

Annual General Meeting of Lochbroom Community Renewables Limited

Saturday 24 October 2019

Treasurer's Report

The draft accounts for the financial year ending on 31 May 2020 are attached. The focus of this report is on the key points. In doing so you will find it helpful to refer to pages 4, 13 & 14. These focuses upon the statutory requirements laid down by the FCA. However, pages 4 & 5 are of more immediate interest and I start with them.

The Profit & Loss account

This time last year I spoke of the impact of a record dry year. This year we see the outcome of an exceptionally wet one. You can see the difference in income between the two years at almost £72k followed by £95k. Regrettably this £95k falls short of where we need to be on an annual basis and this is an issue the Directors are addressing. More about that later.

The £2,000 grant was for a school art project and it is reflected in the expenditure below under the "Other community benefit" cost.

Expenditure

There are 5 key items of expenditure as follows:

1. Depreciation of fixed assets of £20,819

This is not really an operating cost and indeed the higher it is the better as it is a paper loss which delivers ongoing tax benefits.

2. Community benefit donations of £8,247 (plus the £2k referred to above)

This is not really an operating cost either. Indeed it is our *raison d'être* and we would like to see a larger sum here but this is difficult when the need in the early years is to set aside funds for the repayment of members' shares. More about that later. Indeed the bulk of this amount is made up of members donating their interest payments to the community benefit fund.

3. Insurance costs of £6,327

This excessive cost is driven by the terms of our lease with Forest & Land Scotland

4. Lease of land for £2,133

This is based upon the low annual turnover to May 2019. The £1267 for the previous year covers the initial part year from November 2017 when the turbine came into operation. We want to see a figure of over £3,000 each year here but that is looking unlikely. Even better would be no payment at all but that is another issue.

5. Accountancy & bookkeeping costs of ££2,104

Here we see a welcome reduction in costs after moving to a local firm of accountants.

The foregoing will assist as we now move back to page 4 of the draft accounts where the key figures you have not seen are as follows:

1. Interest payable of ££25,777

This is the interest paid to you as members excluding what was donated to the community benefit fund.

2. A net profit of £26,236

This is correct in accountancy terms but is not a fair reflection of community benefit company finances.

The balance Sheet on page 5

The key things here are our current assets, capital and reserves. These show a strong position were LCR a normal trading company where the share capital is not repayable to investors. LCR does not have ordinary shares and there is a commitment to repay the share capital to our members over the qualifying period for FiT payments ie over 20 years. This amounts to about £50k per annum.

The shares repaid to date are shown on Page 5 as "Capital redemption reserve". Further Covid related payments have been made since 31 May this year to bring repayments to date up to £20,100.