

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 2021**

# THE ISLAND OF HOY DEVELOPMENT TRUST

## LEGAL AND ADMINISTRATIVE INFORMATION

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<b>Directors</b>	C Bolton M Collop M Cossar K Dobney P Hall S Jaques S Johnston A Sinclair  E Train J Traynor	(Appointed 12 May 2021)          (Appointed 1 November 2021)
<b>Charity number (Scotland)</b>	SC038909	
<b>Company number</b>	SC306586	
<b>Registered office</b>	Revenge, 1 Naval Hall Longhope Stromness Orkney KW16 3PG	
<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

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (INCLUDING TRUSTEES' REPORT)

**FOR THE YEAR ENDED 31 MARCH 2021**

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The directors present their report and financial statements for the year ended 31 March 2021.

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 ISLAND OF HOY DEVELOPMENT TRUST

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

### FOR THE YEAR ENDED 31 MARCH 2021

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Our objectives for this financial year were somewhat constrained by the chaos that ensued following the announcement of the global pandemic and the UK wide lockdown which began on March 23rd 2020. However, outlined below is what we had aimed to achieve in the year ending 31st March 2021.

#### 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 continue to encourage the community to apply for grants from the various Community funds and continue to review the criteria and application process to ensure that it remains fit for purpose and is as community friendly as possible.

#### Community Hall

- To implement all the necessary health and safety procedures and policies to ensure the Community Hall is fit for purpose and Covid 19 compliant.
- To actively explore a new route for the management of the hall.

#### Community Bus Service

- To continue to run the community bus service and to seek funds to support that service.
- To work to expand the service using smaller electric vehicles as part of the ReFlex project.
- To work to increase the bus service's usage through greater promotion and the creation of a new dedicated website.

#### Health and Wellbeing

- 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.
- To increase the support to the more vulnerable members of the community, including those who have and are suffering from financial hardship.

#### 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 continue to review the Trust's operations and ensure that the organisation is working effectively and will continue to review the current staffing structure and the welfare of its employees.
- 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.

#### Achievements and performance

**Community Funds:** Applications to the main Community fund were few this financial year as restrictions on community groups limited their activities. However, two groups, the Friends of the Hoy Kirk and the Longhope Lifeboat Museum Trust received funding totaling £7,820. These awards were for the continued employment of staff so that their archiving and key operations could continue despite the pandemic.

Applications into the Training and Learning Fund (TLF) remained high, however. In total for the year ended 31st March 2021, £11,185 was awarded to island residents (£9,075 of this was paid out during the year) enabling them to undertake many varied activities. These included music lessons, sea faring tickets, construction certificates, and qualifications in astrology, cooking, horticulture, and counselling. Many of the training and learning opportunities have and continue to support employment on the island, including the securing of qualifications in academic as well as practical fields.

Not surprisingly, there were no applications into the event support fund as Covid 19 restrictions stopped all such activities.

The Trust has been discussing financial support for community groups on the island who have been impacted financially by the coronavirus crisis. Discussions around the logistics of such a fund are ongoing.

# THE ISLAND OF HOY DEVELOPMENT TRUST

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

*FOR THE YEAR ENDED 31 MARCH 2021*

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**Community Hall:** The Community Hall was closed at the start of the first lockdown in March 2020. The hall is a significant part of the community infrastructure operating as a venue for large community events but also for smaller clubs and groups. The Trust committed to providing the necessary support required to ensure the building was Covid-19 compliant and ready for groups to use once restrictions allowed. It was agreed that a project Development Officer would be employed on a part-time, temporary basis to complete all the required health and safety work including exploring and developing resources for a new management group. The new Project Officer, Kieran Sinclair, started in this role at the beginning of February 2020. The second key part of this project will be to undertake community engagement activity with the aim of identifying both the wishes of the community in terms of the future use of the Community Hall but also to bring together people who have an interest in being part of a future constituted management group.

During this year, the Trust agreed to fund a replacement of the Fire Safety System and repairs to the heating system. To meet the additional cleaning requirements brought about by the Covid-19 pandemic funding that had been previously ringfenced for the Community Hall will be used to employ a part-time cleaner/caretaker on a temporary basis, with a potential start date of April 2021.

The successful bid submitted to the Covid Recovery Fund included costs that were associated with this project, including funding towards salary costs for the project officer, cleaning equipment and PPE.

**Community Bus:** During the first half of this period the Community Bus service was suspended following guidance from the Scottish Government and the limitations of travel imposed on the island by Orkney Islands Council. Financial assistance was provided by Transport Scotland's Covid Support grant, which has continued throughout this financial year. All bar 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. Valuable advice was sought from the Community Transport Association to provide as safe a service as possible. Some seats were removed from the buses and numbers restricted to comply with Government social distancing requirements.

During this period the Trust applied for and was awarded with a grant from Orkney Island Council's Community Transport Grant. Additionally, the Trust tendered for and were awarded (in April 2021) the contract to operate a one day per week public bus service on the island.

The Trust continued to participate in the ReFlex project through its collaboration with Community Energy Scotland. The two electric people carriers that formed part of this project arrived just weeks before the Covid-19 pandemic shut down the whole service. However, during this period they proved their value by being utilised for various activities that the Trust undertook as a response to the pandemic. This included the delivery of prescriptions to reduce footfall to the island's Health Centre, of hot meals, supporting an initiative by the Haey Hope Club and delivery of library books in partnership with the Island Liaison Officer. The implementation of infrastructure associated with the EVs and funded through the ReFlex project, included an upgrade of the electricity supply at the Community Hall and the installation of new rapid charging facilities.

**Youth, Leisure and Heritage:** The development of the Longhope Playpark has progressed little this year. However, proposals submitted to Orkney Islands Council by the Playgroup sub-group were accepted. OIC have prepared a lease but negotiations regarding the start date of the agreement are ongoing.

