MCS CHARITABLE FOUNDATION

England & Wales · Charity number 1165752

Details

Other names	MCS CF
Status	Registered
Legal form	Charitable company
Company number	10119873
Registered	2016-02-25
Register	View on the Charity Commission register

Contact

Address	First Floor Violet 3 Sci-Tech Daresbury Keckwick Lane Warrington Cheshire WA4 4AB
Phone	07780545580
Email	info@mcscharitablefoundation.org
Website	www.mcscharitablefoundation.org

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Activities

Objects: 1.1 The Objects of the Charity are for the public benefit and specifically restricted to: 1.1.1 the advancement of education and environmental protection and improvement by educating the public in the subject of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems) (including, for the avoidance of doubt, providing bursaries to those wishing to pursue careers in this area and institutions providing education in this area); 1.1.2 the advancement of education and environmental protection and improvement by promoting study and research into the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large; 1.1.3 the advancement of health and the saving of lives and environmental protection and improvement by promoting study and research into improving the safety of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems),provided that the useful results of such study and research are disseminated to the public at large; 1.1.4 the advancement of environmental protection and improvement by supporting the development of standards and related guidance for the renewable energy and low carbon technology sector; and 1.1.5 the advancement of environmental protection and improvement by raising awareness and confidence amongst consumers in the area of renewable energy and low carbon technologies (products and systems). 1.2 This provision may be amended by special resolution but only with the prior written consent of the Commission.

Activities: THE OBJECTS OF THE CHARITY ARE: (A) THE ADVANCEMENT OF EDUCATION AND ENVIRONMENTAL PROTECTION AND IMPROVEMENT BY EDUCATING THE PUBLIC IN THE SUBJECT OF THE DESIGN, DEVELOPMENT, MANUFACTURE AND INSTALLATION OF RENEWABLE ENERGY AND LOW CARBON TECHNOLOGIES (PRODUCTS AND SYSTEMS) (INCLUDING, FOR THE AVOIDANCE OF DOUBT, PROVIDING BURSARIES TO THOSE WISHING TO PURSUE CAREERS IN THIS AREA

Classification

- **How:** Makes Grants To Organisations, Provides Advocacy/advice/information, Sponsors Or Undertakes Research
- **What:** Education/training, The Advancement Of Health Or Saving Of Lives, Environment/conservation/heritage
- **Who:** The General Public/mankind

Geography

- Northern Ireland
- Scotland
- Throughout England And Wales

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Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£8,769,809	£8,182,833	£7,105,352	76
2023-12-31	£8,036,173	£6,454,286	£9,588,787	66
2022-12-31	£5,583,835	£4,089,211	£7,891,191	41
2021-12-31	£3,261,032	£3,250,749	£7,172,865	32
2020-12-31	£1,243,794	£1,644,296	£6,716,362	23

Trustees

Name	Role	Appointed
Fabio Silva Nehme	Chair	2019-03-14
David Stuart Pinder		2025-06-01
Karen Shearer		2022-04-19
Matthew Benjamin Billson		2025-06-01
Professor Mary Ethna Black		2024-02-01
Rebecca Evelyn Ritchie		2025-06-01
Sarah Kate Gosling		2024-02-01

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MCS CHARITABLE FOUNDATION

England & Wales - Charity number 1165752

Accounts

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Company Registration No. 10119873

Charity Registration No. 1165752

MCS Charitable Foundation

Trustees' Report and Consolidated Financial Statements for the year ended 31 December 2024

THE MCS FOUNDATION

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MCS Charitable Foundation

Charity reference and administrative details

Trustees	Fabio Nehme (Chair) Karen Shearer (Vice Chair) Mary Black Matthew Billson Sarah Gosling David Pinder Rebecca Ritchie Sandra Walmsley
Chief Executive Officer	Garry Felgate
Charity Number	1165752
Company Number	10119873
Registered office	First Floor Violet 3 Sci-Tech Daresbury Warrington United Kingdom WA4 4AB
Auditor	Saffery LLP 71 Queen Victoria Street London EC4V 4BE
Solicitor	Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
Bank	CAF Bank Limited 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
Investment advisors	Rathbones Investment Management Limited 10 Queen Square Bristol BS1 4NT

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MCS Charitable Foundation

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MCS Charitable Foundation

Trustees' report
For the year ended 31 December 2024

The Trustees (who are also directors of the MCS Charitable Foundation for the purposes of the Companies Act) present their annual report together with the audited consolidated financial statements of MCS Charitable Foundation ("the Foundation") for the period 1 January 2024 to 31 December 2024.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2019.

Origins and History of the Foundation

The Microgeneration Certification Scheme (MCS) plays an important part in the growth of the installation of renewables in homes and small businesses.

It was set up by the Government in 2008 to certify buildings-scale renewable electricity and heat products and installers, to provide assurance to consumers about the quality and standard of their installation.

The Government transferred the assets comprising MCS, as well as the MCS Fund (the historical profits from the operation of the Scheme) to the MCS Charitable Foundation on 25 April 2018.

In 2023 the MCS Charitable Foundation changed its trading name to The MCS Foundation.

The MCS Service Company Limited ("the Service Company") now operates as a trading arm of the MCS Foundation. Surplus income from the Service Company is added to the MCS Foundation funds.

The Foundation aims to fulfil a number of charitable objects, including;

- educating the public about;
- promoting research about;
- improving the quality of;
- supporting the development of standards for; and
- raising confidence and consumer awareness of renewable energy and low carbon technologies.

These objects sit within the Foundation's overall vision to make every UK home carbon free.

The Foundation's mission is to decarbonise homes, heat and energy throughout the UK by driving positive change.

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Structure, Governance and Management

The MCS Charitable Foundation is a registered charity (no. 1165752) and a limited company (no. 10119873). Its constitution is its Memorandum and Articles of Association. The company was incorporated on 12 April 2016.

On 25 April 2018 the Foundation became the parent undertaking of The MCS Service Company Limited (Company registration number 07759366), a company limited by guarantee. This report consolidates the financial reporting of the Group.

Trustees (including Recruitment and Training)

Overall strategic direction and governance rest with the Board of Trustees. The Trustees were recruited in accordance with the Memorandum and Articles of Association of the Foundation. The Trustees during the year were as follows:

Fabio Nehme	Chair
Gareth Williams	Vice Chair (Resigned 31 January 2024)
Karen Shearer	Vice Chair (Vice Chair since 20 March 2024)
Sandra Walmsley	
Mary Black	(Appointed 1 February 2024)
Sarah Gosling	(Appointed 1 February 2024)
David Pinder	(Appointed 1 June 2025)
Matthew Bilson	(Appointed 1 June 2025)
Rebecca Ritchie	(Appointed 1 June 2025)

The Foundation and the Service Company executive teams continued to develop during the year, reflecting the growing ambitions of the Group and the increasing income levels. In July 2024, the previous CEO of the Foundation resigned after being elected MP for Waveney Valley and in April 2025 Dr Garry Felgate joined to continue the excellent work and drive towards our charitable objectives. Joint working between the Foundation and Service Company was further enhanced, with several initiatives drawing on skills and knowledge from across the Group to advance the Group's sector-convening work, such as on skills and external affairs, and through MCS facilitation of sector-wide technical working groups for the development and maintenance of standards. The Group and Service Company Chief Executives also work closely together in planning the activities of the Group and monitoring performance, supported by the Group Senior Management team.

During the year there were some minor changes to the membership of the Board of Trustees, with a Trustee stepping down in January 2024, two new Trustees joining at the beginning of February 2024 and a further three Trustees joining in June 2025. Trustees review the skills required on the Board to support the Foundation's strategic objectives and will add to the Board's membership during 2025.

In April 2025 MCS Charitable Foundation was granted Charitable Status in Scotland (SC054191) by the Scottish Charity Regulator (OSCR) and will be planning to use this responsibility to further push forward the decarbonisation of homes in Scotland.

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Trustees (including Recruitment and Training) (continued)

The Trustees consider that the Board of Trustees, the Foundation Chief Executive Officer, the Service Company Chief Executive Officer, the Director of External Affairs, the Programmes Director and the Group Finance Director comprise the key management personnel of the Foundation, with Trustees ensuring good governance and clear strategic direction, and the executive team leading the delivery of the strategy and Foundation operations. All Trustees give their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions are disclosed in the notes to the accounts. The pay bands of the Foundation/Group CEO and the Service Company CEO are set by the Board of Trustees and reviewed periodically. The pay bands for other staff are set by the two Chief Executives as part of a framework across the Group. The remuneration is set to ensure it is fair and will attract and retain staff of the appropriate calibre and experience required by the Foundation and its Service Company.

The Foundation is a member of the National Council of Voluntary Organisations ("NCVO") and the Association of Charitable Foundations ("ACF") which both provide helpful information and training on good practice, changes in the law affecting charities and act as an authoritative lobby on behalf of charitable foundations with government and regulators. Trustees use NCVO and ACF resources and events to keep up to date.

Trustees are required to disclose all relevant interests and register them with the Board. In the event of a conflict of interest or loyalty, the Foundation's policy is that Trustees should withdraw from the decision-making process.

Risk Management

The Trustees have assessed the major risks to which the Foundation is exposed, in particular those related to the operations and finances of the Foundation and the Service Company.

The principal risks and uncertainties identified by the Trustees are:

- Investment performance is below expectations or not adequately monitored;
- Significant government policy shift either drives installers away from MCS as a voluntary scheme or introduces competition;
- Consumers don't receive adequate protection as a result of the Scheme delivery structure.

A risk register is in place through which all risks are monitored. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to the major risks.

Performance of the Foundation's investments is monitored on a quarterly basis with Rathbones investment management providing any significant updates in between times. The Board invited the Rathbones investment management team to a recent board meeting to discuss performance and strategy in the light of economic conditions. In 2024 there was a reasonable return in the first 3 quarters followed by a significant dip in Q4, that has carried on into Q1 2025. As the Foundation is not reliant on this fund for short to medium term expenditure there is time to allow for the fund to recover.

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Risk Management (continued)

The Service Company surpluses were healthy in 2024. The Service Company Business Plan is focused on ensuring that the MCS Scheme remains effective and is simplified to ensure it is accessible for the benefit of installers, consumers and stakeholders with several initiatives underway to advance this work, particularly around consumer protections. The Scheme continues to see growth in the number of registered installs, primarily for the installation of electricity generating technologies such as solar PV but also an increase in heat pumps and battery storage. The current main government incentive (Boiler Upgrade Scheme) has been extended to 2028 and the 24/25 funding budget was increased due to the uptake of the Scheme. The Service Company plays a key role in the delivery of this Scheme alongside Ofgem.

Objectives and Activities

The Objects of the Foundation are:

(a) the advancement of education and environmental protection and improvement by educating the public in the subject of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems) (including, for the avoidance of doubt, providing bursaries to those wishing to pursue careers in this area and institutions providing education in this area);

(b) the advancement of education and environmental protection and improvement by promoting study and research into the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(c) the advancement of health and the saving of lives and environmental protection and improvement by promoting study and research into improving the safety of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(d) the advancement of environmental protection and improvement by supporting the development of standards and related guidance for the renewable energy and low carbon technology sector; and

(e) the advancement of environmental protection and improvement by raising awareness and confidence amongst consumers in the area of renewable energy and low carbon technologies (products and systems).

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Objectives and Activities (continued)

In late 2021, a Group Strategic Plan was adopted which focuses on utilising the knowledge, assets and market position of MCS to drive the sector's growth in support of the mission to decarbonise the UK's homes. Under the strategy, the core elements of the group's work continue: running and growing the MCS Scheme to give confidence in domestic and small scale renewables; and using the surplus income from the Scheme to advocate for changes in the policy landscape that will support the sector's growth, while making grants to innovative projects aimed at accelerating the adoption of low-carbon technologies.

In addition to these areas of work, MCS Group also has an increasing focus on advancing the skills and training needed to support the sector's growth, while catalysing action at a local level towards delivery of mass scale retrofit strategies through working with leading local authorities and other key stakeholders.

During the 2025 financial year the Board, along with the senior management team, will be working on the next 5-year strategy plan for the Foundation and the Service Company.

Public Benefit Statement

The Trustees confirm that they have paid due regard to the Charity Commission's Guidance on Public Benefit, when considering the Foundation's objects.

Strategic Report

Sector Convening Activities: Removal of Barriers

Central to the Group strategy is acting as a convenor of our sector, harnessing the Foundation and Service Company's assets, knowledge and networks to catalyse action on addressing the barriers to retrofit at scale.

Sector Skills Development

Building on the launch of the Low Carbon Heating Technician Apprenticeship in 2023 is enabling a substantial step forward to increase the size of the workforce. The apprenticeship provides a support structure for new entrants to start a career installing heat pumps and other low carbon heating technology which will drive recruitment to the sector.

To date 24 training providers have registered for the apprenticeship with the Department of Education, 7 of the training providers have launched the apprenticeship and are actively delivering. Approximately 70 apprentices have been recruited with a significant increase expected over the remaining months of 2025.

We also launched a grants scheme to encourage training providers and employers to invest in the apprenticeship by covering training equipment or other necessities.

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Strategic Report (continued)

Local Area Retrofit Accelerator (LARA)

The Local Area Retrofit Accelerator (LARA) builds on the current hands-on grants programme. The most recent grants round and other previous grants have focused on testing place-based interventions to drive uptake of retrofit. LARA will take this a step further by working with localities to develop and test holistic approaches to scaling up retrofit.

The current programme builds on the previous work and will focus on the challenges for local authorities of retrofit strategy, finance, skills and consumer engagement – treating these key topics not in silos, but as intrinsically linked. It is intended to use this project to build intelligence and partnerships to form the business case for a mass scale retrofit demonstrator project. This will be a learning and development tool for the whole sector.

Four localities were selected by a panel made up of representatives from the Foundation, Ashden, National Retrofit Hub and the UK Green Building Council. The chosen localities are: East Midlands Combined Authority, Hertfordshire County Council, Liverpool Combined Authority and Surrey County Council.

External Affairs

The Foundation is helping to change the policy landscape and accelerate the decarbonisation of our homes, heat and energy through research and engagement with the Government. It commissions reports, conducts literature reviews and uses independent science to form positions, which are then used to help inform policy creation within government.

Current priority areas of work include: the reform of building regulations to support net zero and require domestic renewables in new build; advancing green finance mechanisms; seeking commitments for long-term renewables incentives schemes; and pressing for measures to reduce the cost of electricity to improve the economics of the electrification of heat. In addition, the Foundation is working to demonstrate the case for heat pumps (a readily available technology) to be assumed as the primary solution to the decarbonisation of heat and – central to its founding purpose – to advance the case for standards to be written into regulations and incentive schemes.

On all these topics, the Foundation advanced the case during the year through commissioning research, building evidence, and engaging with industry, academic and Non-Governmental Organisation ("NGO") sector specialists. It also worked to make its evidence available to policy makers and government through responding to consultations, building relationships with civil servants and where appropriate engaging directly with politicians from across the political spectrum.

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Strategic Report (continued)

Grant Funded Projects

The following projects were delivered during the year, all of which are featured on the Foundation's website with links to project outputs and research. The Foundation is a strategic and active grantor, providing funding for initiatives that seek to make or test strategic level interventions in addressing barriers to retrofit at scale, and often acting as an active partner to grantees:

Research & Consumer Information

Property Linked Finance (delivered by Green Finance Institute) – ***work completed during the year:***

Property Linked Finance (PLF) is a financial instrument that supports homeowners to fund up to 100% of the upfront costs of energy efficiency improvements. PLF is not currently available in the UK: however, it would unlock significant benefits. Almost two-thirds of consumers stated they were 'open' or 'likely' to use PLF for energy efficiency improvements – a remarkably positive response to a new financial solution. Since the energy crisis began, 52% of consumers are more likely to use PLF compared to 2021.

This project aims to catalyse the UK's Property Linked Finance market, which will require co-ordinated collaboration across the finance, legal, retrofit, property and public sectors. The project will design and test a 'blueprint' model for UK PLF, raise awareness of this solution across relevant sectors, and encourage UK financial institutions to bring a PLF pilot to market.

Community Capacity Building

Green Live Learning Lab (delivered by Westminster Adult Education Services ("WAES")) – ***work completed during the year:***

The 'Green Live Learning Lab' Project in North Westminster harnesses authentic learning opportunities by bringing together two elements: Family Learning with real-life Sustainability Learning. They are using the local neighbourhood which is undergoing regeneration and retrofit investment as an outdoor classroom to teach sustainability across the generations.

Collaborating with cutting-edge specialists and expert practitioners, WAES are working on renewable energy and low carbon technologies; architects, designers, environmental specialists and building development professionals who are currently undertaking a mix of projects in the area. With much of the environmental industry outpacing the curriculum, this project is a valuable "see it, be it, understand it'' opportunity to bridge this gap. Co-creating a full pack of teaching resources with the local family learners themselves is the main outcome, with a working title of "How to use my neighbourhood to learn about sustainability''. It will also be suitable for participants who do not have English as a first language.

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Strategic Report (continued)

Community Energy Planning (delivered by Centre for Sustainable Energy ("CSE")) – ***work completed during the year:***

The Community Energy Planning project aims to create exemplar policies for other communities to encourage locally led community climate action.

This will be achieved by increasing the amount of renewable energy installed in two local authorities by supporting them to work with local communities, co-producing robust and well-evidenced local energy strategies which are consequently embedded in local plans and by developing a clear template for the wording of local authority policy regarding the development models and ownership structures that should be favoured in local planning policy.

The output of this project is to produce replicable guidance for local authorities across England.

The Big Solar Co-op (delivered by Sharenergy Co-operative Ltd) – ***work completed during the year:***

Seeking to support the expansion of the community renewables sector by taking away some of the barriers faced by volunteer-run local community renewables groups, solar activists are invited to work locally but as part of a UK-wide solar co-op. This will nurture and support the growth of their volunteer base by providing support through training and peer mentoring and breaking down the work into more manageable portions to enable people with less time to participate.

The project aims to also engage 250 active volunteers across 25 local groups, generate 5 new sustainable jobs, create ethical, accessible social investment opportunities raising £25m and save over £300,000 annually on fuel bills for community buildings and social housing.

Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate (delivered by Wealden District Council) – ***work completed during the year:***

Engaging and working with Small and Medium Enterprises ("SMEs") and property owners to accelerate the implementation of renewable and low carbon technology in a multi-tenure industrial estate setting, this project demonstrates a model for rolling out low carbon solutions. This will be achieved through a three-track approach: identifying the barriers preventing SMEs from installing renewable or low carbon technology; raising awareness of the incentives and benefits of installing measures; and providing SMEs with additional, bespoke, technical support to help convert energy audit reports into installed measures and overcome later stage obstacles.

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Strategic Report (continued)

Mass Scale Retrofit

Retrofit Support Service (delivered by Exeter City Council) – ***work started during 2022 and ongoing:***

The Energy Saving Devon partnership (partnership of all Devon councils including Exeter City Council) has been working to develop an innovative, best practice support service for homeowners to enable them to carry out the right retrofit and deliver carbon-savings as well as other benefits as determined by the homeowner.

The funding allows the partnership to launch their Retrofit Advice Service. This will include a Quality Assurance Officer and telephone support service to provide advice on next steps for homeowners in Devon. Once this start-to-finish strategy is evaluated and finalised, methodologies could be adapted, replicated, and used to scale up capacity and delivery across the UK.

Innovative programme design and capacity building for area-based retrofit (delivered by Leeds City Council) – ***work started during 2022 and ongoing:***

All local authorities need to find ways to reduce carbon emissions from homes of all tenures, including more affluent private sector households, to achieve local and national net zero ambitions. However, there are currently no incentives or support systems in place to encourage able-to-pay households to act.

Leeds City Council has been working with the private sector, via the Prime Minister's Business Council, since late 2022 to develop a blueprint to tackle this problem. This is an innovative area-based approach, aiming to design and create a smooth customer journey and new incentives or financial products, largely financed by the private sector, to remove barriers to entry.

Retrofit Supply Chain Pilot: piloting council-led area-based schemes to develop the retrofit supply chain (delivered by Carbon Co-op, Manchester City Council and B4Box) – ***work started during 2022 and ongoing:***

Carbon Co-Op is an energy services and advocacy cooperative that helps people and communities to make the radical reductions in home carbon emissions necessary to avoid runaway climate change. They have set up a partnership with Manchester City Council to pilot an area-based whole house retrofit scheme in Levenshulme, Manchester, which takes a street-by-street approach and is funded through grants or 0% loans. Working collaboratively with a contractor and training provider, B4Box, they will upskill the workforce who will gain immediate practical experience through the project. It will also result in more qualified trainers and the establishment of a key local provider of future retrofit training.

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Strategic Report (continued)

Launch Pad Project (delivered by Somerset Climate Action Network) – *work completed during the year:*

Somerset Climate Action Network ("SCAN") is working with Somerset County Council to help deliver the county's zero carbon aspirations through harnessing skills in the community. This work brings people up to speed with the challenges faced and communicates the most up-to-date information and new findings on both the current climate situation, what is coming in the future and the smartest ways to tackle it at every level, providing case studies of local examples of action.

