

HOY ENERGY LTD

c/o AJB Scholes, 8 Albert Street, Kirkwall, Orkney, KW15 1HP

Year End report to loHDT Board – Financial Year Ending 31-03-2020

A challenging year which opened with ongoing operational constraint due to the sub-sea cable failure at Rackwick, then peppered with emerging risks from the likes of the proposed OIC wind farm with wake effect, grid constraint from the new EMEC operations and ReFLEX grid connections.

We are happy to report ongoing success in meeting these challenges and coupled with higher than average winds speeds, often record levels in the latter stages of the year, we can also report a successful year financially.

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

Direct costs have remained comparable with the prior year. Costs associated with the Legacy Project, of circa £59,500 have been absorbed by HEL and capitalised in the current year. Administrative expenses have increased by around £9.2k, mostly due to additional wages and costs associated with the sub-sea cable failure. Interest charges continue to fall as loan balances are reduced. Insurance premiums, maintenance costs, wages and bank charges all rose in line with the respective indexes to which they are linked.

On the company's balance sheet, net current assets are shown to remain within £4.2k of the prior year. The reduction in the fixed asset balance, due to depreciation charges, is largely offset by the capitalised expenditure on the Legacy Project, whilst the £100k loan provided to the Island of Hoy Development Trust is shown in a movement between current debtors and cash at bank and in hand.

Tax exposure for the trading period has been managed by the HEL board allowing a further donation of c£65k to the loHDT (in addition to the c£17k already transferred) whilst also topping up the HEL operational reserve by c£50k. All costs incurred to date for the development and pilot stages of the Legacy Project will remain with HEL as capitalised assets and will be depreciated over time as planned.

Following completion of the formal accounting audit Hoy Energy Ltd held their AGM on the 23rd of August 2020 and I'm please to confirm that the financial statements for 2019/20 were unanimously adopted by the HEL Board.

Signed copies were processed by Scholes accountants and subsequently filed with Companies House and the Co-op Bank.

Finally, the HEL board wish to thank the loHDT trustees for their ongoing support as the various challenges to our operations are met and managed.

Max Collop
Chairman
Hoy Energy Ltd.