**Enhancing Health & Wellbeing:** Having a Health & Wellbeing Coordinator in post proved to be a significant advantage for Hoy and Walls as the Trust developed plans to meet the challenges created by the Covid-19 pandemic. This was both in terms of their baseline in knowledge of the socioeconomic standing of the community but more importantly in having an individual who had already established strong links with several households across the island. This provided the Trust with information regarding key priorities and targets for funding and projects throughout the year.

With the first successful grant application to Foundation Scotland (£5,000), the Trust's Health and Wellbeing Coordinator, Denize Lace, was able to establish an Advice and Support Hub and to recruit a group of volunteers. This funding also covered the associated administrative costs and volunteers' expenses for activities in support for the community such as doing/collecting shopping for people who were isolating/shielding, delivering leaflets about other Covid initiatives and one-to-one support initially by phone, later face to face as restrictions allowed. This grant also covered costs associated with using one of the Trust's electric vehicles to deliver prescriptions from the Health Centre to limit footfall in the building.

# THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2021

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Two other successful grant applications were made to the Wellbeing Fund (£18,400) and the Supporting Communities Fund (£12,500). The impact of travel restrictions to mainland for shopping was quickly identified as creating a significant financial challenge. In addition, problems related to loss of income, and increased utility costs with people spending more time at home became apparent. The decision was made to go for a two-pronged approach - Community Covid Grants and the Community Larder funded by Health and Wellbeing Fund and the Supporting Communities Fund respectively.

Weekly cash grants for those meeting the criteria (loss of income, on any government benefit, reaching twenty-seven households, 68 people) were available to the end of August 2020 and fortnightly food/grocery boxes provided to people (33 households, 83 people) able to demonstrate financial need till the end of July 2020. After the initial phase of these grants was completed, the funders gave permission to extend the Community Larder to meet any continuing needs.

A mental health resource leaflet was developed and delivered to all homes on the island with a library of resources created for the use of the Health and Wellbeing Coordinator.

Subsequent successful applications were made to Foundation Scotland (£500) to support people with winter fuel costs and to the Communities Recovery Fund. The latter provided 3 months funding (£2,250) from 1st March 21 with the plan to continue the Community Larder as a backup to Food Bank provision based on the mainland. This grant also covered volunteers' expenses for this period.

The Health & Wellbeing coordinator also organized two initiatives that brought much-needed cheer over the Festive Season. A Secret Santa for all children on the island was arranged with donated gifts being left at the local shop. The loHDT bought food and with local business woman, Emily Smith, volunteering her time to cook 147 Christmas meals were delivered by volunteers to individuals and families across the island.

The pandemic crisis has highlighted the fragility of the island economy and the impact caused when access to mainland Orkney is restricted. As restrictions have eased, we have been aware that people are still somewhat anxious about travelling to mainland Orkney and beyond. We are also very aware that many of the groups that operated in the community are unsure of when they might be able to start again. These groups along with the YM, the Gable End Theatre and Healthy Living Centre are extremely important in enabling social contact for people in our community. Significant work will be required to support community groups to operate in a safe manner as restrictions are eased including safe operation of community buildings.

**Digital Connectivity:** During lockdown poor connectivity hampered communication for all groups and residents on the island. This has been a long-term problem on Hoy and Walls, with Scottish Government initiatives failing to provide any adequate solutions. The Trust will continue to liaise with the Community Council and other relevant organisations.

**Community Engagement and Development plan:** Unfortunately, the launch of the draft version of the Community Action Plan was scheduled for the end of March 2020 and had to be cancelled. No further work has been undertaken on the development plan in this financial year, although issues experienced during lockdown will add valuable information to feed into it.

**Trust Structure:** As noted throughout this report, the Covid 19 pandemic and national lockdown affected some of the Trust's projects and operations. Staff were forced to work from home and some adjustments had to be made to maintain the efficient running of the organisation. Some issues were identified, not least problems of communication but some solutions to the digital connectivity issues experienced by the directors and staff were addressed to ensure that all could keep in touch to minimise any disruption. Despite everything, staff and the directors rose to the challenge and the effect on the Trust was relatively minimal and financially, the Trust remained in a good position.

# THE ISLAND OF HOY DEVELOPMENT TRUST

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

FOR THE YEAR ENDED 31 MARCH 2021

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### Investment performance

Hoy Energy Ltd - summary report for financial year ending March 2021:

#### Financial Summary:

The company reports a pre-tax profit of £167,797 on turnover of £410,571, compared to a profit of £203,565 on a turnover of £440,995 in the previous year. The apparent fall in turnover is due largely to the record generation in winter months in the previous financial year.

Direct costs have remained reasonably consistent with the prior year, falling marginally from £112,122 to £110,383. Administrative expenses fell from £87,631 to £83,513. Interest charges continue to fall as loan balances are reduced.

The balance sheet reports net assets of £656,872 at the year end, up from £566,790 the previous year.

The carrying value of tangible fixed assets fell as the turbine and other assets continues to be depreciated (£72,819 charge in the current year), however, there was investment of over £16k in new equipment (£11k legacy project, which was still under construction in the year; £5k IT equipment such as GSM broadband connection). Net current assets increased marginally from £763,562 to £774,807, which includes the £100k loan due from the Island of Hoy Development Trust.

In summary, turnover was down by circa £25,000 due to lower wind levels, direct costs remained about the same, lightning repair costs and equipment for new covid working practices created additional expense of circa £5,000, but conversely admin expenses fell by over £4,000. Legacy Project expenses of circa £11,000 were absorbed and moved to the balance sheet for future depreciation over time.

#### Legacy Project

The Covid lockdown caused installation plans for the 5 pilot homes to be postponed until the summer of 2020. However, testing and development work on the test bed system continued throughout this period.

