Lochbroom Community Renewables Limited.
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Treasurer's report to the AGM - 1 October 2022

1. Introduction

This report covers the financial elements in the "Report of the Directors and Financial Statements" for the year ended 31 May 2022, our 4th full accounting year as Flo nears her 5th birthday.
I expected the treasurer's report at last year's AGM to be my last but as you can see that was not to be. Accounting conventions are not entirely helpful when it comes to reporting on the finances for a Community Benefit Company so I will begin with a quick run through of the report before commenting upon the up to date situation. We will then complete the formal approvals needed from the meeting.

2. Income Statement (Page 4)

This high level statement presents a good picture when compared to the previous financial year. Turnover was almost £100k, expenses were down and there was some other income. The only downside was lower interest income. Interest payable represents the payments to members excluding members' donations to the Community Benefit Fund(CBF). No tax is payable and **our net profit increased significantly to £30,602**. Whilst this is all good, it does not present a clear picture for you. To get this we will look at the income and outgoings in detail later and provide a budget projection for the current year..

3. Balance Sheet (Page 5)

Our fixed assets ie the value of our hydro scheme has dipped below £750k. This is normal and due to depreciation. Current assets increased substantially to a net figure of £159,464 compared to £115,576 in the previous financial year. The debtors and creditors figures adjust the position at 31 May to take account of routine items which are due to be received or paid after that date. Total assets have increased to just under £890k.
The Capital and Reserves figure balances with the Total Asset figure and this is best explained next by looking at the Statement on Changes in Equity

4. Statement on Changes in Equity (Page 7)

I will ignore the retained earnings figure and focus upon the important share capital position. The starting point was over £908k of equity being the shares members subscribed for in 2016. The Shares Prospectus explained members needed to hold onto their shares and not withdraw them during the first 5 years which as it happens, ends next month. Thereafter, the withdrawal of shares,(referred to here as the "purchase of own shares" by our Accountants), needs to be spread over the 20 years when the OFGEM Feed in Tarrif(FiT) is payable ie until 2038.

In reality, as at 31 May last, £79,490 had been withdrawn at the Directors' discretion. This is referred to in accounting terms as the Capital Redemption Reserve. It is simply a balancing figure. Only £7,500 in shares were withdrawn in the last financial year reducing the total equity to £829,550. However, significant further shares withdrawals have been made by members in the current financial year. I will come back to this later.

5. Detailed Profit & Loss Account (Page 12)

This page is probably of greatest interest although it does not form part of the statutory financial statements.

Looking at Turnover first, the FiT payments are the most important contributor to income and as stated previously, these end in 2038. These are linked to inflation so it will be interesting to see what we get paid per kWh in future years.
The Sales figure is what LCR was paid for the electricity generated. The big increase here is largely due to a better price per kWh in the last financial year. The good news is there has also been an almost doubling of the payment rate from 1 May 2022. It is an ill wind…

Turning to Expenditure now and the key numbers, you will see that to a sensible lay person much of this is not Administrative Expenses as it is referred to in the statutory part of the report.

Insurance - £6,615
CBF admin cost - £900
CBF donations - £10,013
Turbine costs - £1,850
Lease - £2,023
Accountancy - £2100
Depreciation - £20,786
Project management - £1,800

Note: Comments on the above items will be made at the AGM when questions will also be taken.

An update as at 31 August ie after the first quarter of the current financial year.

1. Payment rates per kWh
Electricity sales – Up from 8.0p to 16.2p from 1 May 2022
FiT payment – Up from 16.0p to 17.7p from 1 April 2022

2. Payments for the withdrawal of shares during the 1st quarter - £71,300
This brings us back in line for circa £45k per annum for shares withdrawals going forward which is excellent. However, for the current year we need to re-build our reserves for this purpose from circa £40k to a minimum of £90k

3 Bank balances -

Bank of Scotland	£24,691		
Triodos immediate access account	£ 5,449		
Triodos 90 day account	£65,517		
Total	£95,657	compared to £146,967	at 31 May 2022

4. Conclusion
As expected the early years have been challenging but we approach that milestone in a good position at an even more challenging time. Ordinarily it would be steady as we go this year and in some ways, this remains the case. However the very concerning external factors are a big unknown and extremely worrying for many. The silver lining is we should see our income rise substantially due to the demand for our electricity and the inflationary windfall via the FiT payments. Our expenses will also increase due to inflation which is the worst possible threat to livelihoods generally.