

Report of the Directors and  
Consolidated Financial Statements for the Year Ended 31 December 2018  
for  
Heart of England Community Energy Ltd

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for the Year Ended 31 December 2018

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Heart of England Community Energy Ltd

Company Information  
for the Year Ended 31 December 2018

**DIRECTORS:**

J D Stott  
D G Passingham  
M J Bullock  
G A Guy  
M A McNally  
Dr S Juned  
E Appleton  
K Evans  
S F Potter

**SECRETARY:**

Communities for Renewables

**REGISTERED OFFICE:**

Tremough Innovation Centre  
Penryn  
Cornwall  
TR10 9TA

**REGISTERED NUMBER:**

RS007232 (England and Wales)

**AUDITORS:**

Griffin Accountancy  
165 High Street  
Honiton  
Devon  
EX14 1LQ

Report of the Directors  
for the Year Ended 31 December 2018

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2018.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

J D Stott  
D G Passingham  
M J Bullock  
G A Guy  
M A McNally  
S F Potter

Other changes in directors holding office are as follows:

Dr S Juned - appointed 29 June 2018  
E Appleton - appointed 9 July 2018  
K Evans - appointed 9 July 2018  
R M Rabinowitz - resigned 6 December 2018  
J Jones - resigned 26 June 2018

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

**AUDITORS**

The auditors, Griffin Accountancy, will be proposed for re-appointment at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

**ON BEHALF OF THE BOARD:**

.....  
Director

Date: .....

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## **Opinion**

We have audited the financial statements of Heart of England Community Energy Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Balance Sheet, Company Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The directors are responsible for the other information. The other information comprises the information in the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Group Strategic Report or in preparing the Report of the Directors.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page two, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of  
Heart of England Community Energy Ltd

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Misty Nickells (Senior Statutory Auditor)  
for and on behalf of Griffin Accountancy  
165 High Street  
Honiton  
Devon  
EX14 1LQ

Date: .....

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Heart of England Community Energy Ltd

Consolidated Income Statement  
for the Year Ended 31 December 2018

	Notes	31.12.18 £	31.12.17 £
<b>TURNOVER</b>		1,784,459	615,643
Administrative expenses		<u>1,360,065</u>	<u>567,163</u>
<b>OPERATING PROFIT</b>	3	424,394	48,480
Interest payable and similar expenses		<u>1,034,586</u>	<u>495,503</u>
<b>LOSS BEFORE TAXATION</b>		(610,192)	(447,023)
Tax on loss		<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(610,192)</u>	<u>(447,023)</u>
Loss attributable to: Owners of the parent		<u>(610,192)</u>	<u>(447,023)</u>

The notes form part of these financial statements

Consolidated Balance Sheet  
31 December 2018

	Notes	31.12.18		31.12.17	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	5		476,034		496,219
Tangible assets	6		13,898,745		14,645,805
Investments	7		-		-
			<u>14,374,779</u>		<u>15,142,024</u>
<b>CURRENT ASSETS</b>					
Debtors	8	669,837		384,938	
Cash at bank		1,332,008		1,285,106	
		<u>2,001,845</u>		<u>1,670,044</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	9	10,840,447		771,388	
		<u>(8,838,602)</u>		<u>898,656</u>	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			5,536,177		16,040,680
<b>CREDITORS</b>					
Amounts falling due after more than one year	10		6,326,391		16,487,702
			<u>(790,214)</u>		<u>(447,022)</u>
<b>NET LIABILITIES</b>					
<b>CAPITAL AND RESERVES</b>					
Called up share capital			267,001		1
Retained earnings			<u>(1,057,215)</u>		<u>(447,023)</u>
			<u>(790,214)</u>		<u>(447,022)</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on ..... and were signed on its behalf by:

.....  
Director

Company Balance Sheet  
31 December 2018

	Notes	31.12.18		31.12.17	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	5		-		-
Tangible assets	6		-		-
Investments	7		226,125		226,125
			<u>226,125</u>		<u>226,125</u>
<b>CURRENT ASSETS</b>					
Debtors	8	287,058		42,718	
Cash at bank		36,969		-	
		<u>324,027</u>		<u>42,718</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	9	2,182		42,962	
			<u>321,845</u>		<u>(244)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>					
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			547,970		225,881
<b>CREDITORS</b>					
Amounts falling due after more than one year	10		339,900		233,026
			<u>208,070</u>		<u>(7,145)</u>
<b>NET ASSETS/(LIABILITIES)</b>					
<b>CAPITAL AND RESERVES</b>					
Called up share capital			267,001		1
Retained earnings			(58,931)		(7,146)
			<u>208,070</u>		<u>(7,145)</u>
Company's loss for the financial year			<u>(51,785)</u>		<u>(7,146)</u>

The financial statements have been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

The financial statements were approved by the Board of Directors on ..... and were signed on its behalf by:

.....  
Director

1. **STATUTORY INFORMATION**

Heart of England Community Energy Ltd is a private company limited by share capital incorporated in England & Wales. It is constituted as a Community Benefit Society under the Co-operative and Community Benefit Societies Act 2014.