### Financial review

The charity had total incoming resources of £217,600 (2020: £183,440) and total resources expended of £238,999 (2020: £213,672), giving net deficit for the year of £21,399 (2020: deficit of £30,232). Total funds as at the balance sheet date amounted to £715,905 (2020: £737,304), split between unrestricted reserves of £694,668 (2020: £722,992) and restricted reserves of £21,237 (2020: £14,312).

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



# THE ISLAND OF HOY DEVELOPMENT TRUST

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

**FOR THE YEAR ENDED 31 MARCH 2021**

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The Trust's good financial and risk management procedures ensured that it continued to operate successfully despite the vagaries of the last year. The Trust intends to reflect on its experiences and use this to identify areas that need improving or developing so that the organisation can adapt and be resilient under all circumstances.

The Trust will continue to encourage the community to apply for grants from the Community Funds and will investigate introducing a fund to help some of our island groups recover after Covid 19 restrictions are lifted.

With the increasing complexity of regulations related to health and safety procedures, the Trust will be supporting the new development officer 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. Additionally, the Trust will support them to engage with the community and to investigate all options available to establish a new management group for the Community Hall.

The Trust will continue to provide financial, administrative and practical support to the Enhancing Wellbeing project and the Health and Wellbeing Coordinator. Knowledge acquired during the pandemic will enable the Trust to increase support to where it is most needed. The Trust will also seek further funding to expand the well being activities of the coordinator.

The Trust will continue to source funding to keep the bus service operating as it is now well established in the community. The Trust will also continue to seek funds to enhance the service with the purchase of a fully electric minibus. It has been a long held wish to acquire such a vehicle to reduce carbon emissions and to strengthen the Trust's green transport commitment to island residents.

There are two projects which have progressed little during the last financial year, the Community Action Plan and the Longhope Playpark project. The Trust are committed to following up all the hard work that the Community Action Planning group put into creating the draft plan and intend to reconsider and revise the draft with a view to its relaunch. With regards to the Longhope Playpark, the Trust intend to support the sub-group with developing their ideas and advertising for a project manager.

### **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:

C Bolton	(Appointed 12 May 2021)
M Collop	
M Cossar	
I Davidson	(Resigned 12 May 2021)
K Dempsey	(Resigned 12 May 2021)
K Dobney	
P Hall	
S Jaques	
S Johnston	
H Seatter	(Resigned 12 May 2021)
A Sinclair	(Appointed 1 November 2021)
E Train	
J Traynor	

# THE ISLAND OF HOY DEVELOPMENT TRUST

## DIRECTORS' REPORT (CONTINUED)(INCLUDING TRUSTEES' REPORT) FOR THE YEAR ENDED 31 MARCH 2021

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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

26.11.21  
.....

Director *John J. Gesser*  
Dated: .....

# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

*FOR THE YEAR ENDED 31 MARCH 2021*

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

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

In preparing these accounts, the directors are required to:

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

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

## INDEPENDENT AUDITOR'S REPORT

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

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#### Opinion

We have audited the financial statements of The Island of Hoy Development Trust (the parent) and its subsidiaries (the group) for the year ended 31 March 2021 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 1102 *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 2021 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 35 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the parent or group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### Other information

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

We have nothing to report in this regard.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

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

#### **Responsibilities of directors**

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

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

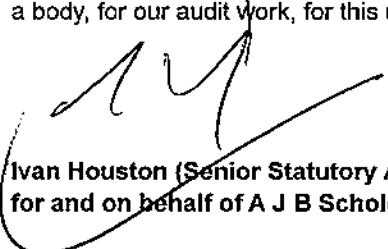
## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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#### Use of our report

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



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

Chartered Accountants  
Statutory Auditor

*29/11/21*  
.....

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 2021

		Unrestricted funds 2021 £	Restricted funds 2021 £	Total Unrestricted funds 2021 £	Restricted funds 2020 £	Total 2020 £
	Notes					
<b><u>Income and endowments from:</u></b>						
Grants and donations	3	24,621	70,767	95,388	2,832	33,922
Charitable activities	4	47,602	-	47,602	52,843	52,843
Other trading activities	5	410,571	-	410,571	458,048	458,048
Investments	6	1,433	-	1,433	2,317	2,317
Other income	7	1,477	-	1,477	-	-
<b>Total income</b>		<b>485,704</b>	<b>70,767</b>	<b>556,471</b>	<b>516,040</b>	<b>547,130</b>
<b><u>Expenditure on:</u></b>						
Raising funds	9	236,074	-	236,074	-	247,482
Charitable activities	11	178,340	60,659	238,999	27,499	213,368
<b>Total expenditure</b>		<b>414,414</b>	<b>60,659</b>	<b>475,073</b>	<b>433,351</b>	<b>460,850</b>
<b>Net income/(expenditure) for the year before transfers and tax</b>		<b>71,290</b>	<b>10,108</b>	<b>81,398</b>	<b>82,689</b>	<b>86,280</b>
Gross transfers between funds		3,183	(3,183)	-	482	-
<b>Net (expenditure)/income for the year before tax</b>		<b>74,473</b>	<b>6,925</b>	<b>81,398</b>	<b>82,207</b>	<b>86,280</b>
Taxation	17	(19,675)	-	(19,675)	-	(22,280)
<b>Other recognised gains and losses</b>		<b>6,960</b>	<b>-</b>	<b>6,960</b>	<b>(2,161)</b>	<b>(2,161)</b>
<b>Net movement in funds</b>		<b>61,758</b>	<b>6,925</b>	<b>68,683</b>	<b>4,073</b>	<b>61,839</b>
Fund balances at 1 April 2020		1,289,682	14,312	1,303,994	10,239	1,242,155
<b>Fund balances at 31 March 2021</b>		<b>1,351,440</b>	<b>21,237</b>	<b>1,372,677</b>	<b>14,312</b>	<b>1,303,994</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 2021

