



HEL Chairman's report to loHDT – FYE 31.03.23

A generally pleasing year where better wind levels were recorded, grid interruptions were minimal and turbine reliability was good. In the few instances where the turbine required attention the Enercon team in Orkney were usually prompt and more importantly, effective. Prior analysis of age related problems being experienced on older Enercon turbines in Orkney and further afield across Scotland made us aware of the potential for less pleasant times ahead. At the end of the previous year one Orkney generator sold all three of his Enercon turbines to avoid the spiraling maintenance / repair costs – HEL and the loHDT investigated this option but upon completion of the study decided not to sell. This decision of course logically led to the inception of our current 'extension of life' program as another route to avoid crippling costs and losses through refurbishment / replacement, whilst also securing a future revenue stream for the trust. The Flotta turbine stands largely idle of late and as a stark reminder that the clock is ticking in this regard, although good progress is being made and interest in our work from the other Orkney community projects is high, something of value perhaps as things / options develop.

The relatively static export market prices, low interest rates and low inflation of recent years has now definitely become a thing of the past – on one hand we have recently enjoyed a 100% increase in export prices, which now means this equates to almost half of our income, the larger part being the FiT payment, but on the other hand we have seen sizeable increases in operating expenses.

The rising operating costs are driven by various direct factors – rising interest rates, general inflation, weakening exchange rates, post Brexit technology tariffs and age related costs for insurance and maintenance – all challenges we aim to meet confidently through prudent financial planning.

For the 2022/23 financial year the company reported a pre-tax profit of £170k on a turnover of £636k, compared to a profit of £129k on a turnover of £375k in the previous year. This increase in turnover reflects the higher levels of generation over the previous year with an increase in the export rate during the financial year to a rate of close to 11p per unit from an average rate of around 5p per unit the previous year.

Operating costs totalled £425k compared with £202k in the previous year, although it should be noted that this figure includes £195k of charitable donation in relation to the gifting of solar equipment to Hoy Energy Matters SCIO to progress the loHDT Legacy Project. These figures also include the last of the Legacy Project pilot costs along with additional staff employment costs following the activation of our succession strategy and extension of life project for site regeneration.



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The bottom line calculation shows an increase in comprehensive income to £180k from £142k in the previous year which then allowed a donation of £112k to the loHDT, the increased income during this year has allowed for a donation of £168k to be allocated to the loHDT and is scheduled to be transferred across to the trust in November of this year. This will coincide with a minimum of £20k being added to the HEL reserve fund, a small start to the concerted effort HEL will now make to significantly increase reserves, year on year, to allow any realistic chance of being able to fund any future options for turbine replacement / refurbishment. It is calculated that the company is liable for £4,787.67 corporation tax for this period.

In summary, favourable conditions in respect of wind yield, grid access and turbine availability coupled with elevated export prices gave us an excellent start to the year, which continued throughout and helped us effectively manage the escalating operating costs as they landed in the latter part of the year.

In financial terms it has been our best year to date, allowing the trust to fund the Legacy Project to the tune of £200k, provide an annual donation to the trust of £168k (equal to our highest ever in 2021), cement our 'extension of life project' with the appointment of an additional staff member and still allocate a minimum of £20k for the HEL reserve fund.

As you read this HEL will have entered the second half its next financial year, and despite a slightly better PPA for export we are currently over 10% down on turnover compared to the same point last year. With operating costs still increasing this is not what we hoped for. However, we remain positive following the achievements of last year. October 20th will see-in the start of our 13th year of turbine operation.

Finally, I would like extend the gratitude of the HEL board to the trustees of the loHDT for the continued unwavering support extended to us throughout another unique year.

Maxwell Collop (Chair)
Hoy Energy Ltd

October 2023