988	234,079	720,203
<b>Depreciation and impairment</b>					
At 1 April 2019	166,329	1,504	45,347	76,057	289,237
Depreciation charged in the year	7,121	188	1,352	12,945	21,606
At 31 March 2020	173,450	1,692	46,699	89,002	310,843
<b>Carrying amount</b>					
At 31 March 2020	260,946	2,048	1,289	145,077	409,360
At 31 March 2019	268,067	2,236	1,491	20,183	291,977

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 19 Fixed asset investments - charity

		2020	2019
		£	£
<b>Cost or valuation</b>			
At 1 April 2019 & 31 March 2020			101
<b>Carrying amount</b>			
At 31 March 2020			101
At 31 March 2019			101
Other investments comprise:			
Investments in subsidiaries	Notes	101	101
	30		

### 20 Stocks - group and charity

	2020	2019
	£	£
Finished goods and goods for resale	-	539

### 21 Financial instruments - group

	2020	2019
	£	£
<b>Carrying amount of financial liabilities</b>		
Measured at fair value through profit or loss		
- Other financial liabilities	29,226	26,559

### 22 Debtors

	Group	Group	Charity	Charity
	2020	2019	2020	2019
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	73,004	50,504	3,647	1,197
Amounts due from subsidiary undertakings	-	-	24,441	27,886
Other debtors	66,764	53,247	17,825	14,644
Prepayments and accrued income	36,763	31,749	10,623	6,680
	<u>176,531</u>	<u>135,500</u>	<u>56,536</u>	<u>50,407</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 22 Debtors

(Continued)

	Group 2020 £	Group 2019 £	Charity 2020 £	Charity 2019 £
<b>Amounts falling due after more than one year:</b>				
Amounts due from subsidiary undertakings	-	-	85,141	95,783
<b>Total debtors</b>	<b>176,531</b>	<b>135,500</b>	<b>141,677</b>	<b>146,190</b>

Other debtors include grants receivable totalling £14,601 (2019: £10,213).

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

	Group 2020 £	Group 2019 £	Charity 2020 £	Charity 2019 £
Bank loans	113,340	105,967	-	-
Obligations under finance leases	27,627	-	27,627	-
Other taxation and social security	32,122	37,770	257	788
Trade creditors	22,301	735	-	-
Amounts due to subsidiary undertakings	-	-	100,000	-
Other creditors	6,162	4,250	6,162	4,250
Accruals and deferred income	18,974	18,384	14,693	13,480
	<b>220,526</b>	<b>167,106</b>	<b>148,739</b>	<b>18,518</b>

Creditors falling due within one year include finance leases of £27,627 (2019: £nil), which are secured over the leased assets.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

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

	Notes	2020 £	2019 £
Bank loans		822,367	935,706
Obligations under finance leases		30,047	-
Derivative financial instruments		29,226	26,559
		<u>881,640</u>	<u>962,265</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 £935,707 (2019: £1,041,673). 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 £29,226 (2019: £26,559). The directors obtained confirmation of this valuation directly from Co-operative Bank PLC.

Creditors falling due after more than one year include finance leases of £30,047 (2019: £nil), which are secured over the assets leased.

Bank loans payable by instalments due in over five years		<u>284,476</u>	<u>432,797</u>
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### Creditors: amounts falling due after more than one year - charity

	2020 £	2019 £
Obligations under finance leases	<u>30,047</u>	<u>-</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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25 Provisions for liabilities - group	Notes	2020 £	2019 £
Decommissioning liability		15,000	15,000
Deferred tax liabilities	26	94,276	83,997
		<u>109,276</u>	<u>98,997</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.

### 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 2020 £	Liabilities 2019 £
Balances:		
ACAs	99,829	89,043
Hedging reserve	(5,553)	(5,046)
	<u>94,276</u>	<u>83,997</u>

**THE ISLAND OF HOY DEVELOPMENTS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**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		Movement in funds		Balance at 1 April 2019		Movement in funds		Balance at 31 March 2020	
	£	£	Incoming resources	Resources expended	£	£	Incoming resources	Resources expended	£	£
Arctic convoy memorial	9,700	-	-	(149)	9,551	-	-	(147)	185	9,589
Big Lottery - YM phase 2	1,036	-	-	(533)	503	-	-	(133)	-	370
OIC CTGS	847	13,761	13,761	(14,608)	-	14,258	14,258	(14,740)	482	-
Wellbeing co-ordinator	-	-	-	-	-	16,832	16,832	(12,479)	-	4,353
Other funds	1,343	195	195	(1,353)	185	-	-	-	(185)	-
	<u>12,926</u>	<u>13,956</u>	<u>13,956</u>	<u>(16,643)</u>	<u>10,239</u>	<u>31,090</u>	<u>31,090</u>	<u>(27,499)</u>	<u>482</u>	<u>14,312</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 net book value of a funded fixed asset and cash, which BLF agreed could be used for any further capital expenditure on the YM.

OIC CTGS - This fund is the OIC grant for the "Community Transport Grant Scheme" which replaces the previous EDRTI "Enhanced Demand Responsive Transport Initiative". It is a 25% grant up to a maximum of £14,808 for the year 2019-20 and is paid on production of invoices and a grant claim form.

