Lochbroom Community Renewables Limited.

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Treasurer's report to the AGM – September 2025

1. Introduction

This report covers the financial elements in the "Report of the Directors and Financial Statements" for the year ended 31 May 2025 (8th year of power generation), prepared by our accountants.

I will run through the sections of the report sequentially, explaining items that are of note or significantly different from preceding years.

2. Income Statement (Page 3)

This high level statement shows that overall profit for year 2024 to 2025 was £33,065, compared to £135,000 the previous year. This is expected as electricity prices returned to more 'normal levels' following the brief period of very high prices over 2022 to 2024.

Administrative expenses listed on this page includes all operating expenses and donation to community benefit fund, this is broken down under 'detailed profit and loss account'.

3. Balance Sheet (Page 4)

Our fixed assets ie the value of our hydro scheme has dropped to £676,448 due to depreciation. Current assets (which is effectively cash in the bank) has decreased compared to last year as we have paid back shareholder capital. We aim to keep around £100,000 in bank as a reserve.

The Capital and Reserves figure is derived from the:

- Called up share capital (which is the amount of the original shares value minus the amount we have paid back) – this is an important figure discussed more in section 4 below.
- Capital redemption reserve (which is the amount of capital we have paid back)

These two figures will always add up to £909,040 which was the total invested at the beginning.

- Retained earnings (which is the Total assets less current liabilities, minus the starting capital).

4. **Statement on Changes in Equity (Share Capital) (Page 7)** Here the important figure is the 'Called up share capital', which now stands at £506,600. This is the amount of share capital still held within LCR (ie. The total amount initially invested, minus the amount LCR has paid back to shareholders). It is the amount that we need to pay back to shareholders by 2038.

   The starting point was over £909,040, this being the total value of shares members subscribed for in 2016. The Shares Prospectus explained the withdrawal of shares, (referred to as the "issue of share capital" by our accountants), needs to be spread over the years when the OFGEM Feed in Tarrif (FiT) is payable ie until 2038.

   We paid back £162,000 of share capital last year, this was more than the £125,000 that we had planned, and was possible due to the high profits over the preceding two years. The

total share capital paid back to date is given in the report as the 'Capital redemption reserve', and now stands at £402,440.

To pay back the outstanding £506,600 by 2038, we need to pay back about £40,000 a year, though if we pay it back earlier then a greater proportion of the money generated by the project can go to community benefit, with a lesser proportion going to interest payments. We already have requests amounting to approximately £20,000 for the year 2025 to 2026 so will not be issuing a 'call for people to cash in their shares' as we have in previous years. Anyone wishing to cash in their shares at any time can contact us, and if cash flow allows, we will be happy to repay, usually with 3 months notice.

Our accountants are currently reviewing whether we are permitted to pay back shareholders when our retained earnings are negative (as they are currently). We are hopeful that this will be permitted. As a Community Benefit Society we do not expect to be bound by the same rules as for profit companies

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.

Turnover (=income) £118,320

The Sales figure of £30,042 is what LCR was paid for the electricity generated by the company who bought our electricity (Octopus). The big decrease here compared to last year is due to the drop in price per kWh (previously we benefited from an unusually high price due largely to the energy scarcity caused by Russia's full scale invasion of Ukraine). Further details regarding this are given in Paul Copestake's operating report.

The Feed in Tariff (FiT) payment of £85,489 is paid by the government per unit of electricity produced and is linked to inflation. It represents the largest portion of our income. FIT payments will end in 2038.

Expenditure (=running costs, CBF donation, depreciation of assets) £58,513

This is referred to as 'Administrative expense' in the overarching income statement.

The largest chunks is the community benefit donation of £17,500 paid in April 2025. This was the biggest annual donation we have been able to give to date, funded by the high profit the preceding year. By comparison in previous years we have given £15,000, £12,500, £10,000, and £5000 (a total of £60,000 to date).

Community benefit admin costs is listed at zero but this is actually still £900 as previous but had not been paid at the time the accounts were prepared

Compared to the previous year the following are of note:

Light and heat. This cost is for electricity supply to the turbine (to run metres etc). The cost remains irritatingly high at £2992 for the year (compared to £3,043 last year and £538 the year before), almost all of the cost is fixed charges as we consume a miniscule amount of power. Current provider is EDF, I will revue other providers this year to see if we can get a better deal. We will also look again at whether we can provide our own electricity, though I know this has been considered already.

Lease of land (£6207compared to £3817) – this changes in proportion to the previous year's operating profit, and will therefore go down again next year.

My calculation of actual running cost (ie. What we pay out to run broompower; not including depreciation / donation to CBF / shareholder interest / land purchase costs) = £23,176

Finance costs (=bank charges and shareholder interest payment) £26,742

Shareholder interest payment decreased slightly to £26,616 from £28,426. Interest rate stayed the same at 4%, so the slight decrease was due to the ongoing share buyback.

6. Plans for next interest payment

The directors have agreed to recommend to members that an interest rate of 3.5% be paid to shareholders in relation to the value of their shareholding as of the AGM. This is slightly lower than the current Bank of England base rate of 4%, but the directors felt it strikes the right balance between distribution of profits to shareholders versus the community benefit fund. Assuming this recommendation is passed at this AGM then this interest will be paid out over the next 3 months.

7. **Conclusion**

Broompower continues to make a steady profit allowing substantial donation to community benefit, reasonable shareholder return and a steady return of capital to shareholders which is currently ahead of projections.

Current basic running costs suggest that broompower will still run at a small profit once FiT payments cease in 3038, though projection is very hard given the fluctuation in electricity prices.