The project has given people, businesses and communities the tools they need to take action and make smart changes with an aim to develop a county-wide resource for climate action, encompassing scaling up renewable energy generation capacity in liaison with Somerset Community Energy, Zero Carbon projects, energy saving, business, transport and more.

Integrating Skills and Competency in Green / Retrofit through new learning pathways (delivered by Neath Port Talbot Council ("NPT")) – *work completed during the year:*

In response to the skills requirements to deliver the NPT Council led 'Homes As Power Stations', this will deliver a regional skills project across the Swansea Bay City Deal area.

Working with partners in order to develop further education provider readiness to deliver MCS certifiable green skills provision, the Group will provide oversight and strategic support and planning for the project.

Feasibility to support Oxford Rose Hill Community informed retrofit (delivered by Oxford City Council) – *work completed during the year:*

With detailed feasibility work to cost and plan an area specific retrofit pilot project across different tenure/ building types with high levels of community and stakeholder engagement, this pilot project demonstrates retrofit at greater scale than previously delivered in Oxford and tests the delivery model for future replication and expansion in Rose Hill and the rest of Oxford.

The feasibility project's main objective is to develop a business case for a pilot project and set out the optimum way of delivering the pilot and is expected to be followed by a larger-scale retrofitting project, which will learn from the pilot and benefit from the expertise, structures and relationships developed.

Low Carbon Communities ("LCC") (delivered by Stroud District Council) – *work started during 2022 and ongoing:*

The Low Carbon Communities project is the next step in The Retrofit Centre collaboration (one-stop advice/signposting and tools). The project looks to create 'pockets' of high activity, taking a 'learn by doing' approach and making the work visible across communities to nudge the development of social norms around the language and process of retrofit.

Low Carbon Communities is focused on a need to increase private investment in retrofit and, at the same time safeguard and expand affordable warmth work. These two aspects are building blocks towards the provision of wide-spread, end-to-end retrofit services that are rooted in whole house good practice principles of low carbon plans for buildings.

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Strategic Report (continued)

Mass Scale Retrofit Programme (UK Green Building Council) – ***work started during 2023 and ongoing:***

The Foundation and the UK Green Building Council will work together to determine market need through local authority forums, meetings with local area pioneers and second tier authorities to understand what they will need. The funding will be used to develop a regional assessment methodology and an impact/evaluation methodology.

The funding will be used to help create business case templates, financial models, workshops and associated materials to help local areas achieve their retrofit goals.

The following projects were commissioned during the year:

Research & Consumer Information

Optimising ventilation for sustainable retrofitting (delivered by University College London ("UCL")) – ***work started and finished in the year:***

Ventilation plays a critical role in occupant health within buildings, but measuring it accurately is difficult. Insufficient ventilation can lead to poor indoor air quality and mould growth, exacerbating health problems. While ventilation rates can be measured using chemicals known as 'tracer gases,' concerns about their safety and environmental impact remain.

This project investigated methods to assess the safety and suitability of alternative tracer gases. It began with a literature review to build a foundation of existing knowledge on tracer gases and identify gaps in the research. This review informed the criteria for testing new options. The work involved desk-based research and hands-on experiments conducted at UCL Here East. Experimental methods were designed based on existing research, complemented by novel approaches where necessary. A variety of equipment—including an environmental chamber, incubator, microbalance, and photoionisation detectors—was used to test a potential tracer gas.

Heat Pump Installer and Deployment Analysis (delivered by Heat Pump Association) – ***work started and finished in the year:***

The project will update and improve the heat pump installation and capacity forecasts to aid the development of effective policy and projects by a range of stakeholders including government. The project will create a dynamic tool that has the ability to produce updated projections based on the latest data.

The ability to determine how many individuals will be needed over time to deliver the anticipated heat pump roll out is vital to understand whether we are on track, and if not, inform policy design to overcome the challenges which will assist in supporting growth in the installer base.

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Strategic Report (continued)

To establish a new not-for-profit focused on creating an enabling environment for the electrification of heat. (delivered by Subak) – ***work started and finished in the year:***

Running a 16 week research project which will precede and inform the establishment of a new independent single issue not-for-profit organisation focused on the creation of an enabling environment for the electrification of heat. By the end of this period, the new organisation will have a theory of change, business plan, funding strategy, etc. and be ready to launch, start recruiting a team, and secure follow-on funding.

Development & Policy

Political advocacy on low-carbon heat in Scotland (delivered by WWF-UK) – ***work started and finished in the year:***

Clean heat is one of WWF Scotland's key priorities and they work to secure the Scottish Government policies needed to accelerate the widespread adoption of renewable heating and energy efficiency and raise public awareness. WWF Scotland work in this area because the changes required will be noticeable to all and because clean-heat industries are still small relative to incumbents that are pushing high-risk solutions like hydrogen.

Skills & Education

Green Education Program Learning Resources covering one academic term (delivered by Generation C) – ***work started during this year and ongoing:***

The proposed project will embed various elements on the theme of "The Electrification of the Domestic Built Environment" into learning resources, taught by teachers at participating schools, which will enable pupils to begin to develop a clear understanding of the complexities of the elements involved in the subject matter and be exposed to options and opportunities around job roles and how they can contribute to delivering the solutions our society desperately needs.

They also integrate a range of green job roles into the resources; the project will widen pupils' understanding of the vast range of potential green careers open to them when they leave full-time education and move into employment, ranging from "on the tools" and vocational roles to senior management positions across the sector. It will also enable them to make more informed and intelligent decisions regarding future subject options for GCSE, A or T levels, and further develop the required skills to fulfil their chosen career choices.

Mass Scale Retrofit

National Retrofit Hub - Core Funding (delivered by National Retrofit Hub) – ***work started during this year and ongoing:***

Supporting work to capture and communicate the scale and quality of what has been delivered, the methods used, and the stakeholders involved to determine where innovation is needed - with a focus on Energy Performance Certificate ("EPC") reform.

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Strategic Report (continued)

Local Area Retrofit Accelerator, as part of the UK Green Building Council Regenerative Places Programme (delivered by UK Green Building Council ("UKGBC")) – ***work started during this year and ongoing:***

This grant is to support UKGBC in terms of staff time, and some direct costs to enable the UKGBC to continue its strategic partnership with the Foundation to develop the LARA programme and supporting infrastructure.

Activity of the Service Company 2024

2024 has been another good year for the Service Company. The Service Company has built on an exceptional year of growth in 2023 brought about by successfully repositioning the Certification Scheme as the sector's quality assurance, irrespective of MCS being a requirement to access government incentives.

According to data from the MCS Data Dashboard, there were more than 260,000 certified installations in UK homes and small businesses last year, including heat pumps, solar and battery storage. This is a 7% increase compared to 2023, which itself was a record year for installations.

The record-breaking numbers from last year have also taken the total number of certified installations past the 2 million mark, highlighting the nation's growing commitment to renewable technologies for heating and powering homes and businesses.

Heat pumps saw a significant and record-breaking rise in 2024, with almost 60,000 certified installations – a 43% increase on 2023. This milestone brings the total number of certified heat pump installations in the UK to over 275,000. The Boiler Upgrade Scheme ("BUS"), available in England and Wales, and the Home Energy Scotland ("HES") Grant and Loan, available in Scotland, have both played a key part in accelerating growth by making heat pumps more accessible and affordable for homeowners. The initiatives offer grants of up to £7,500 for certified heat pump installations, with the HES Grant & Loan offering to £9,000 for households that qualify for a rural uplift.

Solar PV continues to lead the way as the most popular renewable technology with over 180,000 certified installations recorded last year, while battery storage saw record-breaking numbers with nearly 20,000 certified installations.

Even with this growth in heat pump deployment, there is still a long way to go if we are to reach government ambitions of 600,000 heat pump installations a year by 2028. It's critical that we have a dedicated pathway to develop an army of renewable heating installers with certifiable skills who know how to design and fit low-carbon heating systems to the highest possible standard.

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Strategic Report (continued)

Achievements and Performance

During the year, the Foundation achieved the following;

- Helped facilitate a record year for the sector, with over 260,000 MCS certified installations registered.
- Supported the increase of the Boiler Upgrade Scheme funding for 2024/2025 to ensure that there would be a continuation of the good efforts of the sector.
- Worked with Industry experts to redefine consumer protections in the Microgeneration sector.
- The Low carbon heating technician apprenticeship has started to be delivered by training providers.
- Successfully advocated for 0% VAT for battery storage for existing solar and groundworks associated with ground source heat pumps, and for existing VAT exemptions for domestic renewables to be extended to Northern Ireland.
- Increased the volume of positive media coverage for heat pumps. With the MCS Foundation being quoted through print media and broadcasting media as well as a significant uplift in social media interest.
- The Local Area Retrofit Accelerator programme decided on the first 4 areas to work with and started the workshops to convene the sector in those areas

Financial Review

a) Financial Review Summary

The Foundation made a surplus, after investment losses of £109,712 (2023: investment gains £115,709), of £477,264 (2023: £1,697,596) in the year.

During the year the Foundation's income amounted to £8,769,809 (2023: £8,036,173). The majority of the income related to trading income from the subsidiary of £8,616,242 (2023: £7,840,308). The remainder being income of £153,567 (2023: £145,865) from the investments held, and £nil grant funding (2023: £50,000).

The costs of the Foundation for the year amounted to £8,182,833 (2023: £6,454,286). £1,819,473 (2023: £1,455,170) of expenditure incurred related to costs incurred directly through the Foundation in the delivery of charitable objects. £6,328,581 (2023: £4,966,306) related to trading costs of The MCS Service Company Limited which also advanced delivery of the Foundation's objects around standards.

At 31 December 2024 the Foundation held £4,842,940 (2023: £4,843,037) in investments which includes £50,000 of shares invested in Low Carbon Hub IPS, and £25,000 of shares invested in People Powered Retrofit schemes. £5,330,495 (2023: £4,598,917) was held in cash at bank.

The Foundation's total funds at the year-end amounted to £10,066,051 (2023: £9,588,787).

The significant sum received from The Department for Business, Energy and Industrial Strategy ("BEIS") in the year ended 31 March 2019 (£6,649,610) was intended to fund the Foundation to deliver its charitable objects over a number of years. As such the Trustees are comfortable that in some years, such as 2020, the Foundation may make an operating loss on its charitable activities. In 2024 the Foundation made a surplus, building the fund available to support the delivery of the Foundation's work in the coming years.

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Strategic Report (continued)

b) Reserves Policy

The objective of our reserves policy is to ensure that the Group maintains sufficient cash and readily realisable assets to enable it to withstand any shortfall in income or unforeseen expenditure while any necessary adjustments are made to the Group's operations. In 2020 and 2021, our reserves enabled us to respond to the impact of the pandemic in a measured way, without having to rush serious decisions that will have a long-term effect on the future of the group and its activities.

The appropriate basis for the Foundation's reserves policy is managed cash and investments, rather than accounting reserves as reflected in the Group's consolidated balance sheet.

Group managed cash and Investments	2024 £000	2023 £000
Investments	4,843	4,843
Cash and short-term deposits	5,330	4,598
Exclusions*	(75)	(75)
Total	10,098	9,366

*Exclusions consist of mixed motive investments that are considered illiquid.

The Trustees' minimum expectation is to maintain sufficient managed cash and investments to fund at least three months of annualised forecast gross cash outflows.

The total managed cash and investments at 31 December 2024 was £10.1m, which represents about 9 months of budgeted cash outflows for 2025. All funds held are unrestricted. The Trustees are comfortable with holding a large reserves balance as it is heavily reliant on the trading profits of the subsidiary being its main source of income, funding its grant making and operational outflows. Should the trading subsidiary experience disruptions to operations, the Foundation will look to rely on its reserves to fund its operational activities in the short term. The Trustees designated funds in 2024 totalling £2,314,475, £314,475 was designated for grants approved but that have not yet reached milestones and £2m was designated for future LARA projects (2023: £nil).

The Group is budgeting to spend on average £841k cash per month during 2025, a total in the region of £10.1m for the year.

c) Principal Funding

The Foundation's principal funding is the transfer of £6,649,610 received from BEIS, as well as the investment income received which is derived from holding the transferred funds for investment purposes. Ongoing funding is received in the form of the trading surpluses from the operation of the MCS Scheme under The MCS Service Company Ltd.

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Strategic Report (continued)

d) Fundraising Policy

The Trustees take their responsibility under Charities (Protection and Social Investment) Act 2016 seriously and have considered the implications on their activities. The Foundation has not to date engaged in public fundraising work, and future fundraising and financial partnership work is likely to be with other Foundations and institutions. The Foundation does not actively raise funds or solicit donations directly from the general public. The Foundation does not work directly with commercial sponsors in relation to fundraising. The Trustees are not aware of any complaints made in respect of fundraising during the period.

Investment Policy and Performance

The majority of the proceeds received as a result of the novation (historical profits of the MCS Scheme) are held in an investment portfolio with Rathbone Greenbank (£4 million was invested).

The Board of Trustees has reviewed and agreed the Foundation's Investment Policy Statement which is the mandate to which the Investment Managers hold the funds on behalf of the Foundation. The Investment Policy Statement states that the funds invested in a way that maximises the return within the context of taking only moderate risk and a likely investment horizon of up to ten years. In addition, the Policy, which was reviewed during the year, includes some clear ethical parameters including avoiding investments in fossil fuels.

The performance of the Investment Portfolio and Managers are scrutinised at the Foundation's Board meetings.

At 31 December 2024, the market value of investment held amounted to £4,767,940 (2023: £4,768,037). During the year the investments yielded investment income of £151,085 (2023: £145,012) and unrealised investment capital losses of £109,712 (2023: investment gains of £115,709).

During 2020 the Foundation entered into a social investment partnership with crowdsourcing platform Ethex, which raises investment funding for ethical and green projects such as renewable energy installations. These investments are mixed motive, in that they help advance the Foundation's objects and will be expected to bring a financial return. Ethex carries out due diligence on potential projects which is then further scrutinised by Trustees before investments are made.

Trustees judged that this partnership enables the Foundation to show leadership in the sector in how capital funds can help directly advance the charitable mission, while also diversifying the Foundation's investment portfolio in a way that is judged to reduce risk. To date, two such investments have been made totalling £75,000 (2023: £75,000) with other potential projects to be reviewed as and when they are put forward by Ethex.

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Strategic Report (continued)

Plans for the Future

The Group Strategic Plan for 2025 builds on the refreshed strategy adopted in late 2021. As well as the ongoing enhancement of the MCS scheme and how it serves installers and consumers, the strategy seeks to harness all the group's assets to maximise the Foundation's role as a convenor in the sector. Specific aims for 2025 include:

- Complete the findings for the first four Local Area Retrofit Accelerator (LARA) pilot projects, working with key stakeholders in localities to address barriers to retrofit at scale, on topics such as skills, finance and consumer information.
- Support the introduction of a Future Homes Standard that requires renewable technologies to be installed in new build and develop a business model for the expansion of MCS standards into new build.
- Advocate for measures to reduce the cost of electricity – including the moving of environmental tariffs into general taxation – to incentivise the electrification of heat.
- Work with the Green Finance Institute to support the trial and roll out of Property Linked Finance for energy efficiency and domestic renewables, including advocating for any required political/legislative support.
- Advocate on behalf of the domestic renewables sector: for example, in the promotion of heat pumps as the established technology for decarbonising heating.
- Support the continued roll out of the Low Carbon Heating Technician Apprenticeship and further build wider plans for recruitment and engagement into the sector, including of young people.
- Use the Foundation's grants programme to drive innovation in addressing barriers to retrofit at scale, acting as an active partner with grantees and sharing learning from grants within the sector.
- Build partnerships with other funders to increase the funding available for interventions arising from the LARA pilots.
- Further deliver on the objective to simplify the compliance model related to the MCS Scheme, for the benefit of installers and the public.
- Broaden the MCS Scheme's existing standards development and maintenance processes to allow for the structured assessment of opportunities for new Standards, working with stakeholders to address areas of interest that might require relevant standards.

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Strategic Report (continued)

Service Company Plans for 2025

Building on the Service Company's significant achievements in 2024, the Service Company's primary goal for 2025 remains the achievement of its vision 'To see certified products and installations in every UK home and community', and as a result achieve critical carbon savings from a change to the way we heat and power our homes and businesses. Success in this regard is dependent on maintaining the relevance and effectiveness of the Microgeneration Certification Scheme ("the Scheme").

The Service Company continues to invest time and money into the Scheme, delivering on projects for Standards Simplification, Sector Skills and Installation Scheme Redesign. Taken together, these have helped reposition the Scheme for the future. The Service Company plans for 2025 will support ongoing growth of the sector, delivered primarily through continued growth in the UK's heat pump market, further complemented by growth in solar panels and battery storage.

In 2025, the strategic objectives of the Service Company and its related investments, will focus on the achievement of the following goals:

1. Launch of the new Scheme
Following the outcomes determined through public consultation in 2023 the Service Company launched its new Scheme in January 2025, working with certification bodies and installers to trial aspects of the Scheme before launch. Installers and certification bodies will be being brought onto the new Scheme through 2025 and the start of 2026.

One of the biggest changes in the new Scheme is to deploy risk-based assessments. Contractors that maintain compliance with the Standards will be rewarded with a lower frequency of assessment. Those considered of elevated risk of non-compliance, will attract more on-site assessments. This will increase the protection of consumers.

2. Reset consumer protections
Research undertaken at the end of 2021 and early 2022 presents clear evidence that the sector's protections fall short of a consumer's primary need to 'de-risk' their adoption of small-scale renewables. These findings and associated conclusions were published in the report 'Consumer Protection in Small-Scale Renewables' in December 2022.

Over the course of 2024, the Service Company worked with the industry and experts in the field to redefine the Scheme's consumer protections. As a result, the Service Company is targeting increased consumer confidence, and a consultation was launched in April 2025 proposing changes to financial protection requirements. The Service Company is working with experts in insurance and warranties to ensure there is competition to offer this increased protection.

3. Digitalisation

In readiness for the consumer protection role MCS will play under the new Scheme, and further predicted growth in the base of certified Installers and the contact MCS wishes to have with them, and to facilitate a deeper engagement with consumers, the Service Company will continue its investment in systems that allow for greater coordination of Scheme communications without necessitating a more significant increase in Service Company headcount.

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Trustees' Responsibilities Statement

The Trustees (who are also directors of MCS Charitable Foundation for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial period. Under company law the Trustees 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 charitable company and of the income and the expenditure of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP.
- make judgments and accounting estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable service company's transactions and disclose with reasonable accuracy with any time the financial position of the charitable service company 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 charitable service company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

We, the Trustees of the Foundation, who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditors are unaware; and

- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In approving the Trustees' Annual Report, we also approve the Strategic Report included therein, in our capacity as company directors.

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Auditors

Saffery LLP were re-appointed as auditor to the Group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

This report was approved by the Trustees on 10 July 2025 and signed on their behalf.

Signed by:
791F4130DD93471...

Fabio Silva Nehme
Chair, Board of Trustees

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MCS Charitable Foundation

Independent auditor's report to the Members and Trustees of MCS Charitable Foundation For the year ended 31 December 2024

Opinion

We have audited the financial statements of MCS Charitable Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2024 which comprise the consolidated statement of financial activities, consolidated balance sheet, charity balance sheet, consolidated cash flow statement and notes to the financial statements, including 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 affairs of the group and the parent charitable company as at 31 December 2024 and of the group's incoming resources and application of resources, including its income and expenditure, 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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.

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Other information (continued)
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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 trustees' report which includes the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report which includes the directors' report and the strategic report 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 charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees
As explained more fully in the Statement of Trustees' Responsibilities set out on page 19, the trustees (who are also the directors of the parent charitable company for the purposes of company law) 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 trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable 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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006, guidance issued by the Charity Commission for England and Wales and relevant employee and tax legislation.

Audit response to risks identified:
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

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During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the parent charitable 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 parent charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
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Cara Turtington (Senior Statutory Auditor)
for and on behalf of Saffery LLP

10 July 2025

71 Queen Victoria Street
London
EC4V 4BE

Statutory Auditors

Date: 10 July 2025

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MCS Charitable Foundation

Consolidated statement of financial activities (including the income and expenditure account)
For the year ended 31 December 2024

	Notes	Year ended 31 December 2024 Unrestricted funds	Year ended 31 December 2023 Unrestricted funds
		£	£
Income from:			
Other trading activities	**3**	8,616,242	7,840,308
Charitable activities	**4**	-	50,000
Investments	**5**	153,567	145,865
Total income		8,769,809	8,036,173
Expenditure on:			
Raising funds:			
Other trading activities	**3**	6,328,581	4,966,306
Fundraising activities	**6**	34,779	32,810
Charitable activities	**7**	1,819,473	1,455,170
Total expenditure		8,182,833	6,454,286
Net income before investment movement		586,976	1,581,887
Net (losses)/gains on investments	**13**	(109,712)	115,709
Net income and movement in funds		477,264	1,697,596
Reconciliation of funds:			
Total funds brought forward		9,588,787	7,891,191
Total funds carried forward		10,066,051	9,588,787

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 29 to 44 form part of these financial statements.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

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MCS Charitable Foundation

Consolidated balance sheet as at 31 December 2024

	Notes	2024 £	2024 £	2023 £	2023 £
Fixed assets					
Tangible assets	**12**		208,090		216,155
Investments	**13**		4,842,940		4,843,037
			5,051,030		5,059,192
Current assets					
Debtors	**14**	959,515		1,113,687	
Cash at bank and in hand		4,735,819		3,558,932	
Cash held in current asset investment		594,676		1,039,985	
		6,290,010		5,712,604	
Creditors: amounts falling due within one year	**15**	(1,214,989)		(1,114,909)	
Net current assets			5,075,021		4,597,695
Total assets less current liabilities			10,126,051		9,656,887
Creditors: amounts falling due within one year					
Other creditors	**16**	-		(8,100)	
Provisions for liabilities	**19**	(60,000)		(60,000)	
			(60,000)		(68,100)
Net assets			10,066,051		9,588,787
Funds					
Unrestricted funds					
General fund	**17**	7,751,576		9,588,787	
Designated funds	**17**	2,314,475		-	
			10,066,051		9,588,787
Total funds			10,066,051		9,588,787

10 July 2025

The financial statements were approved and authorised for issue by the Board of Trustees on ..... and were signed on its behalf by:

Signed by:
.....
791F4130DD93471...

Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

Date: 10 July 2025

The notes on pages 29 to 44 form part of these financial statements.

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MCS Charitable Foundation

Charity balance sheet as at 31 December 2024

	Notes	2024 £	2024 £	2023 £	2023 £
Fixed assets					
Tangible assets	**12**		11,243		1,442
Investments	**13**		4,842,940		4,843,037
			4,854,183		4,844,479
Current assets					
Debtors	**14**	52,909		43,408	
Cash at bank and in hand		1,680,785		165,746	
Cash held in current asset investment		594,676		1,039,985	
		2,328,370		1,249,139	
Creditors: amounts falling due within one year	**15**	(77,201)		(131,783)	
Net current assets			2,251,169		1,117,356
Total assets less current liabilities			7,105,352		5,961,835
Creditors: amounts falling due over one year	**16**		-		(8,100)
Net assets			7,105,352		5,953,735
Funds					
Unrestricted funds					
General fund	**17**	4,790,877		5,953,735	
Designated funds	**17**	2,314,475		-	
			7,105,352		5,953,735
Total funds			7,105,352		5,953,735

As permitted by Section 408 of the Companies Act 2006 no separate Statement of Financial Activities for the charity alone has been presented. The net surplus of the parent company charity for the year was £1,151,617 (2023: £814,733).

The financial statements were approved and authorised for issue by the Board of Trustees on 10 July 2025 and were signed on its behalf by:

Signed by:

…… Date: 10 July 2025

Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

The notes on pages 29 to 44 form part of these financial statements.

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MCS Charitable Foundation

Consolidated cash flow statement
For the year ended 31 December 2024

	Notes	2024 £	2024 £	2023 £	2023 £
Cashflow from operating activities					
Net cash flow provided by operating activities	**21**		751,556		1,719,823
Cashflow from investing activities					
Purchase of tangible fixed assets		(65,750)		(73,102)	
Proceeds from disposal of tangible fixed assets		1,820		3,130	
Purchase of investments		(1,439,555)		(1,680,450)	
Proceeds on disposal of investments		1,329,940		1,579,866	
Income received from investments		153,567		145,865	
Net cash generated used in investing activities			(19,978)		(24,691)
Net increase in cash and cash equivalents			731,578		1,695,132
Cash and cash equivalents at beginning of year			4,598,917		2,903,785
Cash and cash equivalents at end of year			5,330,495		4,598,917
Relating to:					
Cash held in bank			4,735,819		3,558,932
Cash held in current asset investment			594,676		1,039,985
			5,330,495		4,598,917

The notes on pages 29 to 44 form part of these financial statements.

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1 Accounting policies

Company information

MCS Charitable Foundation is a charity incorporated as a company limited by guarantee in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The registered office is First Floor Violet 3 Sci-Tech Daresbury, Keckwick Lane, Warrington, Cheshire, England, WA4 4AB.

1.1 Accounting convention

The financial statements have been prepared in accordance with the accounting policies set out below, the Companies Act 2006 and the second edition of the Charities SORP (FRS 102) "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value.

The charity meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The group financial statements incorporate the financial statements of the parent charitable company and its subsidiary undertaking for the year ended 31 December 2024.

1.2 Going concern

Having considered the working capital requirements of the charity and group alongside cash flow projections, budgets and the cash available within the business, the Trustees believe that the charity will continue in existence for at least twelve months following the approval of these financial statements. The group had a strong cash balance of £5,330,495 as at 31 December 2024. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity unless the funds have been designated for other purposes.

1.4 Income

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income, after any performance conditions have been met, when the amount can be measured reliably and when it is probable that the income will be received.

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Income from other trading activities includes income earned through the subsidiary MCS Service Company from income received in exchange for supplying services in order to raise funds and is recognised when entitlement has occurred.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest. Interest income is recognised when receivable and dividend income is recognised as the charity's right to receive payment is established.

1.5 Expenditure

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Expenditure on charitable activities includes staff and administration costs; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

Trading expenditure is costs incurred by the Service Company in undertaking its activities.

1.6 Tangible fixed assets

Expenditure on the acquisition of individual tangible fixed assets that cost more than £1,000 are capitalised at cost and subsequently measured at cost, net of depreciation and any impairment losses. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	20% per annum straight line basis
Plant and equipment	25% per annum straight line basis
Office equipment	20% per annum straight line basis
Computer equipment	25% per annum straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

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1.7 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.8 Investments

Publicly traded investments, or those where fair value can otherwise be measured reliably, are measured at fair value at each balance sheet date, with changes in fair value recognised in 'net gains/(losses) on investments' in the SoFA.

Mixed motive investments in the form of ordinary or preference shares are initially measured at the transaction price of those shares and subsequently at its fair value if this can be measured reliably. Where this is not possible it is measured at cost less impairment. Mixed motive investments will be reviewed for impairment annually.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Operating leases

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure on a straight-line basis over the term of the relevant lease.

1.14 Taxation

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010. It therefore meets the definition of a charitable company for UK corporation tax purposes and consequently no provision has been made for either corporation tax or deferred tax.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The key areas of the financial statements that we consider to be subject to estimation or judgement are as follows:

Investments

The accounting policies for investments and mixed motive investments are disclosed in note 1.8.

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3 Income and expenditure from other trading activities

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Service Company income	8,616,242	7,840,308
Service Company expenditure	(6,328,581)	(4,966,306)
	2,287,661	2,874,002

MCS Charitable Foundation has 100% control of The MCS Service Company Ltd (company registration no. 07759366), a company registered by guarantee and whose registered office is First Floor Violet 3 Sci Tech Daresbury, Keckwick Lane, Warrington, Cheshire, England, WA4 4AB. The subsidiary year end is 31 December 2024.

The company's activities comprise certification of microgeneration technologies used to produce electricity and heat from renewable sources. The summary financial performance of the subsidiary alone for the year ended 31 December 2024 is as follows:

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Turnover	8,561,627	7,713,694
Administrative expenses	(6,471,896)	(5,055,670)
Other operating income	54,615	148,516
Profit/(loss) before taxation	2,144,346	2,806,540
Gift aid payment to MCS Charitable Foundation	(2,818,699)	(1,923,671)
Net profit/(loss) for the year	(674,353)	882,869
Fixed assets	196,850	214,713
Current assets	3,965,123	4,464,064
Current liabilities	(1,141,272)	(983,723)
Provisions for liabilites	(60,000)	(60,000)
Net assets	2,960,701	3,635,054

4 Income from charitable activities

	Group	
	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Government grant	-	50,000
	-	50,000

Government grant income relates wholly to a grant received by the subsidiary, issued by the Greater London Authority.

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5 Income from Investments

	Group	
	Year ended 31 December 2024	**Year ended 31 December 2023**
	£	**£**
Dividends from investments	151,085	145,012
Bank interest received	2,482	853
	153,567	145,865

6 Cost of generating funds

	Group	
	Year ended 31 December 2024	**Year ended 31 December 2023**
	£	**£**
Investment manager fees	34,779	32,810

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7 Expenditure on charitable activities

	Group Year ended 31 December 2024	Year ended 31 December 2023
	£	£
Project management and delivery costs*	557,951	685,765
Support costs		
Staff costs	658,850	388,497
Travel costs	66,147	38,400
Accountancy fees	7,140	5,100
Legal fees	18,762	2,416
Other costs	364,008	264,842
Governance costs		
Trustees' expenses	11,246	14,379
Legal fees	25,435	16,385
Consultancy costs	1,885	8,529
Audit fees**	12,656	14,680
Other costs		
Consultancy costs	95,393	16,179
	1,819,473	1,455,170

*The total project management and delivery costs of the group in the period are listed below. Grants are only awarded to institutions, not individuals, and details of grant recipients are included in brackets below.

** The audit fees for The MCS Service Company Ltd are included within other trading expenditure.

	Year ended 31 December 2024		Year ended 31 December 2023	
Project management and delivery costs	**Grants** £	**Programmes** £	**Grants** £	**Programmes** £
Development and Policy				
Accelerator Cities *(UK Green Building Council)*	-	-	10,000	-
Standards Investment *(The MCS Service Company Ltd)*	-	-	-	4,380
Political advocacy on low-carbon heat in Scotland *(WWF UK)*	29,745	-	-	-
Retrofit system map *(Dark Matter Laboratories Ltd)*	-	22,320	-	-
Community Capacity Building				
Zero Carbon Parish Planning Tool *(Westminster City Council)*	16,830	-	30,000	-
Accelerating Local Response *(Ashden)*	-	-	4,066	-
Launch Pad Network *(Somerset Climate Action Group)*	-	-	10,000	-
Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate *(Wealden District Council)*	-	-	8,100	
Big Solar Coop *(Sharenergy Cooperative)*	15,600	-	12,000	-

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7 Expenditure on charitable activities (continued)

	Year ended 31 December 2024		Year ended 31 December 2023	
	Grants	**Programmes**	**Grants**	**Programmes**
	£	**£**	**£**	**£**
Community Energy Planning *(Centre for Sustainable Energy)*	-	-	27,500	-
Community Energy Planning *(South East London Community Energy)*	7,500	-	7,500	-
Community Energy Planning *(Community Energy England)*	-	-	5,900	-
One Stop Shop *(Regen SW)*	-	-	-	16,920
The Local Grid Challenge *(Regen SW)*	-	300	-	67,560
UKGBC grant activity branding *(Sabroso Ltd)*	-	1,260	-	-
Research and Consumer Information				
Value of Solar Homes *(Solar Trade Association)*	-	-	13,823	-
Heat Pumps Now *(Carbon Co-op)*	-	-	10,000	-
MP Survey *(You Gov Plc)*	-	4,656	-	15,825
University of Oxford	-	-	30,000	-
Cornwall Insight Limited	-	-	-	17,400
Property Linked Finance *(Green Finance Institute)*	15,000	-	60,000	-
New Build Analysis *(Think Three Ltd)*	-	(3,240)	-	15,120
One Stop Shop *(Dr Catrin Maby OBE)*	-	-	-	4,637
One Stop Shop *(Living Places Earth Advisers Ltd)*	-	2,700	-	12,240
Retrofit Research *(SE2 Ltd)*	-	-	-	7,200
Heat Pump Installer and Deployment Analysis *(Heat Pump Association)*	30,000	-	-	-
Optimising ventilation for sustainable retrofiting *(University College London)*	3,738	-	-	-
A new not-for-profit focus on creating an enabling environment for the electrification of heat *(Subak)*	50,000	-	-	-
GetAHeatPump website *(NESTA)*	-	26,100	-	-
Skills and Education				
Association of Decentralised Energy	-	-	24,500	-
Green Apprenticeships Research 2023/24 *(Shift Insight Limited)*	-	16,014	-	15,294
Green Education Program Learning Resources covering one academic term *(Generation C)*	14,550	-	-	-
LCHTA training materials *(NOCN)*	-	2,700	-	-
LCHTA curriculum development *(SDN Enterprises Ltd)*	-	2,760	-	-
Green Finance				
Conservatives Environment Network	-	-	-	7,800
Mass Scale Retrofit				
Retrofit Support Service *(Exeter City Council / Devon County Council)*	35,000	-	20,000	-
Innovative programme design and capacity building for area-based retrofit *(Leeds City Council)*	-	-	25,000	-

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7 Expenditure on charitable activities (continued)

	Year ended 31 December 2024		Year ended 31 December 2023	
	Grants	**Programmes**	**Grants**	**Programmes**
	£	**£**	**£**	**£**
Retrofit Supply Chain Pilot *(Carbon Coop - The Society for the Reduction of Carbon Limited and Manchester City Council)*	-	-	30,000	-
Integrating Skills and Competency in Green / Retrofit through new learning pathways *(Neath Port Talbot council)*	16,250	-	40,000	-
Oxford Rose Hill Community informed retrofit *(University of Oxford)*	8,000	-	12,000	-
Retrofit Somerset *(Somerset Climate Action Group)*	10,000	-	40,000	-
Low Carbon Communities *(Stroud District Council)*	20,000	-	45,000	-
MSR Programme *(UK Green Building Council)*	26,000	-	30,000	-
Advancing Net Zero *(UK Green Building Council)*	-	-	-	6,000
EPC Reform *(National Retrofit Hub)*	37,500			
Local Area Retrofit Accelerator, as part of the UKGBC Regenerative Places Programme *(UK Green Buidling Council)*	42,000	-	-	-
LARA - *Facilitation service (The Collaborate I CIC)*	-	69,708	-	-
LARA Pilot evaluation consultancy *(Jennifer Oatley)*	-	3,250	-	-
LARA system map *(CAG Consultants)*	-	20,942	-	-
LARA Support Costs	-	1,121	-	-
Creating good local retrofit jobs report *(Ashden Climate Solutions)*	-	8,971	-	-
Mass Scale Retrofit - Local Authority Support Costs	-	675	-	-
	377,713	180,238	495,389	190,376
	557,951		**685,765**	

8 Net income/(expenditure) for the year

Net income/(expenditure) for the year is stated after charging:

	Year ended 31 December 2024	Year ended 31 December 2023
	£	**£**
Audit fees	27,650	26,850
Depreciation	71,995	61,217

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9 Auditor's remuneration

	Year ended 31 December 2024 £	Year ended 31 December 2023 £
Fees payable to the charity's auditor for the audit of the charity's annual accounts	10,300	10,000
Fees payable to the charity's auditor for other services:		
Audit of the charity's subsidiary	17,350	16,850
Accounts preparation	6,450	6,250
Taxation compliance services	1,675	3,125
All other non-audit services	-	4,500
	35,775	40,725

10 Trustees' and key management personnel remuneration and expenses

The trustees neither received nor waived any remuneration during the year ended 31 December 2024 (2023: £Nil).

The aggregate remuneration to key management personnel for services to the foundation amounted to £462,993 (2023:375,698)

Trustees' expenses were reimbursed or paid directly on their behalf during the year for travel, hotels and subsistence to five (2023: three) trustees amounting to £11,246 (2023: £6,249).

11 Employees

The average monthly number of employees during the year was as follows:

	Group Year ended 31 December 2024 Number	Year ended 31 December 2023 Number
	76	66

The total staff costs and employee benefits were as follows:

	Group Year ended 31 December 2024 £	Year ended 31 December 2023 £
Wages and salaries	3,160,218	2,371,002
Social security costs	361,665	244,257
Other pension costs	253,397	185,836
	3,775,280	2,801,095

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11 Employees (continued)

The number of employees receiving total employee benefits (excluding employer pensions costs and employers NI) of more than £60,000 were as follows:

	Group	
	Year ended 31 December 2024 Number	**Year ended 31 December 2023 Number**
£60,001 - £70,000	7	2
£80,001 - £90,000	3	-
£90,001 - £100,000	-	1
£110,001 - £120,000	-	1
£120,001 - £130,000	1	1
£130,001 - £140,000	1	-

The group made termination payments totalling £33,851 (2023: £25,560) in the period in respect of 2 (2023: 1) employees.

12 Tangible fixed assets

Group	**Leasehold improvements £**	**Plant and equipment £**	**Office equipment £**	**Computer equipment £**	**Total £**
Cost					
At 1 January 2024	195,332	9,400	27,629	75,104	307,465
Additions	19,588	-	-	46,162	65,750
Disposals	-	-	-	(8,875)	(8,875)
At 31 December 2024	214,920	9,400	27,629	112,392	364,340
Depreciation					
At 1 January 2024	57,680	1,371	5,707	26,552	91,310
Charge for the year	41,025	2,350	5,526	23,094	71,995
Eliminated via disposal	-	-	-	(7,055)	(7,055)
At 31 December 2024	98,705	3,721	11,233	42,591	156,250
Net book value					
At 31 December 2024	116,215	5,679	16,396	69,800	208,090
At 31 December 2023	137,652	8,029	21,922	48,552	216,155

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12 Tangible fixed assets (continued)

Charity	**Computer equipment**
	£
Cost	
At 1 January 2024	1,648
Additions	12,395
At 31 December 2024	14,043
Depreciation	
At 1 January 2024	206
Charge for the year	2,594
At 31 December 2024	2,800
Net book value	
At 31 December 2024	11,243
At 31 December 2023	1,442

13 Fixed asset investments (Group and Charity)

	2024	**2023**
	£	**£**
Listed investments	4,767,940	4,768,037
Mixed motive investments*	75,000	75,000
	4,842,940	4,843,037

	Mixed motive investments	**Listed investments**	**Total**
	£	**£**	**£**
Valuation			
At 1 January 2024	75,000	4,768,037	4,843,037
Additions	-	1,439,555	1,439,555
Disposals	-	(1,329,940)	(1,329,940)
Loss on revaluation	-	(109,712)	(109,712)
At 31 December 2024	75,000	4,767,940	4,842,940

* The mixed motive investment consists of shares purchased in Low Carbon Hub IPS and People Powered Retrofit.

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13 Fixed asset investments (Group and Charity) (continued)

Listed investments at fair value comprise:

	2024 £	2023 £
Fixed interest	1,865,759	1,974,331
UK equities	1,127,957	1,002,129
Overseas equities	1,218,800	1,230,844
Alternatives	492,166	510,660
Cash within investment portfolio	63,258	50,073
	4,767,940	4,768,037

The charity also holds an investment in its subsidiary undertaking, The MCS Service Company Ltd, at a value of £nil (2023 - £nil) as no consideration was paid for this investment. Further details of The MCS Service Company Ltd's activities for the year are included in note 3.

14 Debtors

	Group		*Charity*	
	2024	2023	2024	2023
Amounts falling due within one year:	£	£	£	£
Trade debtors	554,469	650,888	-	-
Other debtors	30,638	56,281	-	-
Prepayments and accrued income	374,407	406,518	52,909	43,408
	959,515	1,113,687	52,909	43,408

15 Creditors: amounts falling due within one year

	Group		*Charity*	
	2024	2023	2024	2023
	£	£	£	£
Trade creditors	182,059	286,762	29,369	41,420
Amounts due to subsidiary undertakings	-	-	3,491	599
Other taxation and social security	466,188	304,716	18,678	-
Other creditors	52,210	88,723	-	-
Accruals and deferred income*	514,533	434,708	25,663	89,764
	1,214,989	1,114,909	77,201	131,783

* Accruals and deferred income includes the following movements in deferred income:

	Group	
	2024	2023
	£	£
Deferred income		
At 1 January	154,575	116,025
Released in the year	(154,575)	(33,945)
Deferred in the year	416,340	72,495
At 31 December	416,340	154,575

The Charity had no deferred income in the current or prior year.

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16 Creditors: amounts falling due over one year

	Group		*Charity*	
	2024	**2023**	**2024**	**2023**
	£	**£**	**£**	**£**
Other creditors	-	8,100	-	8,100
	-	8,100	-	8,100

17 Fund reconciliation

Movement in funds (Group)

	At 1 January 2023	**Incoming resources**	**Outgoing resources**	**Transfers/ Gains**	**At 31 December 2023**
	£	**£**	**£**	**£**	**£**
Unrestricted funds	7,891,191	8,036,173	(6,454,286)	115,709	9,588,787
	7,891,191	8,036,173	(6,454,286)	115,709	9,588,787

	At 1 January 2024	**Incoming resources**	**Outgoing resources**	**Transfers/ Gains**	**At 31 December 2,024**
	£	**£**	**£**	**£**	**£**
Unrestricted funds	9,588,787	8,769,809	(8,182,833)	(2,424,187)	7,751,576
Designated funds					
Local Area Retrofit Accelerator	-	-	-	2,000,000	2,000,000
Grants awarded not paid	-	-	-	314,475	314,475
	9,588,787	8,769,809	(8,182,833)	(109,712)	10,066,051

Movement in funds (Charity)

	At 1 January 2023	**Incoming resources**	**Outgoing resources**	**Transfers/ Gains**	**At 31 December 2023**
	£	**£**	**£**	**£**	**£**
Unrestricted funds	5,139,002	2,209,310	(1,510,285)	115,708	5,953,735
	5,139,002	2,209,310	(1,510,286)	115,708	5,953,735

	At 1 January 2024	**Incoming resources**	**Outgoing resources**	**Transfers/ Gains**	**At 31 December 2024**
	£	**£**	**£**	**£**	**£**
Unrestricted funds	5,953,735	3,115,581	(1,854,251)	(2,424,187)	4,790,877
Designated funds					
Local Area Retrofit Accelerator	-	-	-	2,000,000	2,000,000
Grants awarded not paid	-	-	-	314,475	314,475
	5,953,735	3,115,581	(1,854,251)	(109,712)	7,105,352

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18 Obligations under operating leases (Group)

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	2024 £	2023 £
Within one year	105,987	105,987
Between two and five years	167,529	273,516
	273,516	379,503

The Charity had no operating lease commitments in the current or prior year.