		Unrestricted funds 2021 £	Restricted funds 2021 £	Total Unrestricted funds 2021 £	Restricted funds 2020 £	Total 2020 £
	Notes					
<b><u>Income and endowments from:</u></b>						
Grants and donations	3	24,621	70,767	95,388	2,832	33,922
Charitable activities	4	47,602	-	47,602	-	52,843
Investments	6	73,133	-	73,133	-	96,675
Other income	7	1,477	-	1,477	-	-
<b>Total income</b>		<b>146,833</b>	<b>70,767</b>	<b>217,600</b>	<b>31,090</b>	<b>183,440</b>
<b><u>Expenditure on:</u></b>						
Raising funds	9	-	-	-	304	304
Charitable activities	11	178,340	60,659	238,999	27,499	213,368
<b>Total resources expended</b>		<b>178,340</b>	<b>60,659</b>	<b>238,999</b>	<b>27,499</b>	<b>213,672</b>
<b>Net (outgoing)/ incoming resources before transfers</b>		<b>(31,507)</b>	<b>10,108</b>	<b>(21,399)</b>	<b>3,591</b>	<b>(30,232)</b>
Gross transfers between funds		3,183	(3,183)	-	482	-
<b>Net (expenditure)/income for the year/ Net movement in funds</b>		<b>(28,324)</b>	<b>6,925</b>	<b>(21,399)</b>	<b>4,073</b>	<b>(30,232)</b>
Fund balances at 1 April 2020		722,992	14,312	737,304	10,239	767,536
<b>Fund balances at 31 March 2021</b>		<b>694,668</b>	<b>21,237</b>	<b>715,905</b>	<b>14,312</b>	<b>737,304</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

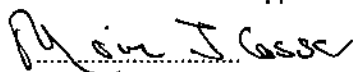
## CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	18		1,144,506		1,255,443
<b>Current assets</b>					
Debtors	21	146,376		176,531	
Cash at bank and in hand		1,119,837		1,083,462	
		<u>1,266,213</u>		<u>1,259,993</u>	
<b>Creditors: amounts falling due within one year</b>	22	(205,322)		(220,526)	
Net current assets			1,060,891		1,039,467
<b>Total assets less current liabilities</b>			<u>2,205,397</u>		<u>2,294,910</u>
<b>Creditors: amounts falling due after more than one year</b>	23		(721,775)		(881,640)
<b>Provisions for liabilities</b>	24		(110,945)		(109,276)
<b>Net assets</b>			<u>1,372,677</u>		<u>1,303,994</u>
<b>Income funds</b>					
Funds retained within subsidiary			656,772		566,690
Restricted funds	26		21,237		14,312
<u>Unrestricted funds</u>					
Designated funds	27	164,706		174,798	
General unrestricted funds		529,962		548,194	
			<u>694,668</u>		<u>722,992</u>
			<u>1,372,677</u>		<u>1,303,994</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 26.11.21



Director

Company Registration No. SC306586

# THE ISLAND OF HOY DEVELOPMENT TRUST

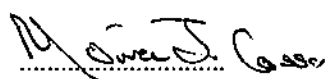
## BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	18		355,222		409,360
Investments	19		101		101
			<u>355,323</u>		<u>409,461</u>
<b>Current assets</b>					
Debtors falling due after one year	21	74,499		85,141	
Debtors falling due within one year	21	51,478		56,536	
Cash at bank and in hand		376,627		364,952	
		<u>502,604</u>		<u>506,629</u>	
<b>Creditors: amounts falling due within one year</b>	22	(142,022)		(148,739)	
Net current assets			360,582		357,890
<b>Total assets less current liabilities</b>			<u>715,905</u>		<u>767,351</u>
<b>Creditors: amounts falling due after more than one year</b>	23		-		(30,047)
<b>Net assets</b>			<u><u>715,905</u></u>		<u><u>737,304</u></u>
<b>Income funds</b>					
Restricted funds	26		21,237		14,312
<u>Unrestricted funds</u>					
Designated funds	27	164,706		174,798	
General unrestricted funds		<u>529,962</u>		<u>548,194</u>	
			694,668		722,992
			<u><u>715,905</u></u>		<u><u>737,304</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 24.11.21



Director

Company Registration No. SC306586

# THE ISLAND OF HOY DEVELOPMENT TRUST

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

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	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	34	244,248		211,331	
Taxes paid		(12,445)		(14,787)	
Interest paid		(47,178)		(52,425)	
<b>Net cash generated from operating activities</b>		<b>184,625</b>		<b>144,119</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(29,523)		(140,870)	
Proceeds on disposal of tangible fixed assets		23,215		-	
Interest received		1,433		2,317	
<b>Net cash used in investing activities</b>			<b>(4,875)</b>		<b>(138,553)</b>
<b>Financing activities</b>					
Repayment of bank loans		(113,339)		(105,966)	
Payment of obligations under finance leases		(30,036)		-	
<b>Net cash used in financing activities</b>			<b>(143,375)</b>		<b>(105,966)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>36,375</b>		<b>(100,400)</b>
Cash and cash equivalents at beginning of year		1,083,462		1,183,862	
<b>Cash and cash equivalents at end of year</b>		<b>1,119,837</b>		<b>1,083,462</b>	

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

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	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	34		(53,457)		(111,742)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(13,080)		(81,315)	
Proceeds on disposal of tangible fixed assets		23,215		-	
Repayment of investment loans and receivables		11,900		14,087	
Investment income		73,133		96,675	
<b>Net cash generated from investing activities</b>			95,168		29,447
<b>Financing activities</b>					
Proceeds from borrowings		-		100,000	
Payment of obligations under finance leases		30,036		-	
<b>Net cash (used in)/generated from financing activities</b>			(30,036)		100,000
<b>Net increase in cash and cash equivalents</b>			11,675		17,705
Cash and cash equivalents at beginning of year			364,952		347,247
<b>Cash and cash equivalents at end of year</b>			376,627		364,952

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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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 Revenge, 1 Naval Hall, Longhope, Stromness, Orkney, KW16 3PG.

