

**Charity Registration No. SCO28833 (Scotland)**

**PICKAQUOY CENTRE TRUST**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

# PICKAQUOY CENTRE TRUST

## LEGAL AND ADMINISTRATIVE INFORMATION

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**Trustees**

A Drever, Orkney Islands Council  
S Kemp, Public Representative  
J Richards, OIC councillor (Appointed 31 May 2017)  
S Sankey, OIC councillor (Appointed 4 July 2017)  
J Scott, OIC councillor (Appointed 31 May 2017)  
G Shearer, OIC councillor (Appointed 31 May 2017)  
G Smee, St Magnus Festival  
N Stevenson, Public Representative  
W Stewart, Public Representative  
S Sutherland, Public Representative

**Charity number (Scotland)** SCO28833

**Principal address**

Muddisdale Road  
Kirkwall  
Orkney  
KW15 1LR

**Auditor**

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

**Bankers**

Clydesdale Bank  
3 Broad Street  
Kirkwall  
Orkney  
KW15 1DH

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# PICKAQUOY CENTRE TRUST

## CONTENTS

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	<b>Page</b>
Chairman's statement	1
Trustees report	2 - 4
Statement of trustees responsibilities	5
Independent auditor's report	6 - 7
Statement of financial activities	8
Balance sheet	9
Statement of cash flows	10
Notes to the accounts	11 - 24

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# PICKAQUOY CENTRE TRUST

## CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2018

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It has been a challenging and uncertain year, with an extended disciplinary process having been ongoing at senior management level. This process has now concluded and the Trust is considering options for recruiting a new Managing Director.

During this interim period Mark Stillwell, Amanda Spence, Calvin Reid and Sue Sulat, under the guidance and support of the Trust and an external consultant from the 'Institute of Directors', have overseen the Centre's stewardship. The main considerations for the Management Team moving forward are the vacancies within the organisation, the implementation of a carefully planned staff re-organisation and particular focus relating to the recent changes in the Trust's operations and offerings. This work will continue over the coming months prior to appointment of a Managing Director with a view to mitigating staff retention concerns whilst driving efficiency.

There has been a continued focus to streamline efforts with the available resources on the highly ambitious 2020 Development Plan. The Plan focuses on a number of key areas; indeed one of the larger and possibly most challenging of these was taking the catering franchise in house. The previous catering franchise ended their involvement on the 10th June 2017 with a subsequent 2-week planned shutdown to facilitate the transition. Although, to date there have been many positive aspects related to bringing the franchise in-house, further improvements and a clear and focused approach will be required. The ultimate desire and belief is that the Café can become a substantially profitable element of the Business.

The Trust continues to successfully develop the Modern Apprenticeship programme, in conjunction with Orkney College, to deliver the SVQ2 Sport and Active Leisure: Operational Services. To date we have four members of staff who have successfully achieve their awards with the remaining three candidates close to completion. Further to this, three SQA internal verifiers and seven internal assessors have successfully obtained their qualifications. Plans are already in place for recruitment of external Modern Apprentices to be enrolled into the next programme. We hope to be able to follow on with SVQ3 in 2018-19.

The ActiveLife membership scheme has proved very successful, continuing to grow and exceed expectations. The scheme has offered the Orkney public 'excellent value' and the uptake has now surpassed 25% of Orkney households, which was the target set to achieve by the end of the 2-year pilot period. Further review will be required to ensure the long-term sustainability of the scheme and this will be an area of priority for the new Managing Director.

I would like to extend my personal thanks to the entire staff team who have continued to deliver on key areas of the 2020 Plan, undertaking the catering franchise and for their efforts ensuring the Trust's offerings to the public are of the highest standard and quality. I am greatly indebted to my colleagues on the Board of Trustees for their tireless hard work and support.



Stephen Kemp  
Chairman

# PICKAQUOY CENTRE TRUST

## TRUSTEES REPORT

**FOR THE YEAR ENDED 31 MARCH 2018**

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The trustees present their report and financial statements for the year ended 31 March 2018.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's trust deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

### **Objectives and activities**

The Trust's aim is to provide facilities for recreation and leisure, with the objective of improving the social and physical wellbeing of the inhabitants of and visitors to Orkney; in particular, establishing, equipping, maintaining and continually developing a sports and leisure complex at Pickaquooy, Kirkwall.