19 Provisions (Group)

At the year end, the group had a provision for dilapidations relating to the office lease.

	2024 £	2023 £
Dilapidations	60,000	60,000
	60,000	60,000

The Charity had no provisions in place in the current or prior year.

20 Related party transactions

During the year the following transactions took place between the Charity and its wholly owned subsidiary:

-The Charity paid £50,447 (2023: £25,828) to The MCS Service Company Ltd for project management and delivery costs.
-The Charity recharged £141,027 (2023: £84,543) of expenses to The MCS Service Company Ltd.
-The MCS Service Company Ltd made a donation of £2,818,699 (2023: £1,923,671) to the Charity under Gift Aid.

At the year end, the Charity owed The MCS Service Company Ltd £3,491 (2023: £599)

During the year £90,000 (2023: £105,000) was paid to Solar Trade Association for whom trustee Gareth Williams is a Director, and £nil (2023: £19,500) of sales were made to Caplor Energy Limited, a company owned by Gareth Williams. As at 31 December 2024 there were no balances outstanding and the amounts paid/received in the financial year were on an arms length basis.

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21 Reconciliation of net income to net cash flow from operating activities

	Group 2024 £	2023 £
Net income for the reporting period (as per the statement of financial activities)	477,264	1,697,596
Adjustments for:		
Investment income	(153,567)	(145,865)
Losses / (Gains) on investments	109,712	(115,709)
Depreciation and impairment of tangible fixed assets	71,995	61,217
Movements in working capital:		
Decrease / (Increase) in debtors	154,172	(152,228)
Increase in creditors	91,980	374,814
Net cash flow from operating activities	751,556	1,719,823

MCS CHARITABLE FOUNDATION

England & Wales - Charity number 1165752

Accounts

DocuSign Envelope ID: 22D3FB05-FA40-4041-ACB1-D902A87CACEF

Company Registration No. 10119873

Charity Registration No. 1165752

MCS Charitable Foundation

Trustees' Report and Consolidated Financial Statements for the year ended 31 December 2023

THE MCS FOUNDATION

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MCS Charitable Foundation

Charity reference and administrative details

Trustees	Sandra Elizabeth Walmsley Fabio Silva Nehme (Chair) Karen Anne Shearer (Vice Chair) Mary Ethna Black (Appointed 1 February 2024) Sarah Kate Gosling (Appointed 1 February 2024)
Chief Executive Officer	Adrian Ramsay
Charity Number	1165752
Company Number	10119873
Registered office	First Floor Violet 3 Sci-Tech Daresbury Warrington United Kingdom WA4 4AB
Auditor	Saffery LLP 71 Queen Victoria Street London EC4V 4BE
Solicitor	Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
Bank	CAF Bank Limited 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
Investment advisors	Rathbones Investment Management Limited 10 Queen Square Bristol BS1 4NT

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MCS Charitable Foundation

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MCS Charitable Foundation

Trustees' report (including statement of trustees' responsibilities)
For the year ended 31 December 2023

The Trustees (who are also directors of the MCS Charitable Foundation for the purposes of the Companies Act) present their annual report together with the audited consolidated financial statements of MCS Charitable Foundation ("the Foundation") for the period 1 January 2023 to 31 December 2023.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2019.

Origins and History of the Foundation

The Microgeneration Certification Scheme (MCS) plays an important part in the growth of the installation of renewables in homes and small businesses.

It was set up by the Government in 2008 to certify buildings-scale renewable electricity and heat products and installers, to provide assurance to consumers about the quality and standard of their installation.

The Government transferred the assets comprising MCS, as well as the MCS Fund (the historical profits from the operation of the scheme), to the Foundation on 25 April 2018.

During the year the Foundation changed its trading name to The MCS Foundation.

The MCS Service Company Limited ("the Service Company") now operates as a trading arm of the Foundation. Surplus income from the Service Company is added to the Foundation funds.

The Foundation aims to fulfil a number of charitable objects, including;

- educating the public about;
- promoting research about;
- improving the quality of;
- supporting the development of standards for; and
- raising confidence and consumer awareness of renewable energy and low carbon technologies.

These objects sit within the Foundation's overall vision to make every UK home carbon free.

The Foundation's mission is to decarbonise homes, heat and energy throughout the UK by driving positive change.

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Structure, Governance and Management

The Foundation is a registered charity (no. 1165752) and a limited company (no. 10119873). Its constitution is its Memorandum and Articles of Association. The company was incorporated on 12 April 2016.

On 25 April 2018 the Foundation became the parent undertaking of the Service Company (Company registration number 07759366), a company limited by guarantee. This report consolidates the financial reporting of the Group.

Trustees (including Recruitment and Training)

Overall strategic direction and governance rest with the Board of Trustees. The Trustees were recruited in accordance with the Memorandum and Articles of Association of the Foundation. The Trustees during the year were as follows:

Fabio Silva Nehme	Chair
Gareth Williams	Vice Chair (Resigned 31 January 2024)
Charlotte Emma Powell	(Resigned 11 June 2023)
Karen Anne Shearer	Vice Chair since 20 March 2024
Sandra Elizabeth Walmsley	
Mary Ethna Black	(Appointed 1 February 2024)
Sarah Kate Gosling	(Appointed 1 February 2024)

The Board continues to operate the revised governance structure following a governance review commissioned by the Board and carried out by charity governance specialists Higgs LLP which concluded in May 2021. The purpose of the governance review was to ensure that the Foundation is structured appropriately to support the realisation of substantial growth opportunities in the sector, and to support the related move to an integrated strategy and more integrated operations across the Group. A key recommendation of Higgs LLP was for greater overlap between the Board of the Foundation and the Board of its subsidiary, the Service Company (which runs the MCS Scheme). As such, three Foundation Trustees and the Foundation CEO sit on the Service Company Board.

The Foundation and the Service Company executive teams grew during the year, reflecting the growing ambitions of the Group and increasing income. Joint working between the Foundation and the Service Company was further enhanced, with several initiatives drawing on skills and knowledge from across the Group to advance the Group's sector-convening work, such as on skills and external affairs, and through MCS facilitation of sector-wide technical working groups for the development and maintenance of standards. The Group and the Service Company Chief Executives also work closely together in planning the activities of the Group and monitoring performance, supported by the Group Senior Management team.

During the year there were some minor changes to the membership of the Board of Trustees, with a current Trustee stepping down in June 2023. Since 31 December 2023 a further Trustee stepped down in January and two new Trustees joined at the beginning of February 2024. Trustees review the skills required on the Board to support the Foundation's strategic objectives and will add to the Board's membership during 2024 if it is deemed necessary.

The Trustees consider that the Board of Trustees, the Chief Executive Officer, the Director of External Affairs, the Programmes Director and the Group Finance Director comprise the key management personnel of the Foundation, with Trustees ensuring good governance and clear strategic direction, and the executive team leading the delivery of the strategy and Foundation operations.

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Trustees (including Recruitment and Training) (continued)

All Trustees give their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions are disclosed in note 10 to the financial statements. The pay bands of the Foundation/Group CEO and the Service Company CEO are set by the Board of Trustees and reviewed periodically. The pay bands for other staff are set by the two Chief Executives as part of a framework across the Group. The remuneration is set to ensure it is fair and will attract and retain staff of the appropriate calibre and experience required by the Foundation and the Service Company.

The Foundation is a member of the National Council of Voluntary Organisations (NCVO) and the Association of Charitable Foundations (ACF) which both provide helpful information and training on good practice, changes in the law affecting charities and act as an authoritative lobby on behalf of charitable foundations with government and regulators. Trustees use NCVO and ACF resources and events to keep up-to-date.

Trustees are required to disclose all relevant interests and register them with the Board. In the event of a conflict of interest or loyalty, the Foundation's policy is that Trustees should withdraw from the decision-making process.

Risk Management

The Trustees have assessed the major risks to which the Foundation is exposed, in particular those related to the operations and finances of the Foundation and the Service Company.

The principal risks and uncertainties identified by the Trustees are:

- Investment performance is below expectations or not adequately monitored;
- Significant government policy shift either drives installers away from MCS as a voluntary scheme or introduces competition;
- Consumers don't receive adequate protection as a result of the scheme delivery structure.

A risk register is in place through which all risks are monitored. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to the major risks.

Performance of the Foundation's investments is monitored on a quarterly basis with Rathbones Investment Management Limited ("Rathbones") providing any significant updates between quarterly reports. The Board has reviewed the Foundation's investment policy in the light of economic conditions. In 2023 there has been a reasonable recovery from the reduction in fund value experienced in 2022, and as the Foundation is not reliant on this fund for short to medium term expenditure there is time to allow for the fund to recover.

The Service Company surpluses were very healthy in 2023. The Service Company Business Plan is focused on ensuring that the MCS scheme remains effective and is simplified to ensure it is accessible for the benefit of installers, consumers and stakeholders with several initiatives underway to advance this work, particularly around consumer protections. The scheme continues to see growth in the number of registered installers, primarily for the installation of electricity generating technologies such as solar PV. The current main government incentive (Boiler Upgrade Scheme) has been extended to 2028, with the grant available increased from £5,000 to £7,500. The Service Company plays a key role in the delivery of this scheme alongside Ofgem.

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Objectives and Activities

The Objects of the Foundation are:

(a) the advancement of education and environmental protection and improvement by educating the public in the subject of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems) (including, for the avoidance of doubt, providing bursaries to those wishing to pursue careers in this area and institutions providing education in this area);

(b) the advancement of education and environmental protection and improvement by promoting study and research into the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(c) the advancement of health and the saving of lives and environmental protection and improvement by promoting study and research into improving the safety of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(d) the advancement of environmental protection and improvement by supporting the development of standards and related guidance for the renewable energy and low carbon technology sector; and

(e) the advancement of environmental protection and improvement by raising awareness and confidence amongst consumers in the area of renewable energy and low carbon technologies (products and systems).

In late 2021, a Group Strategic Plan was adopted which focuses on utilising the knowledge, assets and market position of MCS to drive the sector's growth in support of the mission to decarbonise the UK's homes. Under the strategy, the core elements of the Group's work continue: running and growing the MCS scheme to give confidence in domestic and small scale renewables; and using the surplus income from the scheme to advocate for changes in the policy landscape that will support the sector's growth, while making grants to innovative projects aimed at accelerating the adoption of low-carbon technologies.

In addition to these areas of work, the Group also has an increasing focus on advancing the skills and training needed to support the sector's growth, while catalysing action at a local level towards delivery of mass scale retrofit strategies through working with leading local authorities and other key stakeholders.

Public Benefit Statement

The Trustees confirm that they have paid due regard to the Charity Commission's Guidance on Public Benefit, when considering the Foundation's objects.

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Strategic Report

Sector Convening Activities: Removal of Barriers

Central to the Group strategy is acting as a convenor of our sector, harnessing the Foundation and Service Company's assets, knowledge and networks to catalyse action on addressing the barriers to retrofit at scale. This convening work, also known as MCS Launchpad, operated in the following key areas during the year:

Sector Skills Development

The launch of the Low Carbon Heating Apprenticeship is a substantial step forward to increasing the size of the workforce. It was also one of five apprenticeships to receive the royal stamp of approval during the year. The apprenticeship provides a support structure for new entrants to start a career installing heat pumps and other low carbon heating technology which will drive recruitment to the sector.

Department for Education funding was secured for the development of a Renewables Lab at New City College London (sites in Hackney and Dagenham) as part of work with London colleges to develop a model for green skills training.

Local Area Retrofit Accelerator

Local Area Retrofit Accelerator (LARA) builds on the current hands-on grants programme. The most recent grants round and other previous grants have focused on testing place-based interventions to drive uptake of retrofit. LARA will take this a step further by working with localities to develop and test holistic approaches to scaling up retrofit.

The current programme builds on the previous UK Green Building Council (UKGBC) work and will focus on the challenges for local authorities of retrofit strategy, finance, skills and consumer engagement – treating these key topics not in silos, but as intrinsically linked. It is intended to use this project to build intelligence and partnerships to form the business case for a mass scale retrofit demonstrator project. This will be a learning and development tool for the whole sector.

Linked to this, the Foundation has refined its grants programme to focus on accelerating retrofit. Our grants to Leeds City Council, Westminster City Council, Carbon Co-op (Manchester), South East London Community Energy and Brighton & Hove Energy Services Co-operative have provided further evidence of the approaches, benefits and best practice. The Foundation will be an active partner in these projects, which will be the basis of the Accelerating Retrofit programme and support the Foundation's aim to demonstrate the need for other funders to partner in channelling resource into innovation and capacity in the sector.

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Strategic Report (continued)

External Affairs

The Foundation is helping to change the policy landscape and accelerate the decarbonisation of our homes, heat and energy through research and engagement with government. It commissions reports, conducts literature reviews and uses independent science to form positions, which are then used to help inform policy creation within Government.

Current priority areas of work include: the reform of building regulations to support net zero and require domestic renewables in new build; advancing green finance mechanisms; seeking commitments for long-term renewables incentives schemes; and pressing for measures to reduce the cost of electricity to improve the economics of the electrification of heat. In addition, the Foundation is working to demonstrate the case for heat pumps (a readily available technology) to be assumed as the primary solution to the decarbonisation of heat and – central to its founding purpose – to advance the case for standards to be written into regulations and incentive schemes.

On all these topics, the Foundation advanced the case during the year through commissioning research, building evidence, and engaging with industry, academic and NGO sector specialists. It also worked to make its evidence available to policy makers and government through responding to consultations, building relationships with civil servants and where appropriate engaging directly with politicians from across the political spectrum.

Grant Funded Projects

The following projects were delivered during the year, all of which are featured on the Foundation's website with links to project outputs and research. The Foundation is a strategic and active grantor, providing funding for initiatives that seek to make or test strategic level interventions in addressing barriers to retrofit at scale, and often acting as an active partner to grantees:

Research & Consumer Information

Sustainable Heat Insights for a Fast and Fair Transition to Net Zero (SHIFT-0) (delivered by University of Oxford) – *work started during 2022 and ongoing:*

Targeted and contextualised smart meter data helps the understanding of energy use patterns, especially among households struggling with the cost of energy. The Oxford Martin School Programme on Reconfiguring Energy Needs, Equity and Wellbeing (ReNEW) and Sustainable Heat Insights for Fast and Fair Shift to New Zero (SHIFT-0) use the same methodology. While ReNEW focuses on household gas and electricity usage, SHIFT-0 targets the transition from gas to electricity use resulting from heat pump adoption. During the 2022/23 heating season both projects were closely aligned in terms of data collection, analysis and outputs.

The project built on pioneering work funded by the Engineering and Physical Sciences Research Council (EPSRC) and the Oxford Martin School (OMS) at the University of Oxford. The OMS is a research institute at Oxford undertaking interdisciplinary research to solve the global challenges of the twenty-first century.

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Strategic Report (continued)

Property Linked Finance (delivered by Green Finance Institute) – ***work started during 2022 and ongoing:***

Property Linked Finance (PLF) is a financial instrument that supports homeowners to fund up to 100% of the upfront costs of energy efficiency improvements. PLF is not currently available in the UK: however it would unlock significant benefits. Almost two-thirds of consumers stated they were 'open' or 'likely' to use PLF for energy efficiency improvements – a remarkably positive response to a new financial solution. Since the energy crisis began, 52% of consumers are more likely to use PLF compared to 2021.

This project aims to catalyse the UK's PLF market, which will require co-ordinated collaboration across the finance, legal, retrofit, property and public sectors. The project will design and test a 'blueprint' model for UK PLF, raise awareness of this solution across relevant sectors, and encourage UK financial institutions to bring a PLF pilot to market.

Development & Policy

Accelerating Cities (delivered by UKGBC) – ***work completed during the year:***

Following exploratory research in 2019, UKGBC began coordinating a programme of work in 2020 designed to support local government to catalyse a step-change in home retrofit. The programme, 'Accelerator Cities', had a single core objective – to help local and combined authorities to develop home retrofit policy and programmes. It did this primarily through co-ordinating the sharing of replicable best practice, lessons learned, evidence, case studies and resources between local authorities on a range of key issues – including finance, consumer engagement and skills.

Skills & Education

Upskilling for Low Carbon Heating in the Private Rented Sector (delivered by ACE Research) – ***work started during 2022 and ongoing*:**

The overarching objective is to accelerate heat decarbonisation in the private rented sector, where low levels of awareness and understanding of low carbon heating solutions remain a key barrier to uptake and decarbonisation.

With greater knowledge and understanding of low carbon heating solutions, local authority officers will be able to support landlords who want to take action to improve their properties and for landlords to begin to understand the pathways to ensure that their property meets standards, giving them confidence to invest using quality supply chain actors and opening access to grant funding and finance. Project also funded by Calor and the Ground Source Heat Pump Association (GSHPA).

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Strategic Report (continued)

Community Capacity Building

Launch Pad Project (delivered by Somerset Climate Action Network) – ***work started during 2022 and ongoing:***

Somerset Climate Action Network (SCAN) is working with Somerset County Council to help deliver the county's zero carbon aspirations through harnessing skills in the community. This work brings people up to speed with the challenges faced and communicates the most up-to-date information and new findings on both the current climate situation, what is coming in the future and the smartest ways to tackle it at every level, providing case studies of local examples of action.

The project has given people, businesses and communities the tools they need to take action and make smart changes with an aim to develop a county-wide resource for climate action, encompassing scaling up renewable energy generation capacity in liaison with Somerset Community Energy, Zero Carbon projects, energy saving, business, transport and more.

Building capacity for community energy through regional networks (delivered by Community Energy England) – ***work completed during the year:***

Community energy brings people together to take democratic, collective climate action with a wide range of local co-benefits. Community Energy England (CEE) is the membership network and representative body for the sector, and this project increases its engagement across the country to track evolving sector needs and challenges more effectively. This has enabled CEE to build partnerships and support at a regional and local level, coordinate the sharing of learning and develop new resources, and support development of regional networks, to help stimulate successful community energy organisations and facilitate growth in the sector.

Community Energy Planning (delivered by Centre for Sustainable Energy) – ***work started during 2020 and ongoing:***

The Community Energy Planning project aims to create exemplar polices for other communities to encourage locally led community climate action.

This will be achieved by increasing the amount of renewable energy installed in two local authorities by supporting them to work with local communities, co-producing robust and well-evidenced local energy strategies which are consequently embedded in Local Plans and by developing a clear template for the wording of local authority policy regarding the development models and ownership structures that should be favoured in local planning policy.

The output of this project is to produce replicable guidance for local authorities across England.

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Strategic Report (continued)

The Big Solar Co-op (delivered by Sharenergy Co-operative Ltd) – ***work started during 2020 and ongoing:***

Seeking to support the expansion of the community renewables sector by taking away some of the barriers faced by volunteer-run local community renewables groups, solar activists are invited to work locally but as part of a UK-wide solar co-op. This will nurture and support the growth of their volunteer base by providing support through training and peer mentoring and breaking down the work into more manageable portions to enable people with less time to participate.

The project aims to also engage 250 active volunteers across 25 local groups, generate 5 new sustainable jobs, create ethical, accessible social investment opportunities raising £25m and save over £300,000 annually on fuel bills for community buildings and social housing.

Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate (delivered by Wealden District Council) – ***work started during 2020 and ongoing:***

Engaging and working with SMEs and property owners to accelerate the implementation of renewable and low carbon technology in a multi-tenure industrial estate setting, this project demonstrates a model for rolling out low carbon solutions. This will be achieved through a three-track approach: identifying the barriers preventing SMEs from installing renewable or low carbon technology; raising awareness of the incentives and benefits of installing measures; and providing SMEs with additional, bespoke, technical support to help convert energy audit reports into installed measures and overcome later stage obstacles.

Retrofit Streets (delivered by South East London Community Energy) – ***work completed during the year*:**

Improving the efficiency of our buildings is essential to the UK's decarbonisation plans. In order to respond to the scale of the challenge we need a whole-house, deep retrofit solution which can be implemented in every household.

The specific aims are to enable and encourage residents of one street in each location to undertake a programme of domestic retrofit thereby reducing carbon emissions and to model, design and plan retrofit at the street level to facilitate co-procurement and co-working between residents.

Mass Scale Retrofit

Retrofit Support Service (delivered by Exeter City Council) – ***work started during 2022 and ongoing:***

The Energy Saving Devon partnership (partnership of all Devon councils including Exeter City Council) has been working to develop an innovative, best practice support service for homeowners to enable them to carry out the right retrofit and deliver carbon-savings as well as other benefits as determined by the homeowner.