#### 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 2021

### 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 2021

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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 Cash and cash equivalents

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

#### 2.10 Financial instruments

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

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

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

#### **Basic financial assets**

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



# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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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.

### 2.11 Derivatives

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

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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### 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.

### 2.12 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.

### 2.13 Provisions

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

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 2 Accounting policies (Continued)

#### 2.14 Employee benefits

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

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

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

#### 2.15 Retirement benefits

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

#### 2.16 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.

#### 2.17 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.

#### 2.18 Distributions

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

#### 2.19 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.

### 3 Grants and donations - group and charity

	Unrestricted funds 2021 £	Restricted funds 2021 £	Total Unrestricted 2021 £	Restricted funds 2020 £	Total 2020 £
Donations and gifts	100	-	100	1,015	3,524
Grants receivable for core activities	24,521	70,767	95,288	1,817	30,398
	<u>24,621</u>	<u>70,767</u>	<u>95,388</u>	<u>2,832</u>	<u>33,922</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 3 Grants and donations - group and charity

(Continued)

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

Orkney Islands Council - community bus service	-	12,381	12,381	-	14,258	14,258
Corra Foundation - Wellbeing fund	-	18,400	18,400	-	-	-
VAO - Wellbeing co-ordinator	-	11,586	11,586	-	14,323	14,323
HIE - supporting communities fund	-	12,500	12,500	-	-	-
HIE - communities recovery fund	-	7,900	7,900	-	-	-
Foundation Scotland - community response and resilience fund	-	5,000	5,000	-	-	-
Orkney Islands Council - business support grant	11,000	-	11,000	-	-	-
Scottish Government - job retention scheme	4,121	-	4,121	-	-	-
Orkney Islands Council - business support grant (YM)	8,250	-	8,250	-	-	-
Other	1,150	3,000	4,150	1,817	-	1,817
	<u>24,521</u>	<u>70,767</u>	<u>95,288</u>	<u>1,817</u>	<u>28,581</u>	<u>30,398</u>

**THE ISLAND OF HOY DEVELOPMENTS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2021**

4 Charitable activities	Hall hire		Bus income		Total	Hall hire		Community events		Bus income		Hoy Hoolie		Total
	2021	2021	2021	2021	2021	2020	2020	2020	2020	2020	2020	2020	2020	2020
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Non-performance related income	636	4,612	5,248	5,030	1,278	6,318	2,513	15,139						
Services provided under contract	-	33,145	33,145	-	-	28,329	-	28,329						28,329
Performance related grant income	-	9,209	9,209	-	-	9,375	-	9,375						9,375
	<u>636</u>	<u>46,966</u>	<u>47,602</u>	<u>5,030</u>	<u>1,278</u>	<u>44,022</u>	<u>2,513</u>	<u>52,843</u>						

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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<b>5</b>	<b>Other trading activities - group</b>	<b>2021</b>	<b>2020</b>
		£	£
	Energy sales	410,571	458,048
	Other trading activities	410,571	458,048
		<u>410,571</u>	<u>458,048</u>
<b>6</b>	<b>Investments - group</b>	<b>2021</b>	<b>2020</b>
		£	£
	Interest receivable	1,433	2,317
		<u>1,433</u>	<u>2,317</u>
		<u>1,433</u>	<u>2,317</u>
	<b>Investments - charity</b>	<b>2021</b>	<b>2020</b>
		£	£
	Rental income	5,000	5,000
	Income from unlisted investments	65,000	87,053
	Interest receivable	3,133	4,622
		<u>73,133</u>	<u>96,675</u>
		<u>73,133</u>	<u>96,675</u>
<b>7</b>	<b>Other income - group and charity</b>	<b>2021</b>	<b>2020</b>
		£	£
	Net gain on disposal of tangible fixed assets	1,477	-
		<u>1,477</u>	<u>-</u>

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# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 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:

	2021 £	2020 £
Turnover	410,571	440,995
Cost of sales and administration	(244,174)	(256,341)
Other operating income	-	17,053
Interest receivable	1,400	1,858
Net profit	167,797	203,565
Taxation	(19,675)	(22,280)
Other recognised gains and losses	6,960	(2,161)
Donations of profit gift aided to charity	(65,000)	(87,053)
Retained in subsidiary	90,082	92,071
Assets	1,753,074	1,811,528
Liabilities	(1,096,202)	(1,244,738)
Funds	656,872	566,790

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

	2021 £	2020 £
<u>Fundraising and publicity</u>		
Staging fundraising events	-	304

### 10 Description of charitable activities

#### Community benefit

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

#### Bus service

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 11 Charitable activities

	Community Bus service benefit		Total 2021	Community Bus service benefit		Total 2020
	2021	2021		2020	2020	
	£	£	£	£	£	£
Staff costs	36,801	31,962	68,763	15,122	33,817	48,939
Depreciation and impairment	2,061	36,435	38,496	684	12,945	13,629
Community events	15,020	-	15,020	6,723	-	6,723
Bus running costs	-	15,541	15,541	-	18,022	18,022
	<u>53,882</u>	<u>83,938</u>	<u>137,820</u>	<u>22,529</u>	<u>64,784</u>	<u>87,313</u>
Grant funding of activities (see note 13)	30,835	-	30,835	60,653	-	60,653
Share of support costs (see note 14)	37,656	24,755	62,411	49,794	8,447	58,241
Share of governance costs (see note 14)	5,156	2,777	7,933	6,087	1,074	7,161
	<u>127,529</u>	<u>111,470</u>	<u>238,999</u>	<u>139,063</u>	<u>74,305</u>	<u>213,368</u>
<b>Analysis by fund</b>						
Unrestricted funds	80,403	97,937	178,340	126,304	59,565	185,869
Restricted funds	47,126	13,533	60,659	12,759	14,740	27,499
	<u>127,529</u>	<u>111,470</u>	<u>238,999</u>	<u>139,063</u>	<u>74,305</u>	<u>213,368</u>

### 12 Directors

None of the directors (or any persons connected with them) received any remuneration or benefits from the charity during the year. However, two directors of the charity did receive remuneration from the subsidiary company totalling £4,000 (2020: two directors received £4,000).