### **Achievements and performance**

#### **Key stakeholders**

We have worked in partnership with Orkney Islands Council on the 2-year pilot membership scheme 'ActiveLife'. We are currently working with MS Society and NHS Orkney to deliver specific Neuro classes from the Centre.

The Trust is also continuing to work in collaboration with SportScotland to develop the PDP programme and develop internal staff to help in the delivery of the programme.

#### **Staff training**

Online child protection training is continually rolled out to internal staff, those that have received this to date are as follows; lifeguards, climbing instructors', leisure assistants and duty managers. Two child protection officers were identified internally and have successfully completed their training in October 2017.

Two members of the Senior Management Team are currently undertaking a 16-month 'Institute of Directors' leadership for growth programme.

There have been eight Level 1 teaching aquatic candidates.

Five candidates successfully completed pool plant operators training.

Four Modern Apprenticeship candidates successfully achieved their SVQ2 in Sport and Active Leisure.

There have been 2 NPLQ courses run in this financial year with 3 internal staff members enrolled and 10 external candidates taken on as employees following successful completion.

Finally, 51 staff members attended a Dementia Awareness course in May/June 2017.

# PICKAQUOY CENTRE TRUST

## TRUSTEES REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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### Key performance indicators

Usage increases compared to the previous year now highlight the full impact of the ActiveLife membership scheme that was introduced in Jan 2017. Fitness, continues to grow and with the main fitness suite relocated to the Grainbank Gallery above the SCFT training area (this was done in response to the ActiveLife increased usage and customer feedback), we find fitness up a further 23%. Group exercise is up 22% and the introduction of more classes has led to the addition of a second studio to cope with the increases in the programme offered to members. Health spa up 26%; swimming up 7%; indoor soft play and inflatables (this has been introduced as a package for customers based on the increase in the 'parent and child' user group), is up 15%. Playing fields (outfield pitches) unchanged on usage, this is largely unsurprising given the huge increase in the previous year, due to playing time and weather/pitch conditions this cannot grow further until more drainage improvements are undertaken. Track and infield down 6%, again this is largely been down to weather and conditions of pitch. Other indoor usage is largely due to an increase in ActiveLife users and events this area has seen an increase of 76%. Junior Courses is down 29%, this is due largely to shorter-term lengths caused by instructor and arena availability. Finally, the cinema usage is down 13%, this could be largely attributed to fewer perceived 'blockbuster' films, but the effects of more 'home entertainment' packages, will need careful monitoring.

### Financial review

The trust reports a net increase in funds of £718,377 and total funds as at 31 March 2018 of £39,818. Excluding a gain of £1.04m arising from movements in the Trust's share of the local authority defined benefit pension scheme, there was a deficit of £324,624.

Increases in operating expenditure in the year exceeded the growth in income that arose primarily from the Active Life scheme (which was introduced in January 2017) and from taking the cafe operation back in-house. Income rose from £2.2m in the prior year to £2.5m, including increases of 15% (£149k) from sports & functions services; 279% (£165k) from in-house catering (primarily due to the cafe being taken in-house); and 30% (£37k) from camping. Income from the cinema fell slightly to £179k, down £5k.

Expenditure rose from £2.3m to £2.9m, including increases of 16% (£218k) in staff costs (including some exceptional costs associated with the staff disciplinary proceedings); 57% (£77k) in purchases for resale (primarily associated with the cafe); 16% (£44k) in utility costs; and 33% (£44k) in repairs & maintenance. The charge from OIC for Active Life facility hire in this, the first full year of the scheme, was £113k (2017: £18k).

As at 31 March 2018 the Trust held net funds of £39,818, which is stated net of a deficit on the pension scheme calculated at £175,000 by the scheme's actuaries.