The funding allows the partnership to launch their Retrofit Advice Service. This will include a Quality Assurance Officer and telephone support service to provide advice on next steps for homeowners in Devon. Once this start-to-finish strategy is evaluated and finalised, methodologies could be adapted, replicated, and used to scale up capacity and delivery across the UK.

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Strategic Report (continued)

Innovative programme design and capacity building for area-based retrofit (delivered by Leeds Council) – ***work started during 2022 and ongoing:***

All local authorities need to find ways to reduce carbon emissions from homes of all tenures, including more affluent private sector households, to achieve local and national net zero ambitions. However, there are currently no incentives or support systems in place to encourage able-to-pay households to act.

Leeds City Council has been working with the private sector, via the Prime Minister's Business Council, since late 2022 to develop a blueprint to tackle this problem. This is an innovative area-based approach, aiming to design and create a smooth customer journey and new incentives or financial products, largely financed by the private sector, to remove barriers to entry.

Retrofit Supply Chain Pilot: piloting council-led area-based schemes to develop the retrofit supply chain (delivered by Carbon Co-op, Manchester City Council and B4Box) – ***work started during 2022 and ongoing:***

Carbon Co-Op is an energy services and advocacy co-operative that helps people and communities to make the radical reductions in home carbon emissions necessary to avoid runaway climate change. They have set up a partnership with Manchester City Council to pilot an area-based whole house retrofit scheme in Levenshulme, Manchester, which takes a street-by-street approach and is funded through grants or 0% loans. Working collaboratively with a contractor and training provider, B4Box, they will upskill the workforce who will gain immediate practical experience through the project. It will also result in more qualified trainers and the establishment of a key local provider of future retrofit training.

Integrating Skills and Competency in Green / Retrofit through new learning pathways (delivered by Neath Port Council) – ***work started during 2022 and ongoing:***

In response to the skills requirements to deliver the NPT Council led 'Homes As Power Stations', this will deliver a regional skills project across the Swansea Bay City Deal area.

Working with partners in order to develop further education provider readiness to deliver MCS certifiable green skills provision, MCS will provide oversight and strategic support and planning for the project.

Feasibility to support Oxford Rose Hill Community informed retrofit (delivered by Oxford City Council) – ***work started during 2022 and ongoing:***

With detailed feasibility work to cost and plan an area specific retrofit pilot project across different tenure/ building types with high levels of community and stakeholder engagement, this pilot project demonstrates retrofit at greater scale than previously delivered in Oxford and tests the delivery model for future replication and expansion in Rose Hill and the rest of Oxford.

The feasibility project's main objective is to develop a business case for a pilot project and set out the optimum way of delivering the pilot and is expected to be followed by a larger-scale retrofitting project, which will learn from the pilot and benefit from the expertise, structures and relationships developed.

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Strategic Report (continued)

Retrofit Somerset (delivered by Somerset Climate Action Network) – ***work started during 2022 and ongoing:***

Researching and designing a permanent, over-arching, not-for-profit service for Retrofit Somerset to promote whole house retrofit to the 'able to pay' sector, at scale and at pace, within Somerset, this project will determine where this service is best placed, either within current retrofitting organisations in Somerset or as a separate entity. The aim of this project is to build an investible business plan with strong stakeholder support that could then attract significant funding from Somerset Councils and other sources.

Low Carbon Communities (delivered by Stroud District Council) – ***work started during 2022 and ongoing:***

The Low Carbon Communities project is the next step in The Retrofit Centre collaboration (one-stop advice/signposting and tools). The project looks to create 'pockets' of high activity, taking a 'learn by doing' approach and making the work visible across communities to nudge the development of social norms around the language and process of retrofit.

Low Carbon Communities is focused on a need to increase private investment in retrofit and, at the same time safeguard and expand affordable warmth work. These two aspects are building blocks towards the provision of wide-spread, end-to-end retrofit services that are rooted on whole house good practice principles of low carbon plans for buildings.

The following projects were commissioned during the year:

Mass Scale Retrofit

Mass Scale Retrofit Programme (UK Green Building Council) – ***work started during the year:***

The Foundation and the UK Green Building Council will work together to determine market need through Local Authority Forums, meetings with Local Area pioneers and second tier authorities to understand what they will need. The funding will be used to develop a regional assessment methodology and an impact/evaluation methodology.

The funding will be used to help create business case templates, financial models, workshops and associated materials to help Local Areas achieve their retrofit goals.

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Strategic Report (continued)

Activity of the Service Company 2023

2023 has been an exceptional year for the Service Company. The Service Company has built on a year of growth in 2022 brought about by successfully repositioning the Certification Scheme as the sector's quality assurance, irrespective of MCS being a requirement to access government incentives.

2023 has been a record-breaking year for small-scale renewables. MCS data shows that 2023 has surpassed every previous year on record for certified installations of low-carbon energy and heating across the UK.

It goes without saying that 2023 was a year of substantial growth, innovation, and transformation across the renewables landscape. MCS has had an incredibly busy year, and our data confirms the fantastic progress we've made in giving people confidence in home-grown energy.

Our 2023 figures show that MCS has now certified over 1.7 million installations across the UK in our history, with over 229,000 installations registered in 2023 alone. This reflects the growing number of UK homeowners who are turning to renewable energy to heat and power their homes.

In October, we were proud to certify our 4,000th contractor. More than 1,800 new contractors have become certified in 2023, marking a 70% growth in our contractor base since the end of 2022. In fact, more contractors joined the scheme in 2023 than in the previous six years combined.

We are extremely proud of this milestone achievement; it is incredibly encouraging to see our certified contractor base continuing to grow at pace as it reflects the demand for more skilled, competent installers to deliver low-carbon energy and heating technology for UK consumers.

Solar PV continues to be the most popular renewable technology amongst UK homeowners. More than 189,000 certified solar PV installations have been installed across the country in 2023. This exceeds the 138,000 total in 2022 by one third. Our solar PV contractor base has also experienced substantial growth this year. At the end of 2022, MCS had fewer than 2,000 solar PV contractors – today, we have over 3,300.

The growth in solar PV mirrors the growing demand amongst homeowners to generate their own home-grown electricity, reducing energy bills, claiming energy independence, and decreasing their carbon footprint.

In August, we welcomed TÜV Rheinland (China) Ltd ("TÜV Rheinland"), a new product certification body for solar panel products, to the MCS Scheme. TÜV Rheinland's expertise in the fields of solar energy and power electronics will play a critical role in strengthening the UK supply chain for solar panel products.

2023 has seen a significant rise in the popularity of heat pumps. In the past year, over 39,000 certified heat pump installations have been registered across the UK, making 2023 a record year for the technology. This figure brought the UK to over 200,000 certified heat pump installations in total since 2008.

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Strategic Report (continued)

Even with this growth in heat pump deployment, there is still a long way to go if we are to reach Government ambitions of 600,000 heat pump installations a year by 2028. It's critical that we have a dedicated pathway to develop an army of renewable heating installers with certifiable skills who know how to design and fit low-carbon heating systems to the highest possible standard.

Earlier this year, we launched the UK's first Low Carbon Heating Technician apprenticeship. The apprenticeship is the first dedicated training provision for heat pump engineers in the UK. The apprenticeship received praise from a group of independent experts assembled by the Department for Education who selected it as one of six apprenticeships to display the King's Coronation Emblem in recognition of its sustainability goals and efforts to create a dedicated pipeline of talent into the green workforce.

In October, we saw some key changes made to the Boiler Upgrade Scheme (BUS). The grant value for heat pump installations was increased to £7,500, opening up the possibility of owning a heat pump to thousands more homeowners. Since the increase of the grant value, average weekly applications for BUS vouchers soared from 331 to 1,172, reflecting the impact of supportive Government policy on deploying important low-carbon technology.

The grant increase will make it easier and more affordable for the average UK consumer to transition to low-carbon heating, which is a vital step forward in our pursuit to meet the Government ambition to install 600,000 heat pumps annually by 2028.

To maximise the benefit of generating solar energy at home, more homeowners are increasingly installing batteries alongside their PV systems. Furthermore, homeowners are also retrofitting batteries to their existing PV systems. A year on from introducing our Battery Storage installation standard, we've already seen remarkable growth in the number of contractors and installations for this new technology type.

2023 has been a record-breaking year for battery storage so far, with the technology becoming the third most popular technology type to be installed by our certified contractor base. At the end of 2022, there were 50 contractors certified to install battery storage – today, there are over 850. Installations have also seen a similar growth, with 4,400 of the 4,700 certified batteries being installed in 2023.

In 2023, Wales ended the year as the top nation with 1.53% of households installing small-scale renewables on their homes and businesses. Registering 20,622 throughout the year, Wales reached 100,000 installations in Scheme history in June, a tremendous milestone for the nation.

During 2023 the Service Company ran a six-week consultation on proposals to redevelop the scheme, seeking views from contractors, consumers, manufacturers and independent experts on how we should shape the future of MCS. With strong industry support, MCS will now proceed with the development of the new scheme, standards and associated documents and processes.

A record rise in global energy prices in 2022 led to an increase in the cost of living, given the UK's dependency on gas, both to generate electricity and to heat the majority of 28 million UK homes. This economic situation further supports the case for small-scale, low-carbon energy technology, as evidenced by growing consumer adoption of solar PV as a way to insulate themselves from high electricity prices.

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Strategic Report (continued)

In the recently published consultation on the 2025 Future Homes Standard, the Government has proposed all new build homes utilising solar and battery storage should only be fitted with battery systems compliant with MCS standards to ensure quality and safety.

Achievements and Performance

a) Achievements during the year

During the year, the Foundation achieved the following;

- Helped facilitate a record year for the sector, with over 229,000 MCS certified installations registered.
- Supported the extension of the Boiler Upgrade Scheme until 2028 and an increase from September from £5,000 to £7,500.
- Successfully advocated to get MCS written into the proposed Clean Heat Market Mechanism.
- The new 'Low carbon heating apprenticeship' was launched.
- Successfully made the case against a new hydrogen levy being applied to electricity bills, which would have disincentivised the electrification of heat.
- Successfully advocated for 0% VAT for battery storage for existing solar and groundworks associated with ground source heat pumps, and for existing VAT exemptions for domestic renewables to be extended to Northern Ireland.
- Played an active role in supporting the delivery of grant-funded projects.
- Launched the new MCS Foundation brand and website, highlighting our mission and vision, focusing on UK homes, and establishing a clear link to the MCS Service Company.

Financial Review

a) Financial Review Summary

The Foundation made a surplus, after investment gains of £115,709 (2022: investment losses £776,298), of £1,697,596 (2022: £718,326) in the year.

During the year the Foundation's income amounted to £8,036,173 (2022: £5,583,835). The majority of the income related to trading income from the subsidiary of £7,840,308 (2022: £5,405,929). The remainder being income of £145,865 (2022: £133,753) from the investments held, and £50,000 grant funding (2022: £44,153).

The costs of the Foundation for the year amounted to £6,454,286 (2022: £4,089,211). £1,455,170 (2022: £680,827) of expenditure incurred related to costs incurred directly through the Foundation in the delivery of charitable objects. £4,966,306 (2022: £3,408,504) related to trading costs of the Service Company which also advanced delivery of the Foundation's objects around standards.

At 31 December 2023 the Foundation held £4,843,037 (2022: £4,626,744) in investments which includes £50,000 of shares invested in Low Carbon Hub IPS, and £25,000 of shares invested in People Powered Retrofit schemes. £4,598,917 (2022: £2,903,785) was held in cash at bank.

The Foundation's total funds at the year end amounted to £9,588,787 (2022: £7,891,191).

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Strategic Report (continued)

The significant sum received from BEIS in the year ended 31 March 2019 (£6,649,610) was intended to fund the Foundation to deliver its charitable objects over a number of years. As such the Trustees are comfortable that in some years, such as 2020, the Foundation may make an operating loss on its charitable activities. In 2023 the Foundation made a surplus, building the fund available to support the delivery of the Foundation's work in the coming years.

b) Reserves Policy

The objective of our reserves policy is to ensure that the Group maintains sufficient cash and readily realisable assets to enable it to withstand any shortfall in income or unforeseen expenditure while any necessary adjustments are made to the Group's operations. In 2020 and 2021, our reserves enabled us to respond to the impact of the pandemic in a measured way, without having to rush serious decisions that will have a long-term effect on the future of the Group and its activities.

The appropriate basis for the Foundation's reserves policy is managed cash and investments, rather than accounting reserves as reflected in the Group's consolidated balance sheet.

Group managed cash and Investments	2023 £000	2022 £000
Investments	4,843	4,627
Cash and short-term deposits	4,598	2,904
Exclusions*	-75	-75
Total	9,366	7,456

*Exclusions consist of mixed motive investments that are considered illiquid.

The Trustees' minimum expectation is to maintain sufficient managed cash and investments to fund at least three months of annualised forecast gross cash outflows.

The total managed cash and investments at 31 December 2023 was £9.4m, which represents 13 months of budgeted cash outflows for the year. All funds held are unrestricted. The Trustees are comfortable with holding a large reserves balance as it is heavily reliant on the trading profits of the subsidiary being its main source of income, funding its grant making and operational outflows. Should the trading subsidiary experience disruptions to operations, the Foundation will look to rely on its reserves to fund its operational activities in the short term. The Trustees are aware of current best practices for reserves policy and will be reviewing plans during the year, with an option of designating an amount of funds, due to the planned increase in programme spending.

The Group is budgeting to spend on average £717k cash per month during 2024, a total in the region of £8.6m for the year. We anticipate our investment portfolio to increase in 2024, largely due to the slow recovery of broader economic conditions impacted initially by the war in Ukraine. The Trustees have recently reviewed the investment portfolio in terms of size, risk appetite, asset allocation and length of investment terms applied, and considered no change in policy was necessary.

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Strategic Report (continued)

c) Principal Funding

The Foundation's principal funding is the transfer of £6,649,610 received from BEIS, as well as investment income received which is derived from holding the transferred funds for investment purposes. Ongoing funding is received in the form of the trading surpluses from the operation of the MCS scheme under the Service Company.

d) Fundraising Policy

The Trustees take their responsibility under Charities (Protection and Social Investment) Act 2016 seriously and have considered the implications on their activities. The Foundation has not to date engaged in public fundraising work, and future fundraising and financial partnership work is likely to be with other Foundations and institutions. The Foundation does not actively raise funds or solicit donations directly from the general public. The Foundation does not work directly with commercial sponsors in relation to fundraising. The Trustees are not aware of any complaints made in respect of fundraising during the period.

Investment Policy and Performance

The majority of the proceeds received as a result of the novation (historical profits of the MCS scheme) are held in an investment portfolio with Rathbones (£4 million was invested).

The Board of Trustees has agreed the Foundation's Investment Policy Statement which is the mandate to which the Investment Managers hold the funds on behalf of the Foundation. The Investment Policy Statement states that the funds invested in a way that maximises the return within the context of taking only moderate risk and a likely investment horizon of up to ten years. In addition, the Policy, which was reviewed during the year, includes some clear ethical parameters including avoiding investments in fossil fuels.

The performance of the Investment Portfolio and Managers are scrutinised at the Foundation's Board meetings.

At 31 December 2023, the market value of investment held amounted to £4,768,037 (2022: £4,551,744). During the year the investments yielded investment income of £145,012 (2022: £133,267) and unrealised investment capital gains of £115,709 (2022: investment losses of £776,298).

During 2020 the Foundation entered into a social investment partnership with crowdsourcing platform Ethex, which raises investment funding for ethical and green projects such as renewable energy installations. The agreement involved the Foundation pledging to commit up to £500,000 towards investment in different projects, to be used by Ethex to help leverage additional funding from individuals. These investments are mixed motive, in that they help advance the Foundation's objects and will be expected to bring a financial return. Ethex carries out due diligence on potential projects which is then further scrutinised by Trustees before investments are made.

Trustees judged that this partnership enables the Foundation to show leadership in the sector in how capital funds can help directly advance the charitable mission, while also diversifying the Foundation's investment portfolio in a way that is judged to reduce risk. To date, two such investments have been made totalling £75,000 (2022: £75,000) with other potential projects to be reviewed as and when they are put forward by Ethex.

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Strategic Report (continued)

Plans for the Future

The Group Strategic Plan for 2024 builds on the refreshed strategy adopted in late 2021. As well as the ongoing enhancement of the MCS scheme and how it serves installers and consumers, the strategy seeks to harness all the Group's assets to maximise the Foundation's role as a convenor in the sector. Specific aims for 2024 include:

- Launch the first Local Area Retrofit Accelerator (LARA) pilot projects, working with key stakeholders in localities to address barriers to retrofit at scale, on topics such as skills, finance and consumer information.
- Support the introduction of a Future Homes Standard that requires renewable technologies to be installed in new build, and develop a business model for the expansion of MCS standards into new build.
- Advocate for measures to reduce the cost of electricity – including the moving of environmental tariffs into general taxation – to incentivise the electrification of heat.
- Work with the Green Finance Institute to support the trial and roll out of Property Linked Finance for energy efficiency and domestic renewables, including advocating for any required political/legislative support.
- Advocate on behalf of the domestic renewables sector: for example in the promotion of heat pumps as the established technology for decarbonising heating, and press for a major government-backed public awareness campaign on energy efficiency and domestic renewables.
- Support the roll out of the Low Carbon Heating Technician Apprenticeship, and further build wider plans for recruitment and engagement into the sector, including of young people.
- Use the Foundation's grants programme to drive innovation in addressing barriers to retrofit at scale, acting as an active partner with grantees and sharing learning from grants within the sector.
- Build partnerships with other funders to increase the funding available for interventions arising from the LARA pilots.
- Launch a consumer facing website providing information on heat pumps.
- Further deliver on the objective to simplify the compliance model related to the MCS scheme, for the benefit of installers and the public.
- Broaden the MCS Scheme's existing standards development and maintenance processes to allow for the structured assessment of opportunities for new Standards.

The Service Company Plans for 2024

Building on the Service Company's significant achievements in 2023, the Service Company's primary goal for 2024 remains the achievement of its vision 'To see MCS certified products and installations in every UK home and community', and as a result achieve critical carbon savings from a change to the way we heat and power our homes and businesses. Success in this regard is dependent on maintaining the relevance and effectiveness of the Microgeneration Certification Scheme.

The Service Company has invested in the Scheme over the last four years since novation, delivering on projects for Standards Simplification, Sector Skills and Scheme Support. Taken together, these have helped reposition the Scheme for the future. The Service Company plans for 2024 will support ongoing growth of the sector, delivered primarily through continued growth in the UK's heat pump market, further complemented by the income potential from the certification of battery installations.

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Strategic Report (continued)

In 2024, the strategic objectives of the Service Company and its related investments, will focus on the achievement of the following goals:

1. Launch of the new scheme

Following the outcomes determined through public consultation in 2023 the Service Company will be looking to launch the new scheme at the end of 2024, working with certification bodies and installers to trial aspects of the scheme before launch.

One of the biggest changes in the new scheme is to deploy risk-based assessments. Contractors that maintain compliance with the Standards will be rewarded with a lower frequency of assessment. Those considered of high risk of non-compliance, will attract more on-site assessments. This will increase the protection of consumers.

2. Reset consumer protections

Company research undertaken at the end of 2021 and early 2022 presents clear evidence that the sector's protections fall short of a consumer's primary need to 'de-risk' their adoption of small-scale renewables. These findings and associated conclusions were published in the report 'Consumer Protection in Small-Scale Renewables' in December 2022.

Over the course of 2024, the Service Company is working with the industry and experts in the field to redefine the Scheme's consumer protections. As a result, the Service Company is targeting increased consumer confidence, delivered in part through more robust protections, monitored through centralised consumer feedback and complaints management.

3. Installation Standards ready for New Build

Building on the success of the investments made over the last two years in 'Standards Simplification', the Service Company will take a next logical step in the evolution of MCS Installation Standards to only contain 'technical truths' that are context neutral. As a result, this will allow for the inclusion of MCS in new build as well as in the retrofit market.

4. Standards development strategy

In 2024, the Service Company will broaden the existing standards development and maintenance processes to allow for the structured assessment of opportunities for new Standards. This will require the delivery of a Standards Development Strategy, allowing the Service Company to address what is a strategic opportunity for MCS in the further development of Standards and associated compliance Schemes.

5. Consumer journey: Go Renewables

In partnership with the Energy Saving Trust (EST), the Service Company will deliver a project under the Heat Pump Ready initiative, called Go Renewables, part-funded by the Department of Energy Security and Net Zero (DESNZ). Having secured this funding, the Service Company will for the first time, advance a consumer advice, technology choice and quotation tool to support consumer investments in low-carbon energy technology. Initial trials have been encouraging.

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Trustees' Responsibilities Statement

The Trustees (who are also directors of MCS Charitable Foundation for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial period. Under company law the Trustees 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 charitable company and of the income and the expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

We, the Trustees of the Foundation who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditors are unaware; and

- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

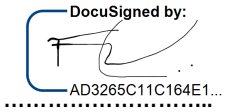
In approving the Trustees' Annual Report, we also approve the Strategic Report included therein, in our capacity as company directors.