The society's registered number and registered office address can be found on the Company Information page

These financial statements were authorised for issue by the Board on 20 June 2019.

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Turnover**

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

**Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business in 2017, is being amortised evenly over its estimated useful life of twenty five years.

**Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery etc - 10% on cost and 4% on cost

**Investments in subsidiaries**

Investments in subsidiary undertakings are recognised at cost.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018

2. **ACCOUNTING POLICIES - continued**

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

**Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transactions costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

3. **OPERATING PROFIT**

The operating profit is stated after charging:

	31.12.18	31.12.17
	£	£
Depreciation - owned assets	747,060	545,106
Goodwill amortisation	20,185	8,411
	<u>          </u>	<u>          </u>

4. **INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018

5. INTANGIBLE FIXED ASSETS

Group

	Goodwill £
<b>COST</b>	
At 1 January 2018 and 31 December 2018	504,630
<b>AMORTISATION</b>	
At 1 January 2018	8,411
Charge for year	20,185
At 31 December 2018	28,596
<b>NET BOOK VALUE</b>	
At 31 December 2018	476,034
At 31 December 2017	496,219

6. TANGIBLE FIXED ASSETS

Group

	Plant and machinery etc £
<b>COST</b>	
At 1 January 2018 and 31 December 2018	15,594,663
<b>DEPRECIATION</b>	
At 1 January 2018	948,858
Charge for year	747,060
At 31 December 2018	1,695,918
<b>NET BOOK VALUE</b>	
At 31 December 2018	13,898,745
At 31 December 2017	14,645,805

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 20187. **FIXED ASSET INVESTMENTS****Company**Shares in  
group  
undertakin  
£**COST**At 1 January 2018  
and 31 December 2018

226,125

**NET BOOK VALUE**

At 31 December 2018

226,125

At 31 December 2017

226,125

8. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.12.18 £	31.12.17 £	31.12.18 £	31.12.17 £
Trade debtors	122,218	61,363	3,299	-
Amounts owed by group undertakings	-	-	303,871	-
Other debtors	547,619	323,575	(20,112)	42,718
	<u>669,837</u>	<u>384,938</u>	<u>287,058</u>	<u>42,718</u>

9. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.12.18 £	31.12.17 £	31.12.18 £	31.12.17 £
Bank loans and overdrafts	10,533,655	295,828	-	-
Trade creditors	74,417	107,189	(1)	1,535
Taxation and social security	15,462	24,933	2,183	-
Other creditors	216,913	343,438	-	41,427
	<u>10,840,447</u>	<u>771,388</u>	<u>2,182</u>	<u>42,962</u>

Notes to the Consolidated Financial Statements - continued  
for the Year Ended 31 December 2018

10. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	31.12.18 £	31.12.17 £	31.12.18 £	31.12.17 £
Bank loans	-	10,372,893	-	-
Other creditors	6,326,391	6,114,809	339,900	233,026
	<u>6,326,391</u>	<u>16,487,702</u>	<u>339,900</u>	<u>233,026</u>

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Heart of England Community Energy Ltd

Consolidated Detailed Profit and Loss Account  
for the Year Ended 31 December 2018

	31.12.18		31.12.17	
	£	£	£	£
<b>Sales</b>		1,784,459		615,643
<b>Expenditure</b>				
Rent	44,264		61,179	
Rates and water	45,534		74,337	
Light and heat	18,934		25,451	
Advertising	100		-	
Licences and insurance	21,308		24,628	
Repairs and renewals	106,673		155,159	
Sundry expenses	1,662		2,775	
No description	28,334		-	
No description	-		11,805	
Subscriptions	1,118		-	
No description	70,768		(960,969)	
Legal fees	5,600		-	
Auditors' remuneration	12,000		2,000	
Amortisation of intangible fixed assets	236,188		231,698	
Depreciation of tangible fixed assets	747,059		929,734	
No description	14,482		-	
		<u>1,354,024</u>		<u>557,797</u>
		430,435		57,846
<b>Finance costs</b>				
Bank charges	6,041		9,366	
Bank loan interest	550,485		278,695	
Loan	484,101		216,808	
		<u>1,040,627</u>		<u>504,869</u>
<b>NET LOSS</b>		<u>(610,192)</u>		<u>(447,023)</u>

This page does not form part of the statutory financial statements