The trustees have assessed the major risks to which the charity is exposed and are satisfied that systems are in place to mitigate exposure to the major risks. The trust has appointed a well qualified and experienced management team to oversee the operation of the centre. Risk is minimised by adherence to written quality procedures and work instructions, staff training and assessment, and internal management review. Risk assessments are reviewed and updated regularly.

### Structure, governance and management

The trust is governed by:-

1. An agreement between the Millennium Commission, Orkney Islands Council (OIC) and the Pickaquoy Centre Trust;
2. A declaration of trust by Orkney Islands Council registered with the Registers of Scotland on 27 May 1999;
3. A schedule of powers dated 6 April 1999 and registered with the Registers of Scotland;
4. A deed of variation dated 16 January 2008;
5. The standing orders of the Pickaquoy Centre Trust as agreed by the board of trustees; and
6. The service agreement with Orkney Islands Council which is re-negotiated every three years.

The trustees who served during the year were:-

R Crichton, OIC councillor	(Resigned 4 May 2017)
A Drever, Orkney Islands Council	
J Foubister, OIC Vice Convenor	(Resigned 4 May 2017)
K Groat, Orkney Junior Inter-County Sports Cttee	(Resigned 6 December 2017)

# PICKAQUOY CENTRE TRUST

## TRUSTEES REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MARCH 2018**

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D Hamilton, Public Representative	(Resigned 23 August 2017)
H Johnston, Orkney Islands Council	(Resigned 4 May 2017)
S Kemp, Public Representative	
J Richards, OIC councillor	(Appointed 31 May 2017)
S Sankey, OIC councillor	(Appointed 4 July 2017)
J Scott, OIC councillor	(Appointed 31 May 2017)
G Shearer, OIC councillor	(Appointed 31 May 2017)
G Smee, St Magnus Festival	
N Stevenson, Public Representative	
W Stewart, Public Representative	
S Sutherland, Public Representative	

When a vacancy occurs for a publicly nominated trustee, an advertisement is placed in the local newspaper and on the trust's website. Interested applicants are sent a trustee duties specification and asked to complete and return a trustee application form. Applicants require nomination by two independent members of the local community. All completed applications are submitted to the existing trustees who aim to maintain a board with a good spread of skills and knowledge and a good gender mix. Other trustees are nominated by organisations as set out in the trust deed and such nominees also come before the current board for consideration before being asked to join.

The board of trustees meets at least six times per year. The trustees have delegated the day to day management of the centre to the General Manager. Sub-committees are formed as required and last until a report has been submitted to the board and a strategy agreed.

New trustees are given an induction pack that includes details of the Pickaquoy Centre and the activities that take place within it, information on the role and responsibilities of a trustee, details of the legal framework, the trust's advisors, the internal organisation of the centre, quality standards, past financial reports and, finally, past board and sub-committee minutes.

The Trust has an arm's length relationship with Orkney Islands Council. Communications are channelled through the designated Council officer and all centre use by Council departments is invoiced to the Council at market prices. Where the Council provides services to the Trust, the actual costs incurred are invoiced to the Trust. Decisions on strategy and programme development are entirely the responsibility of the board of trustees but do of course take account of the requirements laid out in the service agreement with Orkney Islands Council and the needs of all user stakeholders.

The current board of ten trustees includes five representatives of Orkney Islands Council. The Board consider that this is an appropriate level of representation for one of its major stakeholders. All trustees are fully aware of the requirement to act in the best interests of the trust when acting in their capacity as a trustee. The trust has a conflict of interest policy which all trustees are required to adhere to.

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

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

The trustees report was approved by the Board of Trustees.



**S Kemp**  
Trustee

Dated: 10 October 2018

# **PICKAQUOY CENTRE TRUST**

## **STATEMENT OF TRUSTEES RESPONSIBILITIES**

***FOR THE YEAR ENDED 31 MARCH 2018***

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The trustees are responsible for preparing the Trustees Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the trustees 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 of the charity for that year.

In preparing these accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping sufficient 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 Trustees Investment (Scotland) Act 2005, the Charity (Accounts and Reports) Regulations 2006 (as amended) and the provisions of the trust deed. 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.