Auditors

Saffery LLP were re-appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

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This report was approved by the Trustees on 19 June 2024 and signed on their behalf.



Fabio Silva Nehme
Chair, Board of Trustees

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MCS Charitable Foundation

Independent auditor's report to the Members and Trustees of MCS Charitable Foundation For the year ended 31 December 2023

Opinion

We have audited the financial statements of MCS Charitable Foundation (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 December 2023 which comprise the consolidated statement of financial activities, consolidated balance sheet, charity balance sheet, consolidated cash flow statement 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 December 2023 and of the group's incoming resources and application of resources, including its income and expenditure, 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

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Other information (continued)
Our opinion on the financial statements does not cover the other information and 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.

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 trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees
As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable 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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:
We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.
Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006, guidance issued by the Charity Commission and relevant employee and tax legislation.

Audit response to risks identified:
We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

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During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the parent charitable 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 parent charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company, the parent charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
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03 July 2024

Cara Turtington (Senior Statutory Auditor)
for an on behalf of Saffery LLP

71 Queen Victoria Street
London
EC4V 4BE

Chartered Accountants
Statutory Auditors

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MCS Charitable Foundation

Consolidated statement of financial activities (including the income and expenditure account)
For the year ended 31 December 2023

	Notes	Year ended 31 December 2023 Unrestricted funds	Year ended 31 December 2022 Unrestricted funds
		£	£
Income from:			
Other trading activities	**3**	7,840,308	5,405,929
Charitable activities	**4**	50,000	44,153
Investments	**5**	145,865	133,753
Total income		8,036,173	5,583,835
Expenditure on:			
Raising funds:			
Other trading activities	**3**	4,966,306	3,408,504
Fundraising activities	**6**	32,810	33,111
Charitable activities	**7**	1,455,170	647,596
Total expenditure		6,454,286	4,089,211
Net income/(expenditure) before investment movement		1,581,887	1,494,624
Net gains/(losses) on investments	**13**	115,709	(776,298)
Net income and movement in funds		1,697,596	718,326
Reconciliation of funds:			
Total funds brought forward		7,891,191	7,172,865
Total funds carried forward		9,588,787	7,891,191

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 29 to 42 form part of these financial statements.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

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MCS Charitable Foundation

Consolidated balance sheet as at 31 December 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Tangible assets	**12**		216,155		207,397
Investments	**13**		4,843,037		4,626,744
			5,059,192		4,834,141
Current assets					
Debtors	**14**	1,113,687		961,460	
Cash at bank and in hand		4,598,917		2,903,785	
		5,712,604		3,865,245	
Creditors: amounts falling due within one year	**15**	(1,114,909)		(748,195)	
Net current assets			4,597,695		3,117,050
Total assets less current liabilities			9,656,887		7,951,191
Creditors: amounts falling due within one year					
Other creditors	**16**	(8,100)		-	
Provisions for liabilities	**18**	(60,000)		(60,000)	
			(68,100)		(60,000)
Net assets			9,588,787		7,891,191
Funds					
Unrestricted funds			9,588,787		7,891,191
Total funds			9,588,787		7,891,191

The financial statements were approved and authorised for issue by the Board of Trustees on 19 June 2024 and were signed on its behalf by:

DocuSigned by:
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Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

Date: 03 July 2024

The notes on pages 29 to 42 form part of these financial statements.

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MCS Charitable Foundation

Charity balance sheet as at 31 December 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Fixed assets					
Investments	**13**		4,843,037		4,626,744
Tangible assets	**12**		1,442		-
Current assets					
Debtors	**14**	43,408		20,140	
Cash at bank and in hand		1,205,731		527,432	
		1,249,139		547,572	
Creditors: amounts falling due within one year	**15**	(131,783)		(35,314)	
Net current assets			1,117,356		512,258
Total assets less current liabilities			5,961,835		5,139,002
Creditors: amounts falling due over one year	**16**		(8,100)		-
Net assets			5,953,735		5,139,002
Funds					
Unrestricted funds		5,953,735		5,139,002	
			5,953,735		5,139,002
Total funds			5,953,735		5,139,002

As permitted by Section 408 of the Companies Act 2006 no separate Statement of Financial Activities for the charity alone has been presented. The net surplus of the parent company charity for the year was £814,733 (2022: £726,517).

The financial statements were approved and authorised for issue by the Board of Trustees on 19 June 2024 and were signed on its behalf by:

DocuSigned by:
AD3265C11C164E1...

Date: 03 July 2024

Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

The notes on pages 29 to 42 form part of these financial statements.

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MCS Charitable Foundation

Consolidated cash flow statement
For the year ended 31 December 2023

	Notes	2023 £	2023 £	2022 £	2022 £
Cashflow from operating activities					
Net cash flow used in operating activities	**21**		1,719,823		1,150,030
Cashflow from investing activities					
Purchase of tangible fixed assets		(73,102)		(220,253)	
Proceeds from disposal of tangible fixed assets		3,130		9,922	
Purchase of investments		(1,680,450)		(1,237,853)	
Proceeds on disposal of investments		1,579,866		1,141,423	
Income received from investments		145,865		133,267	
Net cash generated from/(used in) investing activities			(24,691)		(173,494)
Net increase/(decrease) in cash and cash equivalents			1,695,132		976,536
Cash and cash equivalents at beginning of year			2,903,785		1,927,249
Cash and cash equivalents at end of year			4,598,917		2,903,785
Relating to:					
Cash held in bank			3,558,932		2,590,972
Cash held in current asset investment			1,039,985		312,813
			4,598,917		2,903,785

The notes on pages 29 to 42 form part of these financial statements.

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1 Accounting policies

Company information

MCS Charitable Foundation is a charity incorporated as a company limited by guarantee in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The registered office is First Floor Violet 3 Sci-Tech Daresbury, Keckwick Lane, Warrington, Cheshire, England, WA4 4AB.

1.1 Accounting convention

The financial statements have been prepared in accordance with the accounting policies set out below, the Companies Act 2006 and the second edition of the Charities SORP (FRS 102) "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value.

The charity meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The group financial statements incorporate the financial statements of the parent charitable company and its subsidiary undertaking for the year ended 31 December 2023.

1.2 Going concern

Having considered the working capital requirements of the charity and group alongside cash flow projections, budgets and the cash available within the business, the Trustees believe that the charity will continue in existence for at least twelve months following the approval of these financial statements. The group had a strong cash balance of £4,598,917, as at 31 December 2023. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity unless the funds have been designated for other purposes.

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1.4 Income

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income, after any performance conditions have been met, when the amount can be measured reliably and when it is probable that the income will be received.

Income from other trading activities includes income earned through the subsidiary MCS Service Company from income received in exchange for supplying services in order to raise funds and is recognised when entitlement has occurred.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest. Interest income is recognised when receivable and dividend income is recognised as the charity's right to receive payment is established.

1.5 Expenditure

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Expenditure on charitable activities includes staff and administration costs; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

Trading expenditure is costs incurred by MCS Service Company in undertaking its activities.

1.6 Tangible fixed assets

Expenditure on the acquisition of individual tangible fixed assets that cost more than £1,000 are capitalised at cost and subsequently measured at cost, net of depreciation and any impairment losses. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	20% per annum straight line basis
Plant and equipment	25% per annum straight line basis
Office equipment	20% per annum straight line basis
Computer equipment	25% per annum straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

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1.7 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.8 Investments

Publicly traded investments, or those where fair value can otherwise be measured reliably, are measured at fair value at each balance sheet date, with changes in fair value recognised in 'net gains/(losses) on investments' in the SoFA.

Mixed motive investments in the form of ordinary or preference shares are initially measured at the transaction price of those shares and subsequently at its fair value if this can be measured reliably. Where this is not possible it is measured at cost less impairment. Mixed motive investments will be reviewed for impairment annually.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Operating leases

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure on a straight-line basis over the term of the relevant lease.

1.14 Taxation

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010. It therefore meets the definition of a charitable company for UK corporation tax purposes and consequently no provision has been made for either corporation tax or deferred tax.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The key areas of the financial statements that we consider to be subject to estimation or judgement are as follows:

Investments

The accounting policies for investments and mixed motive investments are disclosed in note 1.8.

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3 Income and expenditure from other trading activities

	Group	
	Year ended 31 December 2023 £	**Year ended 31 December 2022 £**
MCS Service Company income	7,840,308	5,405,929
MCS Service Company expenditure	(4,966,306)	(3,408,504)
	2,874,002	1,997,425

All income from other trading activities in the current and prior year was unrestricted.

MCS Charitable Foundation has 100% control of The MCS Service Company Ltd (company registration no. 07759366), a company registered by guarantee and whose registered office is First Floor Violet 3 Sci Tech Daresbury, Keckwick Lane, Warrington, Cheshire, England, WA4 4AB. The subsidiary year end is 31 December 2023.

The company's activities comprise certification of microgeneration technologies used to produce electricity and heat from renewable sources. The summary financial performance of the subsidiary alone for the year ended 31 December 2023 is as follows:

	Year ended 31 December 2023 £	**Year ended 31 December 2022 £**
Turnover	7,713,694	5,365,911
Administrative expenses	(5,055,670)	(3,408,504)
Other operating income	148,516	84,171
Profit/(loss) before taxation	2,806,540	2,041,578
Gift aid payment to MCS Charitable Foundation	(1,923,671)	(596,737)
Net profit/(loss) for the year	882,869	1,444,841
Fixed assets	214,713	207,397
Current assets	4,464,064	3,322,744
Current liabilities	(983,723)	(717,956)
Provisions for liabilities	(60,000)	(60,000)
Net assets	3,635,054	2,752,185

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4 Income from charitable activities

	Group	
	Year ended 31 December 2023	**Year ended 31 December 2022**
	£	**£**
Government grant	50,000	44,153

Government grant income relates wholly to a grant received by the subsidiary, issued by the Greater London Authority.

5 Income from Investments

	Group	
	Year ended 31 December 2023	**Year ended 31 December 2022**
	£	**£**
Dividends from investments	145,012	133,267
Bank interest received	853	486
	145,865	133,753

6 Cost of generating funds

	Group	
	Year ended 31 December 2023	**Year ended 31 December 2022**
	£	**£**
Investment manager fees	32,810	33,111

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7 Expenditure on charitable activities

	Group	
	Year ended 31 December 2023	**Year ended 31 December 2022**
	£	**£**
Project management and delivery costs*	685,765	308,169
Support costs		
Staff costs	388,497	197,554
Travel costs	38,400	14,752
Accountancy fees	5,100	4,900
Legal fees	2,416	-
Other costs	264,842	91,628
Governance costs		
Trustees' expenses	14,379	3,296
Legal fees	16,385	-
Consultancy costs	8,529	-
Audit fees**	14,680	12,627
Other costs		
Legal and professional fees	-	10,056
Consultancy costs	16,179	4,614
	1,455,170	647,596

*The total project management and delivery costs of the group in the period are listed below. Grants are only awarded to institutions, not individuals, and details of grant recipients are included in brackets below.

** The audit fees for The MCS Service Company Ltd are included within other trading expenditure.

Project management and delivery costs

	Year ended 31 December 2023		**Year ended 31 December 2022**	
	Grants	**Programmes**	**Grants**	**Programmes**
	£	**£**	**£**	**£**
Development and Policy				
The Community Energy Revolution *(Power for People)*	-	-	5,000	-
Accelerator Cities *(UK Green Building Council)*	10,000	-	25,000	-
Decarbonising Heat in Scotland's Buildings *(WWF Scotland)*	-	-	15,000	-
Standards Investment *(The MCS Service Company Ltd)*	-	4,380	-	-
Community Capacity Building				
Zero Carbon Parish Planning Tool *(Herefordshire Green Network)*	-	-	14,580	-
Zero Carbon Parish Planning Tool *(Westminster City Council)*	30,000	-	10,000	-
Accelerating Local Response *(Ashden)*	4,066	-	16,266	-
Launch Pad Network *(Somerset Climate Action Group)*	10,000	-	-	-
Renewables Done Well *(CPRE)*	-	-	8,000	-

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7 Expenditure on charitable activities (continued)

	Year ended 31 December 2023		Year ended 31 December 2022	
	Grants	**Programmes**	**Grants**	**Programmes**
	£	**£**	**£**	**£**
Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate *(Wealden District Council)*	8,100	-	11,200	-
Big Solar Coop *(Sharenergy Cooperative)*	12,000	-	12,900	-
Community Energy Planning *(Centre for Sustainable Energy)*	27,500	-	-	-
Community Energy Planning *(South East London Community Energy)*	7,500	-	20,000	-
Community Energy Planning *(Community Energy England)*	5,900	-	5,900	-
One Stop Shop *(Regen SW)*	-	16,920	-	-
The Local Grid Challenge *(Regen SW)*	-	67,560	-	-
Research and Consumer Information				
Value of Solar Homes (Solar Trade Association)	13,823	-	-	-
Measured Savings, Better Outcomes *(Energy Systems Catapult)*	-	-	40,000	-
Heat Pumps Now *(Carbon Co-op)*	10,000	-	10,000	-
Rebuilding the Low Energy Buildings Database *(Association for Environmental Conscious Buildings)*	-	-	10,000	-
MP Survey *(You Gov Plc)*	-	15,825	-	
Repowering London	-	-	30,000	-
Solar Energy UK	-	-	13,823	-
PEC Trust	-	-	15,000	-
University of Oxford	30,000	-	10,000	-
Cornwall Insight Limited	-	17,400	-	11,400
Property Linked Finance *(Green Finance Institute)*	60,000	-	-	-
New Build Analysis *(Think Three Ltd)*	-	15,120	-	-
One Stop Shop *(Dr Catrin Maby OBE)**	-	4,637	-	-
One Stop Shop *(Living Places Earth Advisers Ltd)*	-	12,240	-	-
Retrofit Research *(SE2 Ltd)*	-	7,200	-	-
Skills and Education				
Net Zero Skills Builder *(Archbishop Council of Church of England)*	-	-	5,800	-
MCS Skills, Competency & Training project	-	-	-	-
Association of Decentralised Energy	24,500	-	10,500	-
Green Apprenticeships Research 2023/24 *(Shift Insight Limited)*	-	15,294	-	-
Green Finance				
Conservatives Environment Network	-	7,800	-	7,800

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7 Expenditure on charitable activities (continued)

	Year ended 31 December 2023		Year ended 31 December 2022	
	Grants £	Programmes £	Grants £	Programmes £
Mass Scale Retrofit				
Retrofit Support Service *(Exeter City Council / Devon County Council)*	20,000	-	-	-
Innovative programme design and capacity building for area-based retrofit *(Leeds City Council)*	25,000	-	-	-
Retrofit Supply Chain Pilot *(Carbon Coop - The Society for the Reduction of Carbon Limited and Manchester City Council)*	30,000	-	-	-
Integrating Skills and Competency in Green / Retrofit through new learning pathways *(Neath Port Talbot council)*	40,000	-	-	-
Oxford Rose Hill Community informed retrofit *(University of Oxford)*	12,000	-	-	-
Retrofit Somerset *(Somerset Climate Action Group)*	40,000	-	-	-
Low Carbon Communities *(Stroud District Council)*	45,000	-	-	-
MSR Programme *(UK Green Building Council)*	30,000	-	-	-
Advancing Net Zero *(UK Green Building Council)*	-	6,000	-	-
	495,389	190,376	288,969	19,200
	685,765		**308,169**	

* Programmes expenditure incurred in relation to consultancy support to the One Stop Shop project working alongside Surrey County Council and UKGBC.

8 Net income/(expenditure) for the year

Net income/(expenditure) for the year is stated after charging:

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Audit fees	26,850	24,850
Depreciation	61,217	28,164

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9 Auditor's remuneration

	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Fees payable to the charity's auditor for the audit of the charity's annual accounts	10,000	9,400
Fees payable to the charity's auditor for other services:		
Audit of the charity's subsidiary	16,850	15,450
Accounts preparation	6,250	5,800
	33,100	30,650

10 Trustees' and key management personnel remuneration and expenses

The trustees neither received nor waived any remuneration during the year ended 31 December 2023 (2022: £Nil).

The Aggregate remuneration to key management personnel for services to the foundation amounted to £375,698 (2022: £166,061).

Trustees expenses were reimbursed or paid directly on their behalf during the year for travel, hotels and subsistence to three (2022: four) trustees amounting to £6,249 (2022: £3,577).

11 Employees

The average monthly number of employees during the year was as follows:

	Group	
	Year ended 31 December 2023 Number	Year ended 31 December 2022 Number
	66	41

The total staff costs and employee benefits were as follows:

	Group	
	Year ended 31 December 2023 £	Year ended 31 December 2022 £
Wages and salaries	2,371,002	1,547,129
Social security costs	244,257	165,865
Other pension costs	185,836	114,841
	2,801,095	1,827,835

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11 Employees (continued)

The number of employees receiving total employee benefits (excluding employer pensions costs and employers NI) of more than £60,000 were as follows:

	Group	
	Year ended 31 December 2023 Number	**Year ended 31 December 2022 Number**
£60,001 - £70,000	2	-
£70,001 - £80,000	-	2
£90,001 - £100,000	1	2
£110,001 - £120,000	1	-
£120,001 - £130,000	1	-

The group made termination payments totalling £25,560 (2022: £38,926) in the period in respect of 1 (2022: 2) employees.

12 Tangible fixed assets (Group and Charity)

Group	**Leasehold improvements £**	**Plant and equipment £**	**Office equipment £**	**Computer equipment £**	**Total £**
Cost					
At 1 January 2023	188,440	-	7,997	44,831	241,268
Disposals	-	-	-	(6,905)	(6,905)
At 31 December 2023	195,332	9,400	27,629	75,104	307,465
Depreciation					
At 1 January 2023	18,843	-	620	14,408	33,871
Charge for the year	38,837	1,371	5,087	15,923	61,218
Disposals	-	-	-	(3,779)	(3,779)
At 31 December 2023	57,680	1,371	5,707	26,552	91,310
Net book value					
At 31 December 2023	137,653	8,029	21,922	48,551	216,155
At 31 December 2022	169,597	-	7,377	30,423	207,397

Charity	**Computer equipment £**
Cost	
At 1 January 2023	-
Additions	1,648
At 31 December 2023	1,648
Depreciation	
At 1 January 2023	-
Charge for the year	206
At 31 December 2023	206
Net book value	
At 31 December 2023	1,442
At 31 December 2022	-

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13 Fixed asset investments (Group and Charity)

	2023	2022
	£	£
Listed investments	4,768,037	4,551,744
Mixed motive investments*	75,000	75,000
	4,843,037	4,626,744

	Mixed motive investments	Listed investments	Total
	£	£	£
Valuation			
At 1 January 2023	75,000	4,551,744	4,626,744
Additions	-	1,680,450	1,680,450
Disposals	-	(1,579,866)	(1,579,866)
Gain on revaluation	-	115,709	115,709
At 31 December 2023	75,000	4,768,037	4,843,037

Listed investments at fair value comprise:

	2023	2022
	£	£
Fixed interest	1,974,331	1,507,051
UK equities	1,002,129	1,074,422
Overseas equities	1,230,844	1,256,318
Alternatives	510,660	538,173
Cash within investment portfolio	50,073	175,780
	4,768,037	4,551,744

* The mixed motive investment consists of shares purchased in Low Carbon Hub IPS and People Powered Retrofit.

The charity also holds an investment in its subsidiary undertaking, The MCS Service Company Ltd, at a value of £nil (2022 - £nil) as no consideration was paid for this investment. Further details of The MCS Service Company Ltd's activities for the year are included in note 3.

14 Debtors

	Group		*Charity*	
	2023	2022	2023	2022
Amounts falling due within one year:	£	£	£	£
Trade debtors	650,888	633,053	-	-
Amounts due from subsidiary undertaking	-	-	-	5,074
Other debtors	56,281	58,165	-	-
Prepayments and accrued income	406,518	270,242	43,408	15,066
	1,113,687	961,460	43,408	20,140

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15 Creditors: amounts falling due within one year

	Group		*Charity*	
	2023	**2022**	**2023**	**2022**
	£	**£**	**£**	**£**
Trade creditors	286,762	188,918	41,420	13,914
Amounts due to subsidiary undertakings	-	-	599	-
Other taxation and social security	304,716	261,904	-	-
Other creditors	88,723	13,854	-	-
Accruals and deferred income*	434,708	283,519	89,764	21,400
	1,114,909	748,195	131,783	35,314

* Accruals and deferred income includes the following movements in deferred income:

	Group	
	2023	**2022**
	£	**£**
Deferred income		
At 1 January	116,025	115,305
Released in the year	(33,945)	(45,135)
Deferred in the year	72,495	45,855
At 31 December	154,575	116,025

The Charity had no deferred income in the current or prior year.

16 Creditors: amounts falling due over one year

	Group		*Charity*	
	2023	**2022**	**2023**	**2022**
	£	**£**	**£**	**£**
Other Creditors	8,100	-	8,100	-
	8,100	-	8,100	-

17 Obligations under operating leases (Group)

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	2023	**2022**
	£	**£**
Within one year	105,987	105,984
Between two and five years	273,516	379,800
In over five years	0	0
	379,503	485,784

The Charity had no operating lease commitments in the current or prior year.

