



Lochbroom Community Renewables Limited
(a Community Benefit Society)

Minutes of the Annual General Meeting of Lochbroom Community Renewables (LCR) held on 27th October 2018 at Braemore Hall

(Note: The AGM year refers to the period 31st May 2017 to 31st May 2018).

Attendees: 41 shareholder members attended, of which 88% were Type A (Lochbroom Community) members.

The following LCR Directors and additional volunteer Board members were in attendance: Tim Gauntlett (Chair), Paul Copestake (Hydrologist, Environmental Clerk of Works), Kathleen Donald, Sarah Donald, Amanda Barry-Hirst, Andy Kaye (Treasurer), Rebekah Lwin/Reid (minutes), David Maxwell (Company Secretary), Sandy Osborne, Alison Parsons.

Also in attendance:

Ben Williams – Local Development Officer, Ullapool Community Trust

Apologies: A number of members gave their apologies

Approval of the Minutes of the AGM held on 18th November 2017

The minutes of the previous AGM were approved.

Proposed: Kathleen Donald

Seconded: Steven Twitchett

1. Welcome, Chair's report and update

Tim Gauntlett welcomed all to the meeting and reported on the year since the last AGM during which the hydro scheme has been generating.

Five main themes were highlighted:

1. The need for new volunteers to join the LCR group, either as Directors or generally helping with the various tasks involved in the maintenance of BroomPower and the development of future projects, succession planning and youth involvement.

2. The vision for LCR's future and the next steps for both the BroomPower project and development of other renewable energy projects.
3. The community at the heart of LCR projects and the shape of this in the lifetime of LCR projects which will span at least 40 years
4. Cooperative working between the community's various volunteer and business groups.
5. The community Benefit Fund

A full transcript of the report is given in Appendix 1 at the end of these minutes.

Following the Chair's report, Andy Kaye thanked the Chair for his work since the last AGM.

2. Generation report

Paul Copestake reported on the flow and generation data from the BroomPower hydro project. The presentation slides can be viewed on the BroomPower website, in summary:

- Early teething problems were expected and one consequence was the turbine not being able to generate at full capacity and initially only achieving 78kW. These issues were resolved in December 2017 and since then the turbine has been able to generate at full capacity of 100kw.
- River flow, and consequently generation, has been affected during the year by snow in February/March and lower than average rainfall in April and May (63% and 38% respectively of national predictions). Nevertheless, BroomPower generation is consistent with other comparable schemes similarly affected by low rainfall and river flow and overall generation is still within the range of our generation projections, albeit at the lower end. In contrast, next year has started well and September's rainfall was 164% predicted.
- In order to optimise generation, steps are under way with the help of SEPA to collect detailed hydrology data that will provide site-specific information on the relationship between rainfall, river flow and power generation. This in turn will enable a customised compensation system to be developed that will improve the flow to the turbine while still maintaining the environmental conditions
- In terms of the hydro scheme site Paul reported that this is in very good condition and the intake and drainage is working very well.

3. Treasurer's report

Andy Kaye took over the role of Treasurer from Cathy Higginson in January 2018. The end of year accounts and full transcript of the Treasurer's report are given in Appendix 2 of this document.

Andy further explained new Government policy that will require a change to the LCR rules, specifically that there is now a legal requirement for Community Benefit Societies to make provision for new membership and further to ensure a minimum membership of 20 people. There is also a legal requirement that LCR seek approval from members to make changes to the rules.

The members present at the AGM approved, by show of hands, changes to be made to LCR rules in order to conform to the new regulations. In addition, the membership approved:

- The LCR proposal to request, when paying back shareholdings, that a £1 share be retained by LCR in lieu of continued membership.
- Non-members can become members through the purchase of a £1 share.

No interest will be paid on £1 shareholdings.

Andy also informed the membership that while LCR was under no obligation to repay any shareholdings until end 2019, the current finances would allow some repayment of shareholdings of up to £500. These should be requested on the relevant form available on the LCR website and repayment would be granted on a first come first served basis.

4. Vote on Resolutions

Voting was by show of hands, with a unanimous/overwhelming majority in favour of each resolution, no objections were raised. No objections to the resolutions were received from members unable to attend in person.

Resolution 1

The LCR Board recommend that all shareholders be paid **4%** interest on their investment for the period Dec 17 – May 18.

Resolution passed

Resolution 2

The LCR Board recommend a gift of **£5000** be made to the Community Benefit Fund maintained by Ullapool Community Trust (reg. charity SC356419).

Resolution passed

6. Election of Board members

As per the Rules, two elected Directors stood down from the Board, Amanda Barry-Hirst and Rebekah Lwin.

Tim Gauntlett and Amanda Barry-Hirst have been the two UCT appointed Directors, a second UCT appointee will need to be made following Amanda's departure.

Rebekah Lwin presented for re-election LCR Board and was re-elected.

Ewan Young was proposed for election to the Board and was appointed. Directors' office roles will be allocated at the next Board meeting and members will be notified in the minutes of that meeting.

Tim expressed thanks to Amanda Barry-Hirst for her work and time during her period as a Director of LCR.

7. Community Benefit Fund

LCR and UCT have worked closely to prepare to key guiding documents on the Community Benefit Fund and Ben Williams (UCT) reported on the agreed Community Benefit Fund Framework and Terms of Reference for the panel members. These documents are available from UCT and together explain the application assessment process, the different types of funding available and the project monitoring process if funding is awarded.

The inaugural meeting for the CBF panel will be on 15th November 2018. Thereafter the panel will meet bi-annually and invitations for applications will be advertised in the Ullapool News, at the New Broom and on the UCT website.

