**Treasurer’s Report to AGM – 27 October 2018**

**There are 17 pages to the Financial Statement from Accountants Scott-Moncrieff and the full report is available on our website for those who want to study it in more detail.**

**Three important pages have been made available today and these will form the basis of my report. When you look at these please bear in mind the references to profits or turnover are for the period from November 2017 to May 2018. Just over 6 months based upon meter reading dates.**

**The first important figure is the gross profit - £68,790. The second is the figure for administrative expenses at £33,040. Both are best explained by looking at the next page, the Schedule to the detailed Accounts.**

**The gross profit, or turnover of £68,790 as it is described here includes a grant of £20,100 from SSE. It is treated as income for accounting purposes. Also included in the other 2 items shown are the accrued payments from OFGEM for the FiT payment to mid-June plus the accrued payment from Good Energy for May 2018.**

**The lower than expected generating income of around £41k (excluding accruals) is the basis of the proposed Shares interest payments of around £36k plus the £5k for the Community Benefit Fund. The Shares Prospectus document of 2016 did project an interest payment, but not the full 4% which is proposed.**

**IT IS VERY IMPORTANT FOR US TO BEAR IN MIND THAT INTEREST PAYMENTS TO INVESTORS AND DONATIONS TO THE COMMUNITY BENEFIT FUND CAN ONLY BE PAID OUT OF INCOME. TO DO OTHERWISE WOULD HAVE YOUR OFFICE BEARERS IN TROUBLE WITH THE FCA TO WHOM WE ARE ACCOUNTABLE.**

**Next. Do not be confused by the term Administration Expenses or alarmed at the amount of £33,040. This sum includes the following large items:**

**Plant & Machinery depreciation of £17,473**

**Tree consultancy costs of £4,699 (a construction related expense)**

**Insurance & Accountancy fees of £4,900 and £4,084 respectively.**

**The balance for other items is small and pure administration costs were even less.**

**There is no tax to pay and there will not be for some years.**

**Are there any questions or can I now turn to the BALANCE SHEET.**

**There are 2 key figures here. The first is the Called Up Share Capital. £907,540 – your money. The second is the cash at the bank. You will be pleased to see we have not spent it all with £133,436 in the bank on 1 June. This figure includes the £20,100 from SSE plus the generating income referred to earlier. The balance is largely unspent capital thanks to good budgeting and sound construction management. Essentially we did not use a 5% construction contingency.**

**It is also important to note the £133k also includes**

**£41k to pay the 4% interest to you and the £5k to the Community Benefit Fund.**

**£11k is also due to Bobby Ross Limited when our construction retention falls due shortly**

**£40k in 4 scheduled half yearly instalments is also due to the turbine supplier. In fact 1 has now been paid and another is due in December.**

**We also have to build up a fund to enable LCR to buy back your shares in due course. If repayments were spread evenly during the Feed in Tariff period of 20 years we would need to set aside around £45k per annum. On this basis, the £20,100 from SSE is earmarked for the 6 months trading period to May 2018.**

**That leaves a cash cushion of around £22k. This is a good outcome but with lower than expected income it does not leave much room for manoeuvre. However the cash flow position is strong due to the various deferred payments referred to earlier.**

**The other figure on the BALANCE SHEET I want to comment on is the Capital Balance mentioned earlier of £907,540. Since May 2017 only £1,500 has been repaid to investors or their administrators. That must be testament to the health and fortitude of our Members. Long may this be the case.**

**Before I go on to talk about arrangements for the Community Shares Interest payments to you, can I ask for any QUESTIONS on the Accounts.**

**Moving on to**

**COMMUNITY SHARES INTEREST PAYMENTS.**

**An online application for payment can be made using the form on our website at** [**www.broompower.org**](http://www.broompower.org) **or the form can be printed off and delivered to us c/o the UCT office. The address is on the form and the form is straight forward to complete. Hard copies are also available here today.**

**The form gives you the option to request payment into your bank account or to make a charitable donation to the Community Benefit Fund. It also asks for your up to date contact details and bank account details so that we can make the payment. A “gift aid” form is attached to fill in if you choose the second option.**

**We would hope to make the payments between November and the end of January. If no form is received by 31st March the interest payment will be donated to the Community Benefit Fund.**

**Any questions?**

**Finally, can I move on to**

**COMMUNITY SHARES REPAYMENTS**

**There are three inter-related aspects we need to consider here at this AGM, one has come to our attention very recently indeed. These are:**

1. **Plans for Community Shares repayments**
2. **Ensuring continuing membership for LCR as a Community Benefit Society**
3. **New legal requirements for Community Benefit Societies.**

**Firstly, taking items two and three together we require this AGM’s approval for changes to our Rules. These will also need to be approved by Forest Enterprise Scotland, as our landlords and the FCA, our Regulator.**

**The legal requirements are for a Community Benefit Societies to have a minimum of 20 members written into its Rules and for it to be open to new Members. Our proposal for you to vote on and grant permission for us to make the necessary changes to our Rules as follows:**

1. **To enable existing Members the option to retain a £1 shareholding when their shares are repaid**
2. **To enable new Members to join on the purchase of one share and removing the Directors “discretion” on consideration of any application from a prospective member.**
3. **To provide for a minimum of 20 Members at all times.**

**An issue we will need to resolve is the current requirement for 51% of Members to be local. The question is how does this impact on open membership? I do not see this being an issue in practice but it is now a “legal issue” and we will probably need to remove it as a requirement. I will take this up with our regulator, the FCA.**

**Does anyone want to comment?**

**Through the CHAIR:**

**Can I call for a vote authorising your Board to proceed with the proposed changes to the Rules of Lochbroom Community Renewables Limited as follows:**

**“to enable existing Members to retain a £1 shareholding, for new Members to join by the purchase of one share for £1 and to make any other changes required by new legislation”.**

**Those in favour…**

**Returning to item 1. Community Shares Repayments.**

**The SHARE OFFER Prospectus, stated investors should expect to hold their shares for a minimum of 5 years (late 2021) and that shares can only be withdrawn within the first 3 years of trading at the absolute discretion of the LCR Board. These statements are complementary and continue to apply.**

**Our clear priority over the next 5 years or so must be to build up sufficient reserves for the repayment of shares and thereafter to maintain appropriate reserves for further repayment requests in the ensuing 15 years.**

**The prospectus also stated repayments would begin in 2019 and the board intends that a limited number of applications for the repayment of shares will be considered in January 2019 from shareholders with an investment of up to £500. We consider this approach to be the fairest way forward when any repayments have to be limited.**

**Any repayments will be on a first come basis until the limit set is reached.**

**A final decision will be made on these repayments when we have a measure of the rainfall and what has been generated between now and January. The Board trusts you are happy with this necessarily cautious approach.**

**Thank you.**