

REGISTERED NUMBER: RS007232 (England and Wales)

Report of the Directors and
Consolidated Financial Statements for the Year Ended 31 December 2019
for
Heart of England Community Energy Ltd

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for the Year Ended 31 December 2019

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Heart of England Community Energy Ltd

Company Information
for the Year Ended 31 December 2019

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 C.I.C.

REGISTERED OFFICE:

Redruth House
Cornwall Business Park West
Scorrier
Redruth
Cornwall
TR16 5EZ

REGISTERED NUMBER:

RS007232 (England and Wales)

AUDITORS:

Griffin
Statutory Auditors
165 High Street
Honiton
Devon
EX14 1LQ

Report of the Directors
for the Year Ended 31 December 2019

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2019.

REVIEW OF BUSINESS

To assist in providing an appreciation of the year's financial outcome, the directors have prepared a short commentary on these accounts.

The main features of the consolidated income statement on page 8 of the accounts are as follows:

Turnover is down by approximately £260,000.

The contributory factors to this are:-

1. Less solar radiation in 2019 compared to 2018 causing approximately 3.5% less generation which translates to a reduction in income of approximately £63,000. This variation is well within normal annual variations.
2. Power sales prices averaged about £11/MWhr less in 2019 compared to 2018 and this translates to a reduction in income of approximately £166,000. Poplars and Willows are now accredited for Feed in Tariff export sales and will in future be immune to effects of low power sales prices.
3. A necessary precursor to registering Poplars and Willows for Feed in Tariff Export was a change in the metering at the site boundary. This change could only take place with the agreement of the owners of the batteries with whom we share a grid connection. They refused to agree the changes without a reduction in the grid share fees, resulting in a decrease of annual income of £30,000.

The reduced turnover is partially offset by:-

1. £37,000 reduction in interest charges. This is a result of the the better terms on the long term loans which were refinanced in September 2019 and will be greater for a full year.
2. £57,000 reduction in administrative costs reflecting several effects as follows:-
 - 2a. The refinance costs are now spread over a longer term resulting in a saving in the annual charge of £46,000.
 - 2b. Management fees are £33,000 less as a result of the move from Mongoose to CfR in Nov 2018.
 - 2c. A reduction in the cost of depreciation of approximately £53,000 is included in the administrative charges. This arises due to depreciation in 2018 having been raised in order to correct under accrual in previous years so the change in depreciation (shown on p12) should not recur.
 - 2d. Unfortunately, these beneficial effects are significantly counteracted by a one off cost of £75,000 required to settle accrued costs for grid sharing with the battery owners but this complexity is now eliminated in respect of Poplars and Willows. Leys is anticipated to be adjusted in the same manner in the next financial year.

The resulting increase in the loss for the year of £164,480 can be seen to be due mostly to reduced power sales income but note that Poplars and Willows are now protected from low power sales prices.

Report of the Directors
for the Year Ended 31 December 2019

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

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

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.

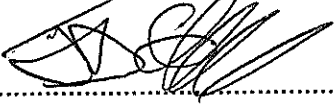
AUDITORS

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

Report of the Directors
for the Year Ended 31 December 2019

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:



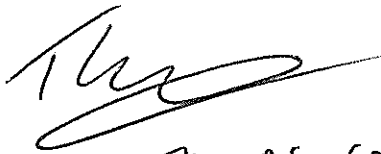
.....
J D Stott - Director



MICHAEL BULLOCK - DIRECTOR

12th June 2020

Date: 10-6-2020



THOMAS COSGROVE
ON BEHALF OF COMMUNITIES FOR RENEWABLES CIC
AS SECRETARY

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

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 2019 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 2019 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.

Opinions 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 three, 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

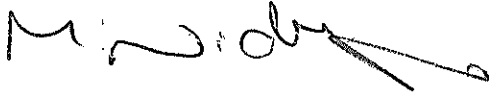
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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. 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
Statutory Auditors
165 High Street
Honiton
Devon
EX14 1LQ

Date: 19/06/20.....

Consolidated Income Statement
for the Year Ended 31 December 2019

	Notes	31.12.19 £	31.12.18 £
TURNOVER		1,524,232	1,784,460
Administrative expenses		1,285,339	1,342,417
OPERATING PROFIT	4	238,893	442,043
Interest receivable and similar income		1,682	-
		240,575	442,043
Interest payable and similar expenses		997,598	1,034,586
LOSS BEFORE TAXATION		(757,023)	(592,543)
Tax on loss		-	-
LOSS FOR THE FINANCIAL YEAR		(757,023)	(592,543)
Loss attributable to: Owners of the parent		(757,023)	(592,543)

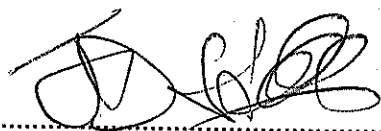
Heart of England Community Energy Ltd (Registered number: RS007232)

Consolidated Balance Sheet
31 December 2019

	Notes	31.12.19		31.12.18	
		£	£	£	£
FIXED ASSETS					
Intangible assets	6		455,849		476,034
Tangible assets	7		13,239,705		13,916,394
Investments	8		-		-
			<u>13,695,554</u>		<u>14,392,428</u>
CURRENT ASSETS					
Debtors	9	323,217		705,442	
Cash at bank and in hand		483,819		1,332,008	
		<u>807,036</u>		<u>2,037,450</u>	
CREDITORS					
Amounts falling due within one year	10	777,764		10,876,051	
			<u>29,272</u>		<u>(8,838,601)</u>
NET CURRENT ASSETS/(LIABILITIES)					
TOTAL ASSETS LESS CURRENT LIABILITIES					
			<u>13,724,826</u>		<u>5,553,827</u>
CREDITORS					
Amounts falling due after more than one year	11		15,254,413		6,326,391
			<u>(1,529,587)</u>		<u>(772,564)</u>
NET LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital			267,001		267,001
Retained earnings			(1,796,588)		(1,039,565)
			<u>(1,529,587)</u>		<u>(772,564)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors on 7th May 2020 and were signed on its behalf by:



