

## Notes to Accompany Wight Community Energy Ltd Accounts

- This note has been written to help members of Wight Community Energy without a finance or accounting background to understand the accounts to be approved at the AGM on 20<sup>th</sup> June 2017.
- The accounts contain the consolidated financial statements of Wight Community Energy Ltd (WCE), a registered society for the benefit of the community or a “Bencom” (Reg. No. 7234), covering the period 29<sup>th</sup> October 2015 to 31<sup>st</sup> December 2016.
- The accounts also include WCE’s 100% owned subsidiary, Homestead Community Solar Community Interest Company (HCS) (Reg. No. 09615191). HCS is the company that directly owns the Homestead solar farm, covering the financial period 1<sup>st</sup> June to 31<sup>st</sup> December 2016.
- However, as noted above, one unusual feature of the accounts is that while their end date is the same, the HCS accounts are only consolidated for the time period 1st June to 31<sup>st</sup> December 2016. This is because HCS previously submitted its own accounts with a financial year end of 31<sup>st</sup> May. With these accounts, the financial year end of both entities has now been brought into line to 31<sup>st</sup> December.
- Below is an explanation of the two pages of the accounts document that give the best overview of the health of the company.

### Page 6 – Consolidated Profit and Loss Account

- **Turnover** is the revenue received by the company of which there are two types:
  - Feed-in Tariff – paid for every unit of electricity generated by the project
  - Power exports to the grid – paid for every unit of electricity exported into the electricity grid. For part of 2016 this power was sold through a power purchase agreement and for part of 2016 this was sold through the guaranteed minimum export tariff.
- The turnover figure in these accounts only covers power that was generated from 1<sup>st</sup> June to 31<sup>st</sup> December 2016. Turnover prior to 1<sup>st</sup> June 2016 was included in the HCS accounts to 31<sup>st</sup> May 2016.

Turnover to 31 <sup>st</sup> May 2016	£165,136
Turnover from 1 <sup>st</sup> June to 31 <sup>st</sup> December 2016	£234,866
Total turnover	£400,002

- **Cost of sales** includes costs such as electricity bought from the grid when the plant is not generating its own power, rent, metering costs, business rates and the operations & maintenance contract with Anesco Ltd, the company that built the project and now maintains it.
- **Administrative expenses** include directors’ expenses, audit costs, management charges from Mongoose Energy, bank charges and depreciation in the value of the project. Depreciation is the largest cost (£81,187) but also the only non-cash cost.
- **Interest receivable** is income on bank deposits.

- **Interest payable** is interest charged on the two loans used to finance the project, a loan of £3,080,000 from Close Brothers bank and a loan of £1,700,000 from the Isle of Wight Council.
- Turnover plus interest less cost of sales, administrative expenses and interest payable results in an overall loss. Please note, however, that this loss includes depreciation which is a non-cash item.

#### Page 8 – Consolidated Balance Sheet

- The balance sheet presents the overall value of the company and its assets and liabilities as they stood at the end of the financial year.
- The balance sheet starts with assets and then quantifies the liabilities. Assets minus liabilities gives the overall value of the company.
- **Intangible assets** is “good will “ that has arisen in the company’s balance sheet as a result of the complex way in which the project was acquired which involved inter-company transactions. It represents that portion of the company’s long-term value that cannot be ascribed simply to the physical value of the solar farm.
- **Tangible assets** is the financial value of the Homestead solar farm.
- **Current assets** are assets that are equivalent to money or that will give rise to money for the company within 12 months.
- **Debtors** is money owed to the company and that will be paid within 12 months.
- **Creditors** falling due within one year is the amount of money owed to third parties that is due to be paid within 12 months. The majority of this is money owed to Anesco to complete the purchase of the project. This money was only finally paid in 2017.
- **Net current assets** is current assets less creditors falling due within one year.
- **Creditors** falling due after one year is the long-term loans from Close Brothers (£3,080,000) and Isle of Wight Council (£1,700,000) that have to be repaid but not within 12 months.
- **Net assets** is all assets less all liabilities.
- **Capital and reserves** is the value of the company, which consists of the value of the shares bought by members plus or minus any profits made since the company was started.
- **Called up share capital** is the total amount of money raised through the community share offer.
- **Profit and loss account** is the cumulative profit of the company since its start. This consists of a £75,271 loss this year and a £9,150 profit from the previous financial year.
- **Equity attributable to owners of the company** is the book value of the company once all liabilities have been paid and all profits and losses taken into account.
- It is not unusual in the early years of a renewable energy company for total equity value to be less than the value of shares purchased. This is because depreciation takes out a very significant chunk of book value in the early years. As company revenues grow with inflation over time, depreciation becomes less significant which should enable the company to make profits.