# PICKAQUOY CENTRE TRUST

## INDEPENDENT AUDITOR'S REPORT

### TO THE TRUSTEES OF PICKAQUOY CENTRE TRUST

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#### Opinion

We have audited the financial statements of Pickaquoy Centre Trust (the 'charity') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 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 charity 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 25 to the accounts, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

#### Other information

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

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

We have nothing to report in this regard.

# PICKAQUOY CENTRE TRUST

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE TRUSTEES OF PICKAQUOY CENTRE TRUST

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

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

- the information given in the financial statements is inconsistent in any material respect with the Trustees Report; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of trustees

As explained more fully in the Statement of Trustees Responsibilities, the trustees 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 trustees are responsible for assessing the charity'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 trustees either intend 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 auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

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

This report is made solely to the charity's trustees, as a body, in accordance with section 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

A J B Scholes Ltd

Chartered Accountants  
Statutory Auditor

8 Albert Street  
Kirkwall  
Orkney  
KW15 1HP

# PICKAQUOY CENTRE TRUST

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
<b><u>Income and endowments from:</u></b>			
Donations and legacies	3	793,328	813,929
Charitable activities	4	1,705,848	1,360,217
Investments	5	322	304
Other incoming resources	6	39,640	33,040
<b>Total income</b>		<b>2,539,138</b>	<b>2,207,490</b>
<b><u>Expenditure on:</u></b>			
Charitable activities	7	2,832,326	2,271,104
Other	11	31,435	12,000
<b>Total resources expended</b>		<b>2,863,761</b>	<b>2,283,104</b>
<b>Net expenditure for the year/ Net outgoing resources</b>		<b>(324,623)</b>	<b>(75,614)</b>
<b><u>Other recognised gains and losses</u></b>			
Actuarial gain/(loss) on defined benefit pension schemes		1,043,000	(699,000)
<b>Net movement in funds</b>		<b>718,377</b>	<b>(774,614)</b>
Fund balances at 1 April 2017		(678,559)	96,055
<b>Fund balances at 31 March 2018</b>		<b>39,818</b>	<b>(678,559)</b>

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

All income and expenditure derive from continuing activities.

# PICKAQUOY CENTRE TRUST

## BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	13		210,541		233,407
<b>Current assets</b>					
Stocks	15	32,881		32,352	
Debtors	14	143,109		146,815	
Cash at bank and in hand		342,729		476,494	
		<u>518,719</u>		<u>655,661</u>	
<b>Creditors: amounts falling due within one year</b>	16	<u>(514,442)</u>		<u>(500,105)</u>	
Net current assets			4,277		155,556
<b>Total assets less current liabilities</b>			<u>214,818</u>		<u>388,963</u>
<b>Creditors: amounts falling due after more than one year</b>	17		-		(7,522)
<b>Provisions for liabilities</b>	19		<u>(175,000)</u>		<u>(1,060,000)</u>
<b>Net assets/(liabilities)</b>			<u>39,818</u>		<u>(678,559)</u>
<b>Income funds</b>					
<u>Unrestricted funds</u>					
Designated funds	21	210,541		233,407	
General unrestricted funds		<u>(170,723)</u>		<u>(911,966)</u>	
			39,818		(678,559)
			<u>39,818</u>		<u>(678,559)</u>

The financial statements were approved by the board of trustees and authorised for issue on 10 October 2018 and are signed on its behalf by:



S Kemp  
Trustee

# PICKAQUOY CENTRE TRUST

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	24		(53,771)		77,623
<b>Investing activities</b>					
Purchase of tangible fixed assets		(57,749)		(31,241)	
Proceeds on disposal of tangible fixed assets		-		9,696	
Interest received		322		304	
<b>Net cash used in investing activities</b>			(57,427)		(21,241)
<b>Financing activities</b>					
Payment of obligations under finance leases		(22,567)		(22,568)	
<b>Net cash used in financing activities</b>			(22,567)		(22,568)
<b>Net (decrease)/increase in cash and cash equivalents</b>			(133,765)		33,814
Cash and cash equivalents at beginning of year			476,494		442,680
<b>Cash and cash equivalents at end of year</b>			<u>342,729</u>		<u>476,494</u>

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 MARCH 2018**

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### 1 Accounting policies

#### Company information

Pickaquoy Centre Trust is a charity registered in Scotland (charity number SC028833). Its principle address is Muddisdale Road, Kirkwall, Orkney, KW15 1LR.