J D Stott - Director



THOMAS COSGROVE ON BEHALF OF COMMUNITIES FOR RENEWABLES CIC
AS SECRETARY

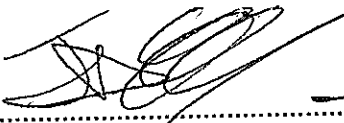
The notes form part of these financial statements

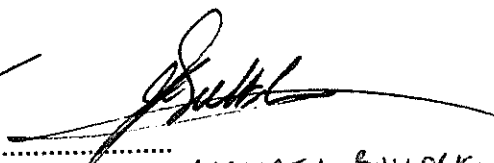
Company Balance Sheet
31 December 2019


	Notes	31.12.19 £	£	31.12.18 £	£
FIXED ASSETS					
Intangible assets	6		-		-
Tangible assets	7		-		-
Investments	8		226,125		226,125
			<u>226,125</u>		<u>226,125</u>
CURRENT ASSETS					
Debtors	9	699,139		307,664	
Cash at bank		7,249		36,969	
		<u>706,388</u>		<u>344,633</u>	
CREDITORS					
Amounts falling due within one year	10	411,213		22,788	
			<u>295,175</u>		<u>321,845</u>
NET CURRENT ASSETS					
			<u>521,300</u>		<u>547,970</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
CREDITORS					
Amounts falling due after more than one year	11		339,900		339,900
			<u>181,400</u>		<u>208,070</u>
NET ASSETS					
			<u>181,400</u>		<u>208,070</u>
CAPITAL AND RESERVES					
Called up share capital			267,001		267,001
Retained earnings			(85,601)		(58,931)
			<u>181,400</u>		<u>208,070</u>
Company's loss for the financial year			<u>(26,670)</u>		<u>(51,785)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board of Directors on 7th May 2020 and were signed on its behalf by:


J D Stott - Director


MICHAEL BULLOCK - DIRECTOR


THOMAS COSGRAVE ON BEHALF OF COMMUNITIES FOR RENEWABLES CIC AS SECRETARY

The notes form part of these financial statements

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2019

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

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.

These accounts have been prepared on a going concern basis. The directors have considered a period of at least twelve months from signing of these accounts in confirming the entity as a going concern. Despite the net liability position, the entity will continue to comply with the bank's requirements to maintain their support.

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

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.

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. EMPLOYEES AND DIRECTORS

The average number of employees during the year was NIL (2018 - NIL).

4. OPERATING PROFIT

The operating profit is stated after charging:

	31.12.19	31.12.18
	£	£
Depreciation - owned assets	676,689	729,411
Goodwill amortisation	20,185	20,185
	<u> </u>	<u> </u>

5. 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 2019

6. **INTANGIBLE FIXED ASSETS**

Group

Goodwill
£

COST

At 1 January 2019
and 31 December 2019

504,630

AMORTISATION

At 1 January 2019
Charge for year

28,596
20,185

At 31 December 2019

48,781

NET BOOK VALUE

At 31 December 2019

455,849

At 31 December 2018

476,034

7. **TANGIBLE FIXED ASSETS**

Group

Plant and
machinery
etc
£

COST

At 1 January 2019
and 31 December 2019

15,594,663

DÉPRECIATION

At 1 January 2019
Charge for year

1,678,269
676,689

At 31 December 2019

2,354,958

NET BOOK VALUE

At 31 December 2019

13,239,705

At 31 December 2018

13,916,394

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

8. **FIXED ASSET INVESTMENTS**

Company

	Shares in group undertaking £
COST	
At 1 January 2019 and 31 December 2019	226,125
NET BOOK VALUE	
At 31 December 2019	226,125
At 31 December 2018	226,125

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

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Trade debtors	77,907	122,218	-	3,299
Amounts owed by group undertakings	-	-	595,620	303,871
Other debtors	245,310	583,224	103,519	494
	<u>323,217</u>	<u>705,442</u>	<u>699,139</u>	<u>307,664</u>

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

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Bank loans and overdrafts	579,750	10,533,655	-	-
Trade creditors	19,263	74,417	-	-
Amounts owed to group undertakings	-	-	372,748	-
Taxation and social security	6,723	30,461	-	2,183
Other creditors	172,028	237,518	38,465	20,605
	<u>777,764</u>	<u>10,876,051</u>	<u>411,213</u>	<u>22,788</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31 December 2019

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

	Group		Company	
	31.12.19	31.12.18	31.12.19	31.12.18
	£	£	£	£
Bank loans	10,792,499	-	-	-
Other creditors	4,461,914	6,326,391	339,900	339,900
	<u>15,254,413</u>	<u>6,326,391</u>	<u>339,900</u>	<u>339,900</u>

Amounts falling due in more than five years:

	Group	
	31.12.19	31.12.18
	£	£
Repayable by instalments		
Bank loans more 5 yr by instal	8,283,371	-
Other loans more 5yrs instal	2,445,048	-
	<u>10,728,419</u>	<u>-</u>

12. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

Group	Non-cancellable operating leases	
	31.12.19	31.12.18
	£	£
Within one year	46,837	45,029
Between one and five years	201,828	193,197
In more than five years	1,138,029	1,151,828
	<u>1,386,694</u>	<u>1,390,054</u>