18 Provisions (Group)

At the year end, the group recognised a provision for dilapidations relating to the office lease.

	2023	**2022**
Dilapidations	60,000	60,000

The Charity had no provisions in place in the current or prior year.

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19 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil for the Group and £nil for the Charity (2022 - £nil and £nil respectively).
During the year the following transactions took place between the Charity and its wholly owned subsidiary:

-The Charity paid £25,828 (2022: £5,528) to The MCS Service Company Ltd for project management and delivery costs.
-The Charity recharged £84,543 (2022: £88,683) of expenses to The MCS Service Company Ltd.
-The MCS Service Company Ltd made a donation of £1,923,671 (2022: £596,737) to the Charity under Gift Aid.

At the year end, the Charity owed The MCS Service Company Ltd £nil (2022: £5,074 was owed from The MCS Service Company Ltd to the Charity).

£105,000 (2022: £80,850) was paid to Solar Trade Association for whom trustee Gareth Williams is a Director, £nil (2022:15,850) of which related to their share of the Solar Skills London GLA grant. £nil (2022: £3,645) was paid to Herefordshire Green Network for whom trustee Gareth Williams is a Steering Group member. Gareth Williams declared an interest in the grant applications from both organisations and left the Board meetings when these applications were being considered. £19,500 (2022: £10,500) of sales were made to Caplor Energy Limited, a company owned by Gareth Williams.

21 Reconciliation of net income to net cash flow from operating activities

	Group	
	2023	**2022**
	£	**£**
Net income for the reporting period (as per the statement of financial activities)	1,697,596	718,326
Adjustments for:		
Investment income	(145,865)	(133,267)
(Gains) / Losses on investments	(115,709)	776,298
Depreciation and impairment of tangible fixed assets	61,217	28,164
Movements in working capital:		
Increase in debtors	(152,228)	(396,435)
Increase in creditors	374,814	96,944
Increase in provisions	-	60,000
Net cash flow from operating activities	1,719,823	1,150,030

MCS CHARITABLE FOUNDATION

England & Wales - Charity number 1165752

Accounts

Company Registration No. 10119873

Charity Registration No. 1165752

MCS Charitable Foundation

Trustees' Report and Consolidated Financial Statements for the year ended 31 December 2022

MCS CHARITABLE FOUNDATION

MCS Charitable Foundation

Charity reference and administrative details

Trustees	Sandra Elizabeth Walmsley Fabio Silva Nehme (Chair) Charlotte Emma Powell (Resigned 11 June 2023) Gareth John Williams (Vice Chair) Karen Shearer (Appointed 19 April 2022)
Chief Executive Officer	Adrian Ramsay
Charity Number	1165752
Company Number	10119873
Registered office	First Floor Violet 3 Sci-Tech Daresbury Warrington United Kingdom WA4 4AB
Auditor	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
Solicitor	Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
Bank	CAF Bank Limited 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
Investment advisors	Rathbone Greenbank 10 Queen Square Bristol BS1 4NT

MCS Charitable Foundation

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Trustees' report (including statement of trustees' responsibilities)
For the year ended 31 December 2022

The Trustees (who are also directors of the Charity for the purposes of the Companies Act) present their annual report together with the audited consolidated financial statements of MCS Charitable Foundation (the Foundation) for the period 1 January 2022 to 31 December 2022.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2019.

Origins and History of the Foundation

The Microgeneration Certification Scheme (MCS) plays an important part in the growth of the installation of renewables in homes and small businesses.

It was set up by the Government in 2008 to certify buildings scale renewable electricity and heat products and installers to provide assurance to consumers about the quality and standard of their installation.

The Government transferred the assets comprising MCS s, as well as the MCS Fund (the historical profits from the operation of the scheme), to the MCS Charitable Foundation on 25 April 2018.

The MCS Service Company now operates as a trading arm of the Charitable Foundation. Surplus income from the Service Company is added to the MCS Foundation Fund.

The Foundation aims to fulfil a number of charitable objects, including;

- educating the public about;
- promoting research about;
- improving the quality of;
- supporting the development of standards for; and
- raising confidence and consumer awareness of renewable energy and low carbon technologies.

These objects sit within the Foundation's overall vision of a world where everyone has access to affordable and reliable renewable energy.

The Foundation's mission is to decarbonise homes, heat and energy throughout the UK by acting as a catalyst for change.

Structure, Governance and Management

The MCS Charitable Foundation is a registered charity (no. 1165752) and a limited company (no. 10119873). Its constitution is its Memorandum and Articles of Association. The company was incorporated on 12 April 2016. The registered office of the charity is First Floor Violet 3 Sci-Tech Daresbury, Keckwick Lane, Warrington, Cheshire, England, WA4 4AB

On 25 April 2018 the Foundation became the parent undertaking of The MCS Service Company Limited (Company registration number 07759366), a company limited by guarantee. This report consolidates the financial reporting of the Group.

Trustees (including Recruitment and Training)

Overall strategic direction and decisions rest with the Board of Trustees. The Trustees were recruited in accordance with the Memorandum and Articles of Association of the charitable foundation. The Trustees during the year were as follows:

Fabio Silva Nehme – Chair
Gareth Williams – Vice Chair
Charlotte Emma Powell – Resigned 11 June 2023
Karen Shearer – joined 19 April 2022
Sandra Elizabeth Walmsley
Magdalena Zarowiecki – resigned 29 October 2022

The year marked the first full year of operation of a revised governance structure following a governance review commissioned by the Board and carried out by charity governance specialists Higgs LLP which concluded in May 2021. The purpose of the governance review was to ensure that the Foundation is structured appropriately to support the realisation of substantial growth opportunities in the sector, and to support the related move to an integrated strategy across MCS Group. A key recommendation of Higgs LLP was for greater overlap between the Board of MCS Foundation and the Board of its subsidiary, MCS Service Company (which runs the MCS Standards scheme). As such, three Foundation Trustees and the Foundation CEO now sit on the Company Board.

During the year, the Foundation and Company Articles were updated with the support of Higgs LLP to ensure they reflect current best practice, and a range of other governance documents were also reviewed including for induction of new Trustees and Company Directors.

The Foundation and Company executive teams grew during the year, reflecting the growing ambitions of the Group and increasing income. Joint working between the Foundation and Company was further enhanced, with several initiatives drawing on skills and knowledge from across the Group to advance the Group's sector-convening work, for example in relation to green jobs and external affairs. The two Chief Executives also work closely together in planning the activities of the MCS Group and monitoring performance, supported by the new Group Senior Management team.

During the year there were some minor changes to the membership of the Board of Trustees, with one new Trustee joining in April and a current Trustee stepping down in October. Trustees resolved to review the skills required on the Board to support the Foundation's strategic objectives and then add to the Board's membership during 2023. During the year, a new Non-Executive Director was appointed to the MCS Company Board following a thorough recruitment exercise and based on a skills review.

The Trustees consider that the Board of Trustees, the Chief Executive Officer, the Chief Executive Officer of the MCS Service Company Ltd, the Director of External Affairs and the Director of Grants and Development comprise the key management personnel of the Foundation, with Trustees ensuring good governance and clear strategic direction, and the executive team leading the delivery of the strategy and Foundation operations. All Trustees give their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions are disclosed in the notes to the accounts. The pay bands of the Foundation CEO and the MCS Company CEO and Market Development Director are set by the Board of Trustees and reviewed periodically. The pay bands for other staff are set by the two Chief Executives as part of a framework across MCS Group. The remuneration is set to ensure it is fair and will attract and retain staff of the appropriate calibre and experience required by the Foundation.

The Foundation is a member of the National Council of Voluntary Organisations and the Association of Charitable Foundations which both provide helpful information and training on good practice, changes in the law affecting charities and act as an authoritative lobby on behalf of charitable foundations with government and regulators. Trustees use NCVO and ACF resources and events to keep up-to-date.

Trustees are required to disclose all relevant interests and register them with the Board. In the event of a conflict of interest or loyalty, the Foundation's policy is that Trustees should withdraw from the decision-making process.

Risk Management

The Trustees have assessed the major risks to which the Foundation is exposed, in particular those related to the operations and finances of the Foundation and its trading Company.

The principal risks and uncertainties identified by the Trustees are:

- That grants and sector convening work fail to meet the agreed objectives;
- Investment performance is below expectations or not adequately monitored;
- Significant government policy shift either drives installers away from MCS as a voluntary scheme or introduces competition;
- Consumers don't receive adequate protection as a result of the scheme delivery structure.

A risk register is in place through which all risks are monitored. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to the major risks.

All applications for funding are considered in relation to the Foundation's objects, strategy and the need to show a clear public benefit, with a transparent assessment process in place and final approval of grants made by the Board. More of the Group's resources are being channeled into the sector convening and innovation work at the heart of the Foundation's purpose, with greater capacity being added to the Foundation and Company teams in support of this work.

Performance of the Foundation's investments is monitored on a quarterly basis with Rathbones investment management providing any significant updates in between times. The Board has reviewed the Foundation's investment policy in the light of economic conditions. There are now early signs of recovery from the reduction in fund value experienced in 2022, and as the Foundation is not reliant on this fund for short to medium term expenditure there is time to allow for the fund to recover.

MCS Company profits were very healthy in 2022, and are operating well above budget in the first four months of 2023. The Company Business Plan is focused on ensuring that the MCS scheme remains attractive to and is simplified for the benefit of installers, consumers and stakeholders with several initiatives underway to advance this work, particularly around consumer protections. The scheme continues to see growth in the number of registered installers. The current main government incentive (Boiler Upgrade Scheme) has been extended to 2028 and MCS Company plays a key role in the delivery of the scheme.

Objectives and Activities

The Objectives of the Charity are:

(a) the advancement of education and environmental protection and improvement by educating the public in the subject of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems) (including, for the avoidance of doubt, providing bursaries to those wishing to pursue careers in this area and institutions providing education in this area);

(b) the advancement of education and environmental protection and improvement by promoting study and research into the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(c) the advancement of health and the saving of lives and environmental protection and improvement by promoting study and research into improving the safety of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(d) the advancement of environmental protection and improvement by supporting the development of standards and related guidance for the renewable energy and low carbon technology sector; and

(e) the advancement of environmental protection and improvement by raising awareness and confidence amongst consumers in the area of renewable energy and low carbon technologies (products and systems).

In late 2021, a Group Strategic Plan was adopted which focuses on utilising the knowledge, assets and market position of MCS to drive the sector's growth. Under the strategy, the core elements of the group's work continue: running and growing the MCS standards scheme to give confidence in domestic and small scale renewables; and using the profits from the scheme to advocate for changes in the policy landscape that will support the sector's growth, while making grants to innovative projects aimed at accelerating the adoption of low-carbon technologies.

In addition to these areas of work, MCS Group also has an increasing focus on advancing the skills and training needed to support the sector's growth, while catalysing action at a local level towards delivery of mass scale retrofit strategies through working with leading local authorities and other key stakeholders.

Public Benefit Statement

The Trustees confirm that they have paid due regard to the Charity Commission's Guidance on Public Benefit, when considering the Foundation's objects.

STRATEGIC REPORT – ACHIEVEMENTS AND PERFORMANCE DURING THE YEAR

Sector Convening Activities

Central to the MCS Group strategy is acting as a convenor of our sector, harnessing the Foundation and Company's assets, knowledge and networks to catalyse action on addressing the barriers to retrofit at scale. This convening work, also known as MCS Launchpad, operated in the following key areas during the year:

Green Jobs Action Group (GJAG)

The aim of the GJAG is to advance education and skills at all levels across the domestic renewables and low carbon energy sector. The group comprises Government departments (from Westminster and all the devolved nations), the education sector, industry representatives and local authorities, as well as representatives from trade associations and the installer community.

The group has been used to facilitate government consultation of the sector on key topics such as minimum technical competencies and to support the advancement of key initiatives on skills such as the new Low Carbon Technician Apprenticeship. The group has established two workstreams, on recruitment and engagement; and on skills and training provision. In both areas foundational research took place during the year to inform future strategy on both recruiting new entrants into the sector and widening the range of training on offer to meet the sector's needs. The latter will be supported by the MCS competency framework, offering MCS accreditation to quality training provision in support of a growing low-carbon energy technology design and installation workforce.

Accelerating Retrofit Programme (in partnership with UK Green Building Council)

MCS Foundation and UKGBC are working together to support leading local authorities to develop, deliver and demonstrate innovative practice in advancing retrofit at scale. During the year a Retrofit Toolkit was developed to support local authorities with this work, while over 40 local authorities now participate in the MCS/UKGBC Retrofit Forum. This work facilitates the sharing of replicable best practice, lessons learned, evidence, case studies and resources between local authorities on a range of key issues – including finance, consumer engagement and skills.

The current programme builds on the previous UKGBC work and will focus on the challenges for local authorities of retrofit strategy, finance, skills and consumer engagement – treating these key topics not in siloes, but as intrinsically linked. It is intended to use this project to build intelligence and partnerships to form the business case for a mass scale retrofit demonstrator project. This will be a learning and development tool for the whole sector.

Linked to this, the Foundation has refined its grants programme to focus on accelerating retrofit. During the second half of the year it ran an open grants scheme aimed at councils and others involved in advancing innovative retrofit projects at local level. Eight grants were awarded at the end of the year to projects spanning topics such as skills, supply chains, and green finance. The Foundation will be an active partner in these projects, which will be foundational to the Accelerating Retrofit programme and to the Foundation's aim to demonstrate the need for other funders to partner in channelling more funding into innovation and capacity in the sector.

External Affairs

The Foundation is helping to change the policy landscape and accelerate the decarbonisation of our homes, heat and energy, through our research and government engagement. It commissions reports, conduct literature reviews and use the independent science to inform our position, which is then used to help inform policy creation within Government.

Current priority areas of work include the case for removing VAT from all renewable energy installations, reform of the building regulations to require net zero and domestic renewables in new build, advancing green finance mechanisms, seeking commitments for long-term renewables incentives schemes, and pressing for measures to reduce the cost of electricity to improve the economics of the electrification of heat. In addition, the Foundation is working to demonstrate the case for heat pumps (a readily available technology) to be assumed as the primary solution to the decarbonisation of heat and – central to our founding purpose – to advance the case for standards to be written into regulations and incentive schemes.

On all these topics, the Foundation advanced the case during the year through commissioning research, building evidence, and engaging with industry and academic and NGO sector specialists. It also worked to make its evidence available to policy makers and government through responding to over 50 consultations, building relationships with civil servants and where appropriate engaging directly with politicians from across the political spectrum.

Grant Funded Projects

The following projects were delivered during the year, all of which are featured on the Foundation's website with links to project outputs and research:

Research & Consumer Information

Housing Archetypes & Heat Pump Deployment (delivered by Plymouth Community Energy) – ***work completed during the year:***

While heat pumps are a renewable energy technology capable of being deployed on residential properties there are many barriers to their deployment, which has resulted in a low uptake across the UK. Through this project PEC tackled these problems by focussing on the qualities of different housing archetypes and what retrofit measures are required for each to allow for optimum heat pump installations and to work towards removing these barriers.

Measured Savings, Better Outcomes (delivered by Energy Systems Catapult) – ***work completed during the year:***

The approach, known as measurement and verification (M&V) has been used in large non-residential energy upgrade projects for several years, but a standardised approach for evaluating and measuring performance of home energy projects did not yet exist in the UK.

The project has made progress towards a metered energy savings solution for the UK and has highlighted the need for such a protocol, building on the work carried out under the Green Finance Institute's Coalition for the Energy Efficiency of Buildings initiative during 2020/21.

Rebuilding the Low Energy Buildings Database (delivered by Association for Environment Conscious Building) – ***work completed during the year:***

The Low Energy Buildings Database showcases 455 innovative low energy UK building projects including single dwellings, multi-unit private and social housing schemes, schools and offices. It includes 150 replicable retrofit projects.

The ambition is to grow the LEBD as a resource for UK homeowners, self-builders, local authorities, the construction industry and international audiences.

The new LEBD database facilitates standardised, efficient data entry, improved sharing and access, consistent project comparison and reporting, enhanced feedback and learning as well as project promotion.

Low Carbon Retrofit Accelerator (delivered by Repowering London) – ***work completed during the year:***

With our support, Repowering London and Future Climate collaborated on a research and knowledge exchange project to accelerate the decarbonisation of low-rise blocks of flats in the private sector.

Twenty-one percent of homes in England are flats and most of these are in the private sector. Research by Future Climate for the GLA has found that levels of uptake of energy efficiency measures for privately owned flats are lower than for street-level properties or social housing flats.

This project quantified the carbon saving potential of this type of housing, assessed the benefits of a whole building retrofit approach, and addressed gaps in engagement, advice and financing models to help increase uptake of low-carbon technologies in privately owned blocks of flats.

Development & Policy

Decarbonising Heat in Scotland's Buildings (delivered by WWF Scotland) – ***work completed during the year:***

Decarbonising how we heat our buildings is one of the greatest challenges in reaching Scotland's 2045 net zero target.

The overall aim of this WWF Scotland project was to assess how regulation and incentives could be combined to rapidly accelerate the roll-out of zero and low-carbon heating without increasing rates of fuel poverty. It also investigated which technologies can deliver the scale of carbon reduction required this decade.

To view the Affordable Warmth Scotland report visit here; https://www.wwf.org.uk/our-reports/wwf-affordable-warmth-scotland.

The Community Energy Revolution (delivered by Power for People) – ***work completed during the year:***

Power for People drafted the Local Electricity Bill and is campaigning for it to be made law. This would establish a 'Right to Local Supply' and proportion the costs of selling clean electricity to the scale of the local supplier's operation. Many more community energy projects would become viable as a result.

With more of the profits from clean electricity circulating locally, there would be more investment in local services and facilities and this would create a powerful incentive to build more renewable energy infrastructure. Communities would thrive as they contribute meaningfully to the UK's net zero transition.

This campaign is winnable, as evidenced by widespread parliamentary and public support. A cross-party group of over 260 MPs now support the Bill, along with an ever-growing coalition of national and local organisations.

Skills & Education

Net-Zero Skills Builder Project (delivered by the Archbishops Council of the Church of England) – work completed during the year:

With a commitment to radically reduce their carbon footprint, their General Synod passed a landmark motion, calling on all parts of the Church to plan for 'net zero' by 2030, and there is a great deal of commitment to achieving this target.

To support this, the Church has looked to increase the skills of its staff and volunteers in taking the necessary action with a focus on the Church's very particular context, with the majority of the buildings listed and with fragile heritage interiors.

The objective of this project was to increase the skills and knowledge of Church of England staff and volunteers around the country through a series of webinars, giving them the practical skills they need to achieve net zero carbon, and an increased confidence in making changes.

Upskilling for Low Carbon Heating in the Private Rented Sector (delivered by ACE Research) – work started during 2021 and ongoing:

Using funding from the MCS Charitable Foundation, Calor and the Ground Source Heat Pump Association (GSHPA), the overarching objective of the project is to accelerate heat decarbonisation in the private rented sector, where low levels of awareness and understanding of low carbon heating solutions remains a key barrier to uptake and decarbonisation.

With greater knowledge and understanding of low carbon heating solutions Local authority officers will be able to support landlords who want to take action to improve their properties and for landlords to begin to understand the pathways that they could take to ensure that their property meets standards, giving them confidence to invest in their property using quality supply chain actors and opening access to grant funding and finance.

Community Capacity Building

Renewables Done Well (delivered by CPRE the Countryside Charity) – *work completed during the year:*

Working with eight rural communities across England, CPRE created a series of unique visions of what renewable energy could look like within a local rural landscape, when it is implemented to exist in harmony with local landscapes and communities.

The process took the form of a series of facilitated participatory workshops which engaged with a diverse and representative group of people from the local community. The outcomes of these workshops formed the basis of a 'community vision document' that was presented to the community with a range of options on how to

proceed with this newly created vision and support them to complete the next steps. CPRE held a webinar to encourage further uptake of the project which was attended by more than 40 people from across the country and they continue to receive interest in the Community Visioning process from both inside and outside the CPRE Network including approaches from communities considering taking the process up Nottinghamshire, the Peak District, and Whitby.

Launch Pad Project (delivered by Somerset Climate Action Network) – ***work completed during the year:***

Somerset Climate Action Network (SCAN) is working with Somerset County Council to help deliver the County's zero carbon aspirations through harnessing skills in the community. This work brings people up to speed with the challenges faced and communicates the most up-to-date information and new findings on both the current climate situation, what is coming in the future and the smartest ways to tackle it at every level, providing case studies of local examples of action.

The project has given people, businesses and communities the tools they need to take action and make smart changes with an aim to develop a county-wide resource for climate action, encompassing scaling up renewable energy generation capacity in liaison with Somerset Community Energy, Zero Carbon projects, energy saving, business, transport and more.

Ambleside to Zero (AtoZ) (delivered by Ambleside Action for a Future) – ***one off grant provided during the year:***

Ambleside Action for a Future is a network of local residents working together to mitigate climate and environmental breakdown and build community resilience.