#### 1.1 Accounting convention

These accounts have been prepared in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015), the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The charity is a Public Benefit Entity as defined by FRS 102.

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

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

#### 1.2 Going concern

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

#### 1.3 Charitable funds

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

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

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

#### 1.4 Incoming resources

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

Grants, including grants for the purchase of fixed assets, are recognised in full in the statement of financial activities in the year in which they are receivable. Income generated from the supply of goods and services is included in the Statement of Financial Activities in the period in which the supply is made and is stated net of VAT.

Deferred income represents amounts received or invoiced in advance for future periods, and is released to incoming resources in the period it is earned.

#### 1.5 Resources expended

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 1 Accounting policies

(Continued)

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. The trust is registered for VAT, and expenditure is shown net of recoverable VAT.

Charitable expenditure comprises those costs incurred by the trust in delivery of its 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 trust and include the audit fees and costs linked to the strategic management of the trust.

All costs are allocated between the expenditure categories of the SoFA on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly, others are apportioned on an appropriate basis.

#### 1.6 Tangible fixed assets

Expenditure on fixed assets held for ongoing use by the charity is capitalised and depreciated over the life of the 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:

Plant and machinery	25% reducing balance basis, except leased assets (20% straight line)
Fixtures, fittings & equipment	25% reducing balance basis
Computers	33% straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

#### 1.7 Impairment of fixed assets

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

#### 1.8 Stocks

Stocks held for resale are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Items held for distribution at no or nominal consideration are measured at cost.

Stocks of consumable resources, including heating oil and chemicals, are carried at cost.

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

#### 1.9 Cash and cash equivalents

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

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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### 1 Accounting policies

(Continued)

#### 1.10 Financial instruments

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

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

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

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

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Basic financial liabilities**

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

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

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

#### 1.11 Employee benefits

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 charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.12 Retirement benefits

The trust's employees are eligible to join a defined benefit local government pension scheme. Contributions payable to this scheme are charged to the statement of financial activities over the working lives of the members of the scheme. The contributions are determined by a qualified actuary on the basis of triennial valuations. These contributions are invested separately from the trust's assets.



# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

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### 1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in income/(expenditure) for the year.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other recognised gains and losses in the period in which they occur and are not reclassified to income/(expenditure) in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### 1.13 Leases

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

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

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

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the statement of financial activities on a straight line basis.

### 2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees 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.

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 3 Donations and legacies

	Unrestricted funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£
Donations	793,328	-	793,328	813,929
<b>For the year ended 31 March 2017</b>	<u>812,592</u>	<u>1,337</u>		<u>813,929</u>
<b>Grants receivable for core activities</b>				
Management fee for delivery of leisure services	792,592	-	792,592	812,592
Other general grants	736	-	736	1,337
	<u>793,328</u>	<u>-</u>	<u>793,328</u>	<u>813,929</u>

### 4 Charitable activities

	Sports & functions £	Arts £	In-house catering £	Campsite £	Total 2018 £	Total 2017 £
Sales within charitable activities	<u>1,110,712</u>	<u>178,771</u>	<u>256,838</u>	<u>159,527</u>	<u>1,705,848</u>	<u>1,360,217</u>
<b>For the year ended 31 March 2017</b>						
Unrestricted funds	<u>961,969</u>	<u>183,835</u>	<u>91,739</u>	<u>122,674</u>		<u>1,360,217</u>

### 5 Investments

	2018 £	2017 £
Interest receivable	<u>322</u>	<u>304</u>

### 6 Other incoming resources

	2018 £	2017 £
Other income	<u>39,640</u>	<u>33,040</u>

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 6 Other incoming resources

(Continued)

Other income includes the commissions on stock held for third parties and any other income not classified elsewhere.