8. Next Steps

The meeting ended with a brief discussion on a proposal to explore the purchase, by Community Asset Transfer, of 32 hectares of Forestry Commission woodland incorporating the BroomPower hydro scheme. This would ensure that ownership of the hydro scheme would remain within the community when the lease expires in 41 years and would enable the land rent of £3,600 to go to the community instead of FCS. Further, the woodland could be used for community and other renewables projects. The meeting granted permission for the LCR Board to proceed with the initial investigation and a risk/benefit assessment. If considered feasible, a Business Plan and grant application to the Big Lottery Fund will be prepared. Thanks were expressed to Diane Campbell who has offered to help with this initial process.

Appendix 1

LOCHBROOM COMMUNITY RENEWABLES LTD

CHAIRS REPORT AGM 2018

Held at Braemore Hall on Saturday, 27th October 2018

This is the third AGM for LCR and so the third Chair's report. Today we can meet with a smile because we are announcing the distribution of money.

Last year we were exhilarated and exhausted. Against the odds, we had won. We had constructed the areas community hydro. In that time of celebration it was hard to overlook the frustrations we had experienced with institutional organisations and it is ironic that some of the organisations who we must thank for making this scheme possible have also been those that have made it a hard journey for us.

Today, I can cheerfully say, the theme is different, the focus is on us. In assessing the year, let's take a closer look at us.

In doing this, I want to make five points, only to begin with, it is worth saying that whilst the pressure of risk has diminished, the work load for some has continued, and all the membership and shareholders, I am sure, are grateful to the few who are the volunteer group, including the Board members, for continuing to keep their shoulders to the wheel. Collectively, we have wanted to get it right, demonstrate transparency and good governance. We have become conscious that we need to leave a legacy that can be easily understood and replicated by future generations of LCR Boards.

Point 1 this is about us/we. The present Board are old, okay, so only some of us. The point is, we don't want to grow old together. We continue to shine with wisdom and experience! Only, we are looking out for successors, new faces. New enthusiasms bring new initiatives and new directions and a new generation can be the ones to take this brilliant project into the future. For the moment, it is good enough for you to join the volunteer group. Please consider this now.

Point 2 LCR is moving on to the next stage. As an encouragement we treated ourselves to a 'Visionary day' facilitated by Diane Campbell wearing one of her many hats. It's easy being a visionary, we had so much fun, including devising and delegating tasks for an action plan. We took ourselves 10 years forward when power in the region from fossil fuels has disappeared, community transport is powered from electric power hubs, the LCR Board is run in collaboration with pupils from the High School who had been instrumental in connecting Lochbroom Community Renewables grid to a completed tidal scheme based at the Narrows.

You see it is easy to dream. But back in the real world, by this time next year we may be the owners of our own forestry land upon which the present hydro scheme runs. We could have contracts ready so that our electricity is fed directly to facilities in Ullapool. LCR has already been approached by an energy company who wants to build a local commercial hydro scheme and they sought our expertise. Our role is to initiate

discussion within the area, about how we balance the growth of renewable energy with that of environmental and ecological concerns, to ensure that these schemes, if given the green light, are a benefit to the whole community.

As we grow in our ambition, so we must become responsible in our considerations and in our actions. I have described LCR in the past to being like a teenager. We have squabbled amongst ourselves and fallen out, at times, with our elders. Now LCR has to show maturity, we are part of that Volunteer sector of Ullapool and Lochbroom that is playing an increasingly important role in the overall wellbeing of the area. It is essential for us to integrate with existing community groups, show patience and willingness to work cooperatively together. This is an easy concept but is fraught with difficulties in implementing, for it involves money. The distribution of money will be the task of the soon to be formed Community Benefit Fund Panel. I offer the suggestion that the more funds LCR is able to generate and make available to the fund, so the task for the panel become more problematic, difficulties will be magnified.

Point 3 Bringing us together. We know this is an extraordinary area in its ability to organise so as to add value to quality of life. Be it business, the Arts, sport, heritage, the environment. These form many pieces of a jigsaw puzzle. We are at a point in time when the jigsaw can become a completed picture. Let us demonstrate to ourselves and the wider, outside world that we can generate resources to evaluate need and organise to improve the wellbeing of all.

Point 4: engage, cooperate, organise, evaluate. Yes, I may still be dreaming, only LCR, BroomPower, has shown that we can do these things. Celebrate our success, for we are leading by example. Other groups in the area are equally effective. We lead, because we are generating an income. Let us be ambitious and become a catalyst for all the community. I am suggesting an initiative that brings all these groups together where the first task will be to evaluate common needs

Finally, Point 5 The Community Benefit Fund. Let me return to where we are now. Our parent organisation has been Ullapool Community Trust, our surplus is channelled through them into the Community Benefit Fund, as referred to earlier, and of which we shall hear more from a spokesperson of UCT. The point I want to make is that we, LCR, have worked hard to create an income from our environment. It was a struggle, it's still a struggle, ask our Treasurer. We are now at the point of handing over money. It is what we are announcing today. It's a great feeling to give money to grandchildren, but oh, do I have to resist from telling them how to spend it correctly. We come bearing gifts, only beware, let us demonstrate wisdom in letting go and handing over to others. Now it will be for the Community Benefit Fund Panel to be considered in its deliberations.

This is what it has all been about. Gifting back to the environment and the community, for the purpose of securing a better future for the next generation.

Tim Gauntlett, Chair LCR
October 2018

Appendix 2

Lochbroom Community Renewables (LCR) Limited
Annual General Meeting - Saturday, 27th October 2018

Treasurer's Report

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.

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.

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 grant award 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 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.

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 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.

Finally,

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.

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".

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.

Andy Kaye

LCR Treasurer October 2018