During the year, no directors were reimbursed for expenses incurred in the course of their duties (2020: no directors).



# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 13 Grants payable - group and charity

	2021	2020
	£	£
Grants to institutions:		
Haey Hope Club - bus	-	7,500
Hoy Kirk - employment (two awards)	2,820	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
Longhope Lifeboat Museum - custodian	5,000	10,000
North Walls Centre	-	1,800
Other	-	2,881
	<u>7,820</u>	<u>49,558</u>
Grants to individuals	23,015	11,095
	<u>30,835</u>	<u>60,653</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, 31 training bursaries totalling £9,075 (2020: 39 bursaries totalling £11,095) were issued to help local residents to undertake training and learn new skills to continue to live in the islands. One grant from the previous year of £500 was refunded.

During the year, the charity received funding to provide grants to families suffering financial hardship due to Covid-19. The charity awarded grants to 27 households covering 68 people and paid out £13,940 (2020: none) in respect of those awards.

The charity awarded 7 grants totalling £500 from the Response Recovery and Resilience fund, which aims to support individuals and families in continuing financial need.

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 14 Support costs

	Support costs	Governance costs	2021	Support costs	Governance costs	2020
	£	£	£	£	£	£
Staff costs	25,242	-	25,242	26,678	-	26,678
Depreciation	6,984	-	6,984	7,977	-	7,977
Rent & rates	3,775	-	3,775	3,646	-	3,646
Insurance	9,652	-	9,652	6,851	-	6,851
Heat, light & power	2,619	-	2,619	3,518	-	3,518
Office costs	6,575	-	6,575	4,770	-	4,770
Travelling expenses	29	-	29	135	-	135
Sundry & subscriptions	2,009	-	2,009	2,239	-	2,239
Legal & professional fees	3,685	-	3,685	1,070	-	1,070
Repairs & renewals	1,841	-	1,841	1,357	-	1,357
Audit fees	-	6,620	6,620	-	6,400	6,400
Accountancy	-	1,296	1,296	-	682	682
Other governance costs	-	17	17	-	79	79
	<u>62,411</u>	<u>7,933</u>	<u>70,344</u>	<u>58,241</u>	<u>7,161</u>	<u>65,402</u>
Analysed between						
Charitable activities	<u>62,411</u>	<u>7,933</u>	<u>70,344</u>	<u>58,241</u>	<u>7,161</u>	<u>65,402</u>

### 15 Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2021	2020
	£	£
<b>Fees payable to the charity's auditor and its associates for the audit of the annual accounts:</b>	5,400	5,350
<b>Other services to the group</b> - the audit of the charity's subsidiaries - included in expenditure on raising funds	6,195	6,341
<b>Total audit fees</b>	<u>11,595</u>	<u>11,691</u>
<b>Non-audit services - charity</b> All other non-audit services	<u>1,411</u>	<u>469</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 16 Employees

#### Number of employees

The average monthly number of employees during the year was:

	Group 2021 Number	Group 2020 Number	Charity 2021 Number	Charity 2020 Number
Administration	3	2	3	2
Direct charitable activities	8	8	8	8
Engaged in subsidiary operating activities	6	6	-	-
	<u>17</u>	<u>16</u>	<u>11</u>	<u>10</u>

#### Employment costs

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Wages and salaries	135,172	121,565	87,420	70,782
Social security costs	3,755	3,956	252	-
Other pension costs	8,536	7,292	6,333	4,835
	<u>147,463</u>	<u>132,813</u>	<u>94,005</u>	<u>75,617</u>

The average number of the charity's employees during the year, calculated on the full time equivalent basis, was 4 (2020: 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 2021

### 18 Tangible fixed assets - group

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2020	434,396	1,487,201	47,988	234,079	2,203,664
Additions	-	16,443	12,480	600	29,523
Disposals	-	(1,104)	(700)	(22,916)	(24,720)
At 31 March 2021	434,396	1,502,540	59,768	211,763	2,208,467
<b>Depreciation and impairment</b>					
At 1 April 2020	173,450	639,070	46,699	89,002	948,221
Depreciation charged in the year	6,024	73,007	2,833	24,818	106,682
Impairment losses	-	-	-	11,617	11,617
Eliminated in respect of disposals	-	(681)	(401)	(1,477)	(2,559)
At 31 March 2021	179,474	711,396	49,131	123,960	1,063,961
<b>Carrying amount</b>					
At 31 March 2021	254,922	791,144	10,637	87,803	1,144,506
At 31 March 2020	260,946	848,131	1,289	145,077	1,255,443

### Tangible fixed assets - charity

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 April 2020	434,396	3,740	47,988	234,079	720,203
Additions	-	-	12,480	600	13,080
Disposals	-	-	(700)	(22,916)	(23,616)
At 31 March 2021	434,396	3,740	59,768	211,763	709,667
<b>Depreciation and impairment</b>					
At 1 April 2020	173,450	1,692	46,699	89,002	310,843
Depreciation charged in the year	6,024	188	2,833	24,818	33,863
Impairment losses	-	-	-	11,617	11,617
Eliminated in respect of disposals	-	-	(401)	(1,477)	(1,878)
At 31 March 2021	179,474	1,880	49,131	123,960	354,445
<b>Carrying amount</b>					
At 31 March 2021	254,922	1,860	10,637	87,803	355,222
At 31 March 2020	260,946	2,048	1,289	145,077	409,360

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 18 Tangible fixed assets - group

(Continued)

Impairment tests have been carried out where appropriate and impairment losses of £11,617 (2020: £nil) in respect of motor vehicles have been recognised in the statement of financial activities (both group and parent) within expenditure on charitable activities.