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

**THE ISLAND OF HOY DEVELOPMENTS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**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:

	Balance at 1 April 2018		Movement in funds		Balance at 1 April 2019		Movement in funds		Balance at 31 March 2020	
	£	£	Incoming resources	Resources expended	Transfers	£	Incoming resources	Resources expended	Transfers	£
Well-being coordinator (previously Homecare)	1,911	-	-	-	-	1,911	-	-	10,900	12,811
Operating reserve	28,125	-	-	-	-	28,125	-	-	10,000	38,125
Priority projects	93,465	27,180	(10,161)	(22,781)	(22,781)	87,703	-	(3,402)	(61,630)	22,671
YM operation	17,001	6,489	(7,538)	-	-	15,952	6,822	(7,688)	1,598	16,684
Buses	1,255	22,518	(40,718)	(36,945)	36,945	20,000	16,361	(49,117)	95,313	82,557
Hoy Hoolie	5,131	9,429	(11,954)	(5,058)	5,058	7,664	3,068	(12,168)	1,436	-
Arcic Convoiy memorial Reserve for 19/20	1,950	-	-	-	-	1,950	-	-	-	1,950
	-	81,542	-	-	-	81,542	-	-	(81,542)	-
	148,838	147,158	(70,371)	19,222	19,222	244,847	26,251	(72,375)	(23,925)	174,798

Well-being coordinator (previously Homecare) – this was originally funding from the Community Fund for a feasibility study into the homecare provision on the island. This was completed in a previous year at a cost of £2,600 leaving £1,911 in this fund. It was decided to rename the fund and to put the balance towards the work being carried out by the Well-being Coordinator. An additional £10,900 was transferred to this fund from Priority Projects during the year as the board wished to increase the hours of the coordinator.

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. The board agreed to increase the reserve by £10,000.

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). There were transfers made from this fund, to support various designated funds, such as: Well-being coordinator (£10,900), Buses (£35k), and operating reserve (£10k).



**THE ISLAND OF HOY DEVELOPMENT TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2020**

**28 Designated funds**

(Continued)

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.

Buses – This funding was achieved through Transport Scotland for the on-going operation of the community bus, from concessions and fares, and from the charity's own funds. It is based on mileage and the mileage records require audit prior to being submitted to Transport Scotland. The fund includes transfers in from Priority Projects (as noted above) and from unrestricted funds.

Hoy Hoolie – This fund is made up of the surplus from four Hoolie events held to date, this to be used towards future Hoolie events. During the year, the board agreed to donate remaining funds of £6,942 to the Hoolie Group (later constituted as The Hoolie Group of Hoy and Walls).

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 in the prior year to set aside a reserve of 50% (£81,542) of the donation from HEL - this has now been transferred to unrestricted funds.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

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

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2020 are represented by:			
Tangible assets	1,247,116	8,327	1,255,443
Current assets/(liabilities)	1,033,482	5,985	1,039,467
Long term liabilities	(881,640)	-	(881,640)
Provisions	(109,276)	-	(109,276)
	<u>1,289,682</u>	<u>14,312</u>	<u>1,303,994</u>

### Analysis of net assets between funds - charity

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2020 are represented by:			
Tangible assets	401,033	8,327	409,360
Investments	101	-	101
Current assets/(liabilities)	351,905	5,985	357,890
Long term liabilities	(30,047)	-	(30,047)
	<u>722,992</u>	<u>14,312</u>	<u>737,304</u>

### 30 Subsidiaries

Details of the charity's subsidiaries at 31 March 2020 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 2020

### 31 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:

	2020 £	2019 £
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:

	2020 £	2019 £
Within one year	5,000	5,000
Between two and five years	20,000	20,000
In over five years	57,800	62,800
	<u>82,800</u>	<u>87,800</u>

### 32 Analysis of changes in net funds

The charity entered into a new finance lease during the year totalling £57,674, of which £nil was repaid during the year.

The group also has bank loans as described at note 24, which shows the movements of those loans in the year.

### 33 Related party transactions

#### Remuneration of key management personnel

Remuneration of key management personnel of the parent charity and group during the year was £nil (2019: £nil).

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

### 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:

	2020 £	2019 £
Distributions receivable	87,053	163,083
Rental income	5,000	5,000
Interest receivable	4,163	4,384
	<u>96,216</u>	<u>172,467</u>

At the balance sheet date, debtors include a loan of £109,582 (2019: £123,669) 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 (2019: £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 £100,000 (2019: £nil). The loan is interest free and has no formal repayment terms.

### 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 £3,939 (2019: £4,680) and paid costs totalling £860 (2019: £nil). At the balance sheet date, the charity held £7,759 (2019: £4,680) 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 2020

### 35 Cash generated from operations - group

	2020	2019
	£	£
(Deficit)/surplus for the year	64,000	48,482
Adjustments for:		
Investment income	(2,317)	(614)
Taxation charged	22,280	(459)
Loss on disposal of tangible fixed assets	278	31
Finance costs	52,425	56,439
Depreciation and impairment of tangible fixed assets	93,445	89,273
Movements in working capital:		
Decrease in stocks	539	1
(Increase)/decrease in debtors	(41,031)	1,936
Increase/(decrease) in creditors	21,712	(23,887)
<b>Cash generated from operations</b>	<b>211,331</b>	<b>171,202</b>

### Cash generated from operations - charity

	2020	2019
	£	£
(Deficit)/surplus for the year	(30,232)	51,185
Adjustments for:		
Investment income recognised in statement of financial activities	(96,675)	(173,047)
(Gain)/loss on disposal of tangible fixed assets	-	31
Depreciation and impairment of tangible fixed assets	21,606	17,537
Movements in working capital:		
Decrease in stocks	539	1
(Increase) in debtors	(9,574)	(1,473)
Increase in creditors	2,594	2,002
<b>Cash absorbed by operations</b>	<b>(111,742)</b>	<b>(103,764)</b>

### 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.