

Appendix 1

Greenheath Energy Ltd – Audit Requirements

As a subsidiary of Forest Heath, it is only exempt from audit where it meets the requirements under s.479A-C of the Companies Act 2006. The table below benchmarks Greenheath Energy Ltd against the criteria:

Criteria	Greenheath Energy Ltd
It must not meet any of the criteria in s.479B of the Companies Act 2006 which would require the company to have an audit	Greenheath Energy Ltd does not meet any of the criteria
The company must be a subsidiary	Greenheath Energy Ltd is wholly owned by Forest Heath DC and thus is a subsidiary
The Parent must be established under the law of an EEA country	Forest Heath DC was established by the Local Government Act 1972
The Subsidiary shareholders must agree to the exemption being applied	It is expected the shareholders would be willing to do so (but the shareholders are, in effect, Forest Heath so this potentially needs to be made at a full council meeting)
The Parent company must give a guarantee in respect of the financial year ¹	This again would need to be passed by shareholders, i.e. Forest Heath, but this should not present issue due to the limited liabilities
The Subsidiary must be consolidated into the Parent Company's accounts for the relevant financial year which are prepared under IFRS	Forest Heath will prepare group accounts including Greenheath Energy Ltd which are compliant with IFRS
The Parent must disclose within the consolidated account notes that the subsidiary is exempt from audit under s.479A of the Companies Act 2006	Forest Heath will include a disclosure within its group accounts
When filing its accounts with Companies House, the subsidiary must include: <ul style="list-style-type: none"> • Written confirmation that the members of the company have agreed to the exemption; • The Parent company's guarantee • The Parent company's group accounts • The auditor's report on the group accounts • The annual report within the accounts of the parent company 	This can be included with the Companies House filing – all of the information relating to Forest Heath DC would be public information.

¹This requires that Forest Heath DC would guarantee any outstanding liabilities at year end of Greenheath Energy Ltd

On the basis of the above, subject to the necessary guarantees and agreements being provided, we do not consider that Greenheath Energy Ltd should require an external audit of its accounts.