### 19 Fixed asset investments - charity

Other investments

#### Cost or valuation

At 1 April 2020 & 31 March 2021

101

#### Carrying amount

At 31 March 2021

101

At 31 March 2020

101

Other investments comprise:	Notes	2021 £	2020 £
Investments in subsidiaries	29	101	101

### 20 Financial instruments - group

2021  
£

2020  
£

#### Carrying amount of financial liabilities

Measured at fair value through profit or loss

- Other financial liabilities

20,633

29,226

### 21 Debtors

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
<b>Amounts falling due within one year:</b>				
Trade debtors	48,533	73,004	111	3,647
Amounts due from subsidiary undertakings	-	-	23,183	24,441
Other debtors	62,850	66,764	18,845	17,825
Prepayments and accrued income	34,993	36,763	9,339	10,623
	<u>146,376</u>	<u>176,531</u>	<u>51,478</u>	<u>56,536</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

21 Debtors	(Continued)			
	2021	2020	2021	2020
	£	£	£	£
Amounts falling due after more than one year:				
Amounts due from subsidiary undertakings	-	-	74,499	85,141
<b>Total debtors</b>	<b>146,376</b>	<b>176,531</b>	<b>125,977</b>	<b>141,677</b>

Other debtors include grants receivable totalling £15,296 (2020: £14,601).

22 Creditors: amounts falling due within one year	Group	Group	Charity	Charity
	2021	2020	2021	2020
	£	£	£	£
Bank loans	121,226	113,340	-	-
Obligations under finance leases	27,638	27,627	27,638	27,627
Other taxation and social security	38,459	32,122	1,533	257
Trade creditors	4,096	22,301	3,346	-
Amounts due to subsidiary undertakings	-	-	100,000	100,000
Other creditors	1,735	6,162	1,735	6,162
Accruals and deferred income	12,168	18,974	7,770	14,693
	<b>205,322</b>	<b>220,526</b>	<b>142,022</b>	<b>148,739</b>

Creditors falling due within one year include finance leases of £27,638 (2020: £27,627), 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 2021

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

	Notes	2021 £	2020 £
Bank loans		701,142	822,367
Obligations under finance leases		-	30,047
Derivative financial instruments		20,633	29,226
		<u>721,775</u>	<u>881,640</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 £822,368 (2020: £935,707). 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 £20,633 (2020: £29,226). 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 £nil (2020: £30,047), which are secured over the assets leased.

Bank loans payable by instalments due in over five years	157,759	284,476
	<u>157,759</u>	<u>284,476</u>

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

	2021 £	2020 £
Obligations under finance leases	-	30,047
	<u>-</u>	<u>30,047</u>

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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24 Provisions for liabilities - group	Notes	2021 £	2020 £
Decommissioning liability		15,000	15,000
Deferred tax liabilities	25	95,945	94,276
		<u>110,945</u>	<u>109,276</u>

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

### 25 Deferred taxation

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

	Liabilities 2021 £	Liabilities 2020 £
<b>Balances:</b>		
ACAs	99,865	99,829
Hedging reserve	(3,920)	(5,553)
	<u>95,945</u>	<u>94,276</u>



**THE ISLAND OF HOY DEVELOPMENT TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2021**

**26 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 2019		Movement in funds			Movement in funds			Balance at 31 March 2021		
	£	£	Incoming resources	Resources expended	Transfers	Balance at 1 April 2020	Incoming resources	Resources expended	Transfers	£	£
Arctic convoy memorial	9,551	-	-	(147)	185	9,589	-	(147)	-	-	9,442
Foundation Scotland - RRR	-	-	-	-	-	-	5,000	(2,165)	(2,835)	-	-
OIC - CTGS	-	14,258	14,258	(14,740)	482	-	12,381	(13,533)	1,152	-	-
Corra Foundation - wellbeing fund	-	-	-	-	-	-	18,400	(17,399)	-	-	1,001
VAO - wellbeing co-ordinator	-	16,832	16,832	(12,479)	-	4,353	11,586	(11,409)	-	-	4,530
HIE - communities recovery fund	-	-	-	-	-	-	7,900	(2,420)	-	-	5,480
HIE - supporting communities fund	-	-	-	-	-	-	12,500	(12,500)	-	-	-
Other funds	688	-	-	(133)	(185)	370	3,000	(1,086)	(1,500)	-	784
	<u>10,239</u>	<u>31,090</u>	<u>31,090</u>	<u>(27,499)</u>	<u>482</u>	<u>14,312</u>	<u>70,767</u>	<u>(60,659)</u>	<u>(3,183)</u>	<u>21,237</u>	<u>21,237</u>

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

Foundation Scotland RRR - funding awarded from the Community Response, Recovery and Resilience fund to develop and co-ordinate a volunteer group to deliver groceries and prescriptions to vulnerable people during COVID, to organise support calls and a hub and to develop a means of providing emergency financial support to those in need and to coordinate contact between staff and volunteers using online meeting methods. A transfer of £2,835 was made to unrestricted funds in respect of tangible fixed assets purchased in the fund which have no further restriction.

OIC CTGS - This fund is the OIC grant for the "Community Transport Grant Scheme" which replaces the previous EDRT1 "Enhanced Demand Responsive Transport Initiative". It is a 25% grant up to a maximum of £17,745 for the year 2020-21 and is paid on production of invoices and a grant claim form.

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

**THE ISLAND OF HOY DEVELOPMENT TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2021**

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**26 Restricted funds**

**(Continued)**

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.

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

HIE Supporting Communities Fund - The fund is to set up a community larder for those most in need due to COVID, to support volunteers and to fund additional administrative staff hours.