### 7 Charitable activities

	Sports & functions £	Arts £	Catering £	Campsite £	Total 2018 £	Total 2017 £
Staff costs	881,428	45,116	116,521	20,719	1,063,784	893,246
Depreciation and impairment	33,015	6,074	6,931	7,233	53,253	60,086
Purchases	-	80,511	131,440	-	211,951	135,271
Other direct costs	54,225	4,294	-	8,162	66,681	53,967
Travel & transport	1,248	369	104	-	1,721	4,395
Repairs & property costs	148,577	-	7,211	21,113	176,901	132,904
Heating oil	88,686	-	-	-	88,686	69,119
Electricity	202,167	-	-	-	202,167	188,035
Water & sewerage	19,615	-	-	-	19,615	9,822
Cleaning	34,732	-	720	-	35,452	29,486
Subs & licences	6,977	-	-	-	6,977	6,378
Marketing	-	814	-	-	814	4,855
OIC hire of facilities	112,690	-	-	-	112,690	17,713
	<u>1,583,360</u>	<u>137,178</u>	<u>262,927</u>	<u>57,227</u>	<u>2,040,692</u>	<u>1,605,277</u>
Share of support costs (see note 8)	533,792	78,649	107,247	64,346	784,034	658,827
Share of governance costs (see note 8)	4,940	836	1,140	684	7,600	7,000
	<u>2,122,092</u>	<u>216,663</u>	<u>371,314</u>	<u>122,257</u>	<u>2,832,326</u>	<u>2,271,104</u>
<b>Analysis by fund</b>						
Unrestricted funds	<u>2,122,092</u>	<u>216,663</u>	<u>371,314</u>	<u>122,257</u>	<u>2,832,326</u>	
	<u>2,122,092</u>	<u>216,663</u>	<u>371,314</u>	<u>122,257</u>	<u>2,832,326</u>	
<b>For the year ended 31 March 2017</b>						
Unrestricted funds	<u>1,856,052</u>	<u>209,123</u>	<u>98,853</u>	<u>105,739</u>		<u>2,269,767</u>
Restricted funds	<u>1,337</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,337</u>
	<u>1,857,389</u>	<u>209,123</u>	<u>98,853</u>	<u>105,739</u>		<u>2,271,104</u>

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

8 Support costs	Support costs	Governance costs	2018	2017	Basis of allocation
	£	£	£	£	
Staff costs	491,806	-	491,806	444,227	Income
Depreciation	26,927	-	26,927	20,028	Income
Other staff costs	41,551	-	41,551	15,100	Income
Clothing	2,027	-	2,027	2,243	Income
Insurance	8,492	-	8,492	10,365	Income
Administration recharges	19,093	-	19,093	18,487	Income
Equipment	679	-	679	3,068	Income
Stationary & postages	10,301	-	10,301	6,019	Income
Telephone	6,360	-	6,360	5,514	Income
Travel	2,644	-	2,644	4,711	Income
Professional fees	36,916	-	36,916	26,085	Income
Bank charges	21,160	-	21,160	17,022	Income
Printing	6,799	-	6,799	12,852	Income
Advertising	11,303	-	11,303	10,328	Income
Non-recoverable VAT	69,057	-	69,057	43,167	All sports & functions
Other general expenses	228	-	228	-	Income
Subscriptions & Licences	28,691	-	28,691	19,611	Income
Audit fees	-	3,400	3,400	2,800	Income
Accountancy	-	4,200	4,200	4,200	Income
	<u>784,034</u>	<u>7,600</u>	<u>791,634</u>	<u>665,827</u>	
Analysed between Charitable activities	<u>784,034</u>	<u>7,600</u>	<u>791,634</u>	<u>665,827</u>	

## 9 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the trust during the current or prior year. None were reimbursed for any expenses incurred in the current or prior year.

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 10 Employees

#### Number of employees

The average monthly number employees during the year was:

	2018 Number	2017 Number
Management & administration	24	23
Sports & functions	69	67
Arts	5	5
Maintenance & cleaning	8	8
Catering	8	-
	<u>114</u>	<u>103</u>

#### Employment costs

	2018 £	2017 £
Wages and salaries	1,212,756	1,083,062
Social security costs	65,769	62,604
Other pension costs	277,065	191,807
	<u>1,555,590</u>	<u>1,337,473</u>

Key management personnel received remuneration during the year totalling £46,862 (2017: £43,810).

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

### 11 Other

	2018 £	2017 £
Net loss on disposal of tangible fixed assets	435	-
Pension scheme interest cost	31,000	12,000
	<u>31,435</u>	<u>12,000</u>

### 12 Taxation

The trust is exempt from corporation tax on its charitable activities.

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 13 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Computers	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2017	427,806	266,678	92,433	786,917
Additions	23,018	7,580	27,151	57,749
Disposals	(5,695)	(1,688)	-	(7,383)
At 31 March 2018	445,129	272,570	119,584	837,283
<b>Depreciation and impairment</b>				
At 1 April 2017	296,876	179,425	77,209	553,510
Depreciation charged in the year	38,408	23,686	18,086	80,180
Eliminated in respect of disposals	(5,355)	(1,593)	-	(6,948)
At 31 March 2018	329,929	201,518	95,295	626,742
<b>Carrying amount</b>				
At 31 March 2018	115,200	71,052	24,289	210,541
At 31 March 2017	130,930	87,253	15,224	233,407

### 14 Debtors

	2018	2017
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	112,021	108,525
Other debtors	2,155	12,607
Prepayments and accrued income	28,933	25,683
	143,109	146,815

### 15 Stocks

	2018	2017
	£	£
Goods for resale and consumables	32,881	32,352

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

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

	2018 £	2017 £
Obligations under finance leases	7,522	22,567
Other taxation and social security	67,981	63,242
Deferred income	55,705	126,812
Trade creditors	104,678	72,177
Other creditors	70,980	39,375
Accruals	207,576	175,932
	<u>514,442</u>	<u>500,105</u>

### 17 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Obligations under finance leases	-	7,522
	<u>-</u>	<u>7,522</u>

### 18 Finance lease commitments

Future minimum lease payments due under finance leases:

	2018 £	2017 £
Within one year	7,522	22,567
Within two and five years	-	7,522
	<u>7,522</u>	<u>30,089</u>

It is the trust's policy to lease certain equipment under finance leases. The average lease term is five years.

### 19 Provisions for liabilities

	Notes	2018 £	2017 £
Retirement benefit obligations	20	175,000	1,060,000
		<u>175,000</u>	<u>1,060,000</u>

### 20 Retirement benefit schemes

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 20 Retirement benefit schemes

(Continued)

#### Defined benefit schemes

The company's employees are eligible to join a Local Government pension scheme, which is a defined benefit statutory scheme. The most recent full actuarial valuation was on 31 March 2017 and was carried out by a qualified independent actuary. An updated valuation has been prepared at 31 March 2018 for the purposes of disclosure in these accounts. Contributions to the scheme are determined by the actuary on the basis of triennial valuations using the projected unit method.

#### Key assumptions

	2018 %	2017 %
Discount rate	2.7	2.7
Expected rate of increase of pensions in payment	2.3	2.4
Expected rate of salary increases	2.7	4.4

#### Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2018 Years	2017 Years
Retiring today		
- Males	21.7	22.4
- Females	23.8	23.8
Retiring in 20 years		
- Males	23.3	25.0
- Females	26.2	27.0

Amounts recognised in the profit and loss account:

	2018 £	2017 £
Current service cost	277,000	192,000
Net interest on defined benefit liability/(asset)	31,000	12,000
Total costs	308,000	204,000



# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

### 20 Retirement benefit schemes

(Continued)

Amounts taken to other comprehensive income:

	2018 £	2017 £
Actual return on scheme assets	218,000	572,000
Less: calculated interest element	(85,000)	(87,000)
Return on scheme assets excluding interest income	133,000	485,000
Actuarial changes related to obligations	910,000	(1,184,000)
Total income/(costs)	1,043,000	(699,000)