**THE ISLAND OF HOY DEVELOPMENTS TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2021**

**27 Designated funds**

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

	Movement in funds			Movement in funds			Movement in funds		
	Balance at 1 April 2019 £	Incoming resources £	Resources expended £	Transfers £	Balance at 1 April 2020 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2021 £
Well-being coordinator (previously Homecare)	1,911	-	-	10,900	12,811	-	(5,179)	-	7,632
Operating reserve	28,125	-	-	10,000	38,125	-	-	-	38,125
Priority projects	87,703	-	(3,402)	(61,630)	22,671	21,667	-	-	44,338
YM operation	15,952	6,822	(7,688)	1,598	16,684	1,605	(6,295)	-	11,994
Buses	20,000	16,361	(49,117)	95,313	82,557	19,194	(46,886)	(1,152)	53,713
Hoy Hoolie	7,664	3,068	(12,168)	1,436	-	-	-	-	-
Arctic Convoy memorial	1,950	-	-	-	1,950	-	-	-	1,950
Reserve for 19/20	81,542	-	-	(81,542)	-	-	-	-	-
YM development project	-	-	-	-	-	8,250	(1,296)	-	6,954
	<u>244,847</u>	<u>26,251</u>	<u>(72,375)</u>	<u>(23,925)</u>	<u>174,798</u>	<u>50,716</u>	<u>(59,656)</u>	<u>(1,152)</u>	<u>164,706</u>

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 prior 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.

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

**THE ISLAND OF HOY DEVELOPMENT TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2021**

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**27 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, however the COVID pandemic has left the community hall without income since March 2020. The board are monitoring this and will make whatever decisions are necessary to enable the facility to re-open.

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

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 prior 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 a prior year to set aside a reserve of 50% (£81,542) of the donation from HEL, which was transferred to unrestricted funds.

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

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2021 are represented by:			
Tangible assets	1,136,651	7,855	1,144,506
Current assets/(liabilities)	1,047,509	13,382	1,060,891
Long term liabilities	(721,775)	-	(721,775)
Provisions	(110,945)	-	(110,945)
	<u>1,351,440</u>	<u>21,237</u>	<u>1,372,677</u>

### Analysis of net assets between funds - charity

	Unrestricted funds £	Restricted funds £	Total £
Fund balances at 31 March 2021 are represented by:			
Tangible assets	347,367	7,855	355,222
Investments	101	-	101
Current assets/(liabilities)	347,200	13,382	360,582
	<u>694,668</u>	<u>21,237</u>	<u>715,905</u>

### 29 Subsidiaries

Details of the charity's subsidiaries at 31 March 2021 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 2021

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### 30 Operating lease commitments

#### Lessee - group and charity

The Trust leases the Revenge Naval Hall for office accommodation.

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

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

	2021	2020
	£	£
Within one year	2,365	2,631
	<u>2,365</u>	<u>2,631</u>

#### Lessor - charity

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

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

	2021	2020
	£	£
Within one year	5,000	5,000
Between two and five years	20,000	20,000
In over five years	52,500	57,800
	<u>77,500</u>	<u>82,800</u>

### 31 Analysis of changes in net funds

The charity entered into a new finance lease during the year totalling £nil (2020: £57,674), of which £30,036 (2020: £nil) was repaid during the year.

The group also has bank loans as described at note 23, which shows the movements of those loans in the year.

### 32 Related party transactions

#### Remuneration of key management personnel

Remuneration of key management personnel of the parent charity and group during the year was £nil (2020: £nil).

# THE ISLAND OF HOY DEVELOPMENT TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

### 32 Related party transactions

(Continued)

#### Transactions with related parties - charity

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

	2021 £	2020 £
Distributions receivable	65,000	87,053
Rental income	5,000	5,000
Interest receivable	3,100	4,163
	<u>73,100</u>	<u>96,216</u>

At the balance sheet date, debtors include a loan of £97,682 (2020: £109,582) 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 (2020: £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 (2020: £100,000). The loan is interest free and has no formal repayment terms.

### 33 Funds held as custodian trustee

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

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

#### Your Island, Your Choice 2

This fund is held on behalf of the Lego Club and the Playpark Group, who were awarded grants through the Your Island, Your Choice programme. During the year, the charity received funds totalling £nil (2020: £3,939) and paid costs totalling £nil (2020: £860). At the balance sheet date, the charity held £120 for the Lego Club (2020: £120) and £7,639 for the Playpark Group (2020: £7,639).

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

This fund is held on behalf of HGHW until such time as they open their own bank account. At the start of the year the group held funds of £6,942 on behalf of HGHW. During the year the charity transferred to HGHW funds to the value of £1,496. At the balance sheet date the charity held £5,446 (2020: £6,942) in cash funds as custodian for HGHW.

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 2021

### 34 Cash generated from operations - group

	2021	2020
	£	£
Deficit for the year	61,723	64,000
Adjustments for:		
Investment income	(1,433)	(2,317)
Taxation charged	19,675	22,280
(Gain)/loss on disposal of tangible fixed assets	(1,054)	278
Finance costs	47,178	52,425
Depreciation and impairment of tangible fixed assets	118,299	93,445
Movements in working capital:		
(Increase)/decrease in stocks	-	539
Decrease/(increase) in debtors	30,155	(41,031)
(Decrease)/increase in creditors	(30,295)	21,712
<b>Cash generated from operations</b>	<b>244,248</b>	<b>211,331</b>

### Cash generated from operations - charity

	2021	2020
	£	£
Deficit for the year	(21,399)	(30,232)
Adjustments for:		
Investment income recognised in statement of financial activities	(73,133)	(96,675)
Gain on disposal of tangible fixed assets	(1,477)	-
Depreciation and impairment of tangible fixed assets	45,480	21,606
Movements in working capital:		
(Increase)/decrease in stocks	-	539
Decrease/(increase) in debtors	3,800	(9,574)
(Decrease)/increase in creditors	(6,728)	2,594
<b>Cash absorbed by operations</b>	<b>(53,457)</b>	<b>(111,742)</b>

### 35 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.