The amounts included in the balance sheet arising from the charity's obligations in respect of defined benefit plans are as follows:

	2018 £	2017 £
Present value of defined benefit obligations	3,632,000	4,144,000
Fair value of plan assets	(3,457,000)	(3,084,000)
Deficit in scheme	175,000	1,060,000

Movements in the present value of defined benefit obligations:

	2018 £
Liabilities at 1 April 2017	4,144,000
Current service cost	277,000
Benefits paid	(40,000)
Contributions from scheme members	45,000
Actuarial gains and losses	(910,000)
Interest cost	116,000
At 31 March 2018	3,632,000

The defined benefit obligations arise from plans which are wholly or partly funded.

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 20 Retirement benefit schemes

(Continued)

Movements in the fair value of plan assets:

	2018 £
Fair value of assets at 1 April 2017	3,084,000
Interest income	85,000
Return on plan assets (excluding amounts included in net interest)	133,000
Benefits paid	(40,000)
Contributions by the employer	150,000
Contributions by scheme members	45,000
At 31 March 2018	<u>3,457,000</u>

The fair value of plan assets at the reporting period end was as follows:

	2018 £	2017 £
Equity instruments	3,008,000	2,529,000
Debt instruments	380,000	432,000
Cash	69,000	123,000
	<u>3,457,000</u>	<u>3,084,000</u>

### 21 Designated funds

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

	Movement in funds				Balance at 31 March 2018 £
	Balance at 1 April 2017 £	Incoming resources £	Resources expended £	Transfers £	
Fixed assets	233,407	-	-	(22,866)	210,541
	<u>233,407</u>	<u>-</u>	<u>-</u>	<u>(22,866)</u>	<u>210,541</u>

The balance of the fixed asset designated fund represents the net book value of fixed assets held by the trust at the balance sheet date.

# PICKAQUOY CENTRE TRUST

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 22 Analysis of net assets between funds

	Unrestricted funds £	Designated funds £	Total £
Fund balances at 31 March 2018 are represented by:			
Tangible assets	-	210,541	210,541
Current assets/(liabilities)	4,277	-	4,277
Provisions and pensions	(175,000)	-	(175,000)
	<u>(170,723)</u>	<u>210,541</u>	<u>39,818</u>

### 23 Related party transactions

Orkney Islands Council (OIC), the local authority, is entitled to nominate trustees and in addition it provides annual funding under the terms of a service level agreement to enable the trust to carry on its charitable activities. The property and specific fixtures of the leisure centre are owned by OIC. The lease period is 80 years, expiring 5th April 2079. The annual rental is a nominal value of £1.

OIC charge the trust for certain services including electricity and maintenance. The cost for these recharges in the year totalled £188,172 (2017: £157,335). Creditors falling due within one year include £119,242 (2017: £71,394) due to OIC for services provided to the trust and deferred income of £nil (2017: £66,050) for sums invoiced in advance to OIC.

The trust received from OIC a revenue contribution of £792,592 (2017: £812,592). The trust provides certain services to OIC, including event management and facilities hire. The total income for these services during the year was £9,170 (2017: £16,151). These transactions are at normal commercial terms. Debtors include balances due from OIC totalling £84,413 (2017: £90,138).

### 24 Cash generated from operations

	2018 £	2017 £
Surplus/(deficit) for the year	(324,623)	(75,614)
Adjustments for:		
Investment income recognised in statement of financial activities	(322)	(304)
Loss/(gain) on disposal of tangible fixed assets	435	(6,364)
Depreciation and impairment of tangible fixed assets	80,180	86,478
Difference between pension charge and cash contributions	158,000	42,000
Movements in working capital:		
(Increase) in stocks	(529)	(14,149)
Decrease in debtors	3,706	1,798
Increase in creditors	29,382	43,778
<b>Cash (absorbed by)/generated from operations</b>	<u>(53,771)</u>	<u>77,623</u>

### 25 Auditor's 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.