There are a number of active working groups under the AAFAF banner, including groups promoting biodiversity in the local area, improving the sustainability of transport, and also a group working to help the town become zero carbon by 2030. This project is known as A-Z (Ambleside to Zero).

There are several initiatives that the A-Z are working on to help lower the towns carbon footprint, and the two largest of these are 'Warmer Homes': reducing the energy we use within our homes by improving their energy efficiency; and 'Renewable Energy': reducing our reliance on fossil fuel energy and harnessing the power of the sun.

Accelerating Cities (delivered by UK Green Buildings Council) – ***work completed during the year:***

Following exploratory research in 2019, UKGBC began coordinating a programme of work in 2020 designed to support local government catalyse a step-change in home retrofit. The programme, 'Accelerator Cities', has a single core objective – to help local and combined authorities to develop home retrofit policy and programmes. It does this primarily through co-ordinating the sharing of replicable best practice, lessons learned, evidence, case studies and resources between local authorities on a range of key issues – including finance, consumer engagement and skills.

MCS Charitable Foundation is on the steering group for this project.

Five for Fownhope - Zero Carbon Parish Planning Tool Cities (delivered by Herefordshire Green Network) – ***work completed during the year:***

HGN and partners Caplor Horizons worked together on the new 'Great Collaboration Towards a Zero Carbon Herefordshire' to develop an interactive website for parish council communities that will encourage individuals on their journey towards zero carbon, whilst guiding and supporting the development of local zero carbon initiatives. The tool supports the sharing of good practice whilst enabling parishes to plan and track carbon reduction initiatives as part of their zero carbon planning.

The website resource available for local use across Herefordshire also provides Parish councils across the UK with a better understanding of the measures they can take to achieve their zero carbon targets, with local people feeling empowered and inspired to act and confident to participate in adopting local low carbon delivery initiatives.

Building capacity for community energy through regional networks (delivered by Community Energy England) – ***work completed during the year:***

Community energy brings people together to take democratic, collective climate action with a wide range of local co-benefits.

Community Energy England is the membership network and representative body for the sector, and this project increases its engagement across the country to track evolving sector needs and challenges more effectively. This has enabled CEE to build partnerships and support at a regional and local level, coordinate the sharing of learning and develop new resources, and support development of regional networks, to help stimulate successful community energy organisations and facilitate growth in the sector.

Community Energy Planning (delivered by CSE) – work started during 2020 and ongoing:
Meaningful public engagement with policy around renewables is important to ensure that no one is left behind in the transition to net zero. The Community Energy Planning project aims to create exemplar polices for other communities to encourage locally led community climate action.

This will be achieved by increasing the amount of renewable energy installed in two local authorities by supporting them to work with local communities, co-producing robust and well-evidenced local energy strategies which are consequently embedded in Local Plans and by developing a clear template for the wording of local authority policy regarding the development models and ownership structures that should be favoured in local planning policy.

The output of this project is to produce replicable guidance for local authorities across England.

The Big Solar Co-op (delivered by Sharenergy Co-operative Ltd) – work started during 2020 and ongoing:
This project seeks to support the expansion of the community renewables sector by taking away some of the barriers faced by volunteer-run local community renewables groups. Through this new approach, solar activists are invited to work locally but as part of a UK-wide solar co-op which will nurture and support the growth of their volunteer base by providing support through training and peer mentoring and breaking down the work into more manageable portions to enable people with less time to participate.

The project aims to also engage 250 active volunteers across 25 local groups, generate 5 new sustainable jobs, create ethical, accessible social investment opportunities raising £25m and save over £300,000 annually on fuel bills for community buildings and social housing.

Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate (delivered by Wealden District Council) – work started during 2020 and ongoing:
This project will engage and work with SMEs and property owners to accelerate the implementation of renewable and low carbon technology in a multi-tenure industrial estate setting.

The aim is to demonstrate a model for rolling out low carbon solutions in such settings. This will be achieved through a three-track approach: identifying the barriers preventing SMEs from installing renewable or low carbon technology; raising awareness of the incentives and benefits of installing measures; and providing SMEs with additional, more bespoke, technical support to help convert energy audit reports into installed measures and overcome later stage obstacles.

Retrofit Streets (delivered by South East London Community Energy) – work started during 2021 and ongoing:
Improving the efficiency of our buildings is essential to the UK's decarbonisation plans. In order to respond to the scale of the challenge we need a whole-house, deep retrofit solution which can be implemented in every household.

The specific aims for the activities within this project are to enable and encourage residents of one street in each location to undertake a programme domestic retrofit thereby reducing carbon emissions and to model, design and plan retrofit at the street level to facilitate co-working between residents and co-procurement.

The following projects were commissioned during the year:

Research & Consumer Information

Sustainable Heat Insights for a Fast and Fair Transition to Net Zero (SHIFT-0) (delivered by University of Oxford) – *work started during the year:*

This project builds on pioneering work funded by the Engineering and Physical Sciences Research Council (EPSRC) and the Oxford Martin School (OMS) at the University of Oxford. The Oxford Martin School is a research institute at Oxford undertaking interdisciplinary research to solve the global challenges of the twenty-first century. The Oxford Martin School Programme on Reconfiguring Energy Needs, Equity and Wellbeing (ReNEW) uses the same methodology as SHIFT-0. Targeted and contextualised smart meter data helps us to understand energy use patterns, especially among households who struggle with the cost of energy. While ReNEW is focussed on household gas and electricity usage, SHIFT-0 will specifically target the transition from gas to electricity use resulting from heat pump adoption. During the 2022/23 heating season both projects will be closely aligned in terms of data collection, analysis and outputs.

Mass Scale Retrofit

Retrofit Support Service (delivered by Exeter City Council) – *work started during the year:*

The Energy Saving Devon partnership (partnership of all Devon councils including Exeter City Council) has been working to develop an innovative, best practice support service for homeowners to enable them to carry out the right retrofit and deliver carbon-savings as well as other benefits as determined by the homeowner.

The funding will allow the partnership to source the final resources needed to launch their Retrofit Advice Service. This will include a Quality Assurance Officer and telephone support service to provide advice on next steps for homeowners in Devon. Once this start-to-finish strategy is evaluated and finalised, methodologies could be adapted, replicated, and used to scale up capacity and delivery across the UK.

Property Linked Finance (delivered by Green Finance Institute) – ***work started during the year:***

Property Linked Finance (PLF) is a financial instrument that supports homeowners to fund up to 100% of the upfront costs of energy efficiency improvements. PLF is not currently available in the UK, however if introduced would unlock significant benefits. Almost two-thirds of consumers stated they were 'open' or 'likely' to use PLF for energy efficiency improvements – a remarkably positive response to a new financial solution. Since the energy crisis began, 52% of consumers are more likely to use PLF compared to 2021.

This project aims to catalyse the UK's Property Linked Finance market, which will require co-ordinated collaboration across the finance, legal, retrofit, property and public sectors. The project will design and test a 'blueprint' model for UK PLF, raise awareness of this solution across relevant sectors, and encourage UK financial institutions to bring a PLF pilot to market.

Innovative programme design and capacity building for area-based retrofit (delivered by Leeds Council) – ***work started during the year:***

All local authorities need to find ways to reduce carbon emissions from homes of all tenures, including more affluent private sector households, to achieve local and national net zero ambitions. However, there are currently no incentives or support systems in place to encourage able to pay households to act.

Leeds City Council has been working with the private sector, via the Prime Minister's Business Council, since late 2022 to develop a blueprint to tackle this problem. This is an innovative area-based approach, aiming to design and create a smooth customer journey and new incentives or financial products, largely financed by the private sector, to remove barriers to entry.

Retrofit Supply Chain Pilot: piloting council-led area-based schemes to develop the retrofit supply chain (delivered by Carbon Coop, Manchester City Council and B4Box) – ***work started during the year:***

Carbon Co-Op is an energy services and advocacy cooperative that helps people and communities to make the radical reductions in home carbon emissions necessary to avoid runaway climate change. They have set up a partnership with Manchester City Council to pilot an area-based whole house retrofit scheme in Levenshulme, Manchester, which takes a street-by-street approach and is funded through grants or 0% loans. Working collaboratively with a contractor and training provider, B4Box, they will upskill the workforce who will have immediate practical experience through the project. It will also result in more qualified trainers and the establishment of a key local provider of future retrofit training.

Integrating Skills and Competency in Green / Retrofit through new learning pathways (delivered by Neath Port Council) – ***work started during the year:***

In response to the skills requirements to deliver the NPT Council led 'Homes As Power Stations', MCS funding has been awarded to NPT Council to deliver a regional skills project across the Swansea Bay City Deal area.

Working with partners in order to develop further education provider readiness to deliver MCS certifiable green skills provision, MCS will provide oversight and strategic support and planning for the project. The project funding will deliver the project over a 12 month period starting in March 2023.

Feasibility to support Oxford Rose Hill Community informed retrofit (delivered by Oxford City Council) – ***work started during the year:***

This project will undertake detailed feasibility work to cost and plan an area specific retrofit pilot project across different tenure/ building types with high levels of community and stakeholder engagement. The pilot project will demonstrate retrofit at greater scale than previously delivered in Oxford and test the delivery model for future replication and expansion in Rose Hill and the rest of Oxford.

The feasibility project's main objective is to develop a business case for a pilot project and set out the optimum way of delivering the pilot and is expected to be followed by a larger-scale retrofitting project, which will learn from the pilot and benefit from the expertise, structures and relationships developed.

Retrofit Somerset (delivered by Somerset Climate Action Network) – ***work started during the year:***

This project has been put in place to research and design a permanent, over-arching, not-for-profit service for Retrofit Somerset to promote whole house retrofit to the 'able to pay' sector, at scale and at pace, within Somerset.

The project will determine where this service is best placed, either within current retrofitting organisations in Somerset or as a separate entity. The aim of this project is to build an investible business plan with strong stakeholder support that could then attract significant funding from Somerset Councils and other sources.

Low Carbon Communities (+ LCC+) (delivered by Stroud District Council) – ***work started during the year:***

The Low Carbon Communities project is the next step in The Retrofit Centre collaboration (one-stop advice/signposting and tools). The project looks to create 'pockets' of high activity, taking a 'learn by doing' approach and making the work visible across communities to nudge the development of social norms around the language and process of retrofit.

Low Carbon Communities is focused on a need to increase private investment in retrofit and, at the same time safeguard and expand affordable warmth work. These two aspects are building blocks towards the provision of wide-spread, end-to-end retrofit services that are rooted on whole house good practice principles of low carbon plans for buildings.

Community Capacity Building

Green Live Learning Lab (delivered by Westminster Adult Education Services) – ***work started during the year:***

The 'Green Live Learning Lab' Project in North Westminster harnesses authentic learning opportunities by bringing together two elements: Family Learning with real-life Sustainability Learning. They are using the local neighbourhood which is undergoing regeneration and retrofit investment as an outdoor classroom to teach sustainability across the generations.

Collaborating with cutting-edge specialists and expert practitioners, WAES are working on renewable energy and low carbon technologies; architects, designers, environmental specialists and building development professionals who are currently undertaking a mix of projects in the area. With much of the environmental industry outpacing the curriculum, this project is a valuable "see it, be it, understand it" opportunity to bridge this gap. Co-creating a full pack of teaching resources with the local family learners themselves is the main outcome, with a working title of "How to use my neighbourhood to learn about sustainability". It will also be suitable for participants who do not have English as a first language.

Activity of the MCS Service Company 2022

2022 was a year of growth. The Company built on a recovery in financial performance achieved post novation in 2018, brought about by successfully repositioning the Certification Scheme as the sector's quality assurance, irrespective of MCS being a requirement to access government incentives.

A record rise in global energy prices in 2022 led to an increase in the cost of living, given the UK's dependency on gas, both to generate electricity and to heat the majority of 28 million UK homes. This economic situation further supports the case for small-scale, low-carbon energy technology, as evidenced by growing consumer adoption of Solar PV as way to insulate themselves from high electricity prices.

The Company's main activities in 2022 are summarised below, associated with the Company's Values:

1. **We are expert** – ensuring quality through robust technical knowledge

The MCS compliance team expanded in 2022, with further hiring of assessors who are able to address issues of compliance and for the resolution of consumer complaints. As an assignment for the compliance team, MCS supported installation audits at the closure of the Domestic Renewable Heat Incentive (RHI), cementing an ongoing relationship with the government department responsible for RHI.

The Company affected a split in the Heat Pump Standard (MIS 3005), allowing for a distinction between Heat Pump system Design and Installation. The new split standards are expected to support the migration of more fossil-fuel based installers over to the installation of Heat Pumps, especially gas boiler installers. This market is known to work on the basis of engineers fitting heating devices that have been designed by others. 2022 also saw the successful launch of the MCS Battery installation certification scheme, aligned to the Battery Installation Standard published in 2021.

As MCS continues to grow, a further Certification Body, the Installation Assurance Authority (IAA), added MCS to their UKAS scope of accreditation, extending the number of Certification Bodies that contractors can now choose from.

2. **We are inspiring** – helping to reshape energy in UK homes and communities

In 2022, the Company delivered a student Renewables Roadshow event. Working with the Electrical Contractors Association (ECA), the roadshow provided access to an industry event – Solar & Storage Live - for apprentices studying at the City of Liverpool college.

In response to a diversifying contractor base, MCS has developed a strong working relationship with British Gas (PH Jones) to support an expansion of 'corporate installers' into the UK's Heat Pump installation market.

In Solar PV, the Company provided support to the Solar Skills London initiative, securing funding in partnership with Solar Energy UK for a Mayor of London project with the aim of boosting the numbers of MCS certified Solar PV installation contractors in the capital.

3. **We are collaborative** – working with industry and government to create positive change

In a move to better understand the issues some consumers can face in the sector, the Company took steps to resolve several long-standing complaints in 2022, offering insight to inform Company plans to reset to sector's consumer protections.

The Company achieved national media coverage in 2022, including two high profile features in The Sunday Times relating to consumer adoption of Solar PV and Heat Pumps.

The Company set up a new Helpdesk function to support OFGEM and the Department of Energy Security and Net Zero (DESNZ) for the delivery of the Boiler Upgrade Scheme (BUS). The Company's standard setting and Secretariat function achieved the launch of a new Borehole Drilling Specification in collaboration with the Ground Source Heat Pump Association.

4. **We are principled** – operating in a way that's clear, open and fair

The Company launched the MCS Data Dashboard in October 2022, leading to an associated Parliamentary event in 2023. The Dashboard is designed to provide near real-time updates on MCS Installations to track the adoption of small-scale renewable installations across the UK. Given the UK's legally binding net-zero targets, the Dashboard puts small-scale renewable insights in the hands of industry stakeholders and policy makers.

The Company held the first 'MCS Forum' in May, engaging industry stakeholders, boasting the biggest attendance yet for a MCS stakeholder event.

5. **We are determined** – supporting the UK's drive towards a clean energy future

2022 was a record year for MCS certified installations, with more than 170,000 installs registered with the Scheme, with record years for both Solar PV and Heat Pump installations. The MCS 2022 events programme included exhibiting at Futurebuild, Installer Show and Solar & Storage Live.

The Company moved premises in 2022 to Violet, a grade A office complex located at the internationally recognised Sci-Tech Daresbury campus. The new office space was designed with high-growth technology companies in mind and provides quality facilities for science and technology companies developing or upscaling their business.

Achievements and Performance

a) ACHIEVEMENTS DURING THE YEAR

During the year, the Foundation achieved the following;

- Helped facilitate a record year for the sector, with over 170,000 MCS certified installations registered.
- Successfully advocated for 0% VAT for domestic renewables and energy efficiency, announced by the Chancellor in March 2022 as a 5 year government commitment.
- Supported the introduction and delivery of the Boiler Upgrade Scheme including successful lobbying for a bigger and longer scheme.
- Working with partners, successfully made the case to move environmental tariffs from electricity bills into general taxation, reducing the cost of electricity and making it cheaper to heat a home with a heat pump than a gas boiler for the first time.
- Responded to over 50 Government consultations and calls for evidence on our key areas of work and conducted research on a number of central topics.
- Established the Green Jobs Action Group as a key forum for engagement on skills within the sector and between the sector and government.
- Advanced the Accelerating Retrofit programme, in partnership with UKBGC, running a network of 40 leading local authorities in formulation and advancement of mass retrofitting plans.
- Launched the Low Carbon Landscapes Report and Data Dashboard providing key data to the sector and policy makers on renewable energy installations.
- Refined the Foundation's grant-giving programme to focus more fully on accelerating retrofitting of homes, and ran a grant round focused on innovation at local authority level in scaling up retrofit.
- Reached a milestone of over 40 grants awarded worth over £1.5m, supporting innovation in our sector.
- Played an active role in supporting the delivery of grant-funded projects.
- Began the process of reviewing the Foundation's brand in light of the new strategy.
- Refreshed and updated the governing documents of the Charity and Company in line with the recent governance review and in support of group objectives.

Financial Review

a) Financial Review Summary

The Foundation made a surplus, after investment losses of £776,298 (2021: investment gains £446,220), of £718,206 (2021: £456,503) in the year.

During the year the Foundation's income amounted to £5,583,835 (2021: £3,261,032). The majority of the income related to trading income from the subsidiary of £5,450,082 (2021: £3,156,305). The remainder being income of £133,267 (2021: £104,727) from the investments held, and £44,153 Government grant funding (2021: Nil).

The costs of the Foundation for the year amounted to £4,089,331 (2021: £3,250,749). £680,827 (2021: £671,758) of expenditure incurred related to costs incurred directly through the charity in the delivery of charitable objects. £3,408,504 (2021: £2,578,991) related to trading costs of MCS Service Company Limited which also advanced delivery of the charity's objects around standards.

At 31 December 2022 the Foundation held £4,626,744 (2021: £5,306,613) in investments which includes £50,000 of shares invested in Low Carbon Hub IPS, and £25,000 of shares invested in People Powered Retrofit schemes. £2,903,785 (2021: £1,927,249) was held in cash at bank.

The Foundation's total funds at the year end amounted to £7,891,188 (2021: £7,172,865).

The significant sum received from BEIS in the year ended 31 March 2019 (£6,649,610) was intended to fund the Foundation to deliver its charitable objects over a number of years. As such the Trustees are comfortable that in some years, such as 2020, the Foundation may make an operating loss on its charitable activities. Trustees are pleased that in 2022 the Foundation made a surplus.

b) Reserves Policy

The objective of our reserves policy is to ensure that the Group maintains sufficient cash and readily realisable assets to enable it to withstand any shortfall in income or unforeseen expenditure while any necessary adjustments are made to the Group's operations. In 2021 and 2022, our reserves enabled us to respond to the impact of the pandemic in a measured way, without having to rush serious decisions that will have a long-term effect on the future of the group and its activities.

The appropriate basis for the Foundation's reserves policy is managed cash and investments, rather than accounting reserves as reflected in the Group's consolidated balance sheet.

Group managed cash and Investments	2022 £000	2021 £000
Investments	4,627	5,307
Cash and short-term deposits	2,904	1,927
Exclusions*	-75	-75
Total	7,456	7,159

*Exclusions consist of mixed motive investments that are considered illiquid.

The Trustees' minimum expectation is to maintain sufficient managed cash and investments to fund at least three months of annualised forecast gross cash outflows.

The total managed cash and investments at 31 December 2022 was £7.5m, which represents 12months of budgeted cash outflows for the year. All funds held are unrestricted. The Trustees are comfortable with holding a large reserves balance as it is heavily reliant on the trading profits of the subsidiary being its main source of income, funding its grant making and operational outflows. Should the trading subsidiary experience disruptions to operations, the Charity will look to rely on investment income to fund its operational activities in the short term.

The Group is budgeting to spend on average £590k cash per month during 2023, a total in the region of £7m for the year. We anticipate our investment portfolio to increase in 2023, largely due to the slow recovery of broader economic conditions impacted initially by the war in Ukraine. The Trustees have recently reviewed the investment portfolio in terms of size, risk appetite, asset allocation and length of investment terms applied, and considered no change in policy was necessary.

c) Principal Funding

The Foundation's principal funding is the transfer of £6,649,610 received from BEIS, as well as investment income received which is derived from holding the transferred funds for investment purposes. Ongoing funding is received in the form of the profits from the operation of the MCS scheme under The MCS Service Company Ltd.

d) Fundraising Policy

The Trustees take their responsibility under Charities (Protection and Social Investment) Act 2016 seriously and have considered the implications on their activities. The Foundation has not to date engaged in fundraising work, and future fundraising and financial partnership work is likely to be with other Foundations and institutions. The Charity does not actively raise funds or solicit donations directly from the general public. The charity does not work directly with commercial sponsors in relation to fundraising. The Trustees are not aware of any complaints made in respect of fundraising during the period.

Investment Policy and Performance

The majority of the proceeds received as a result of the novation (historical profits of the MCS scheme) are held in an investment portfolio with Rathbone Greenbank (£4 million was invested).

The Board of Trustees has agreed the Foundation's Investment Policy Statement which is the mandate to which the Investment Managers hold the funds on behalf of the Foundation. The Investment Policy Statement states that the funds invested in a way that maximises the return within the context of taking only moderate risk and a likely investment horizon of up to ten years. In addition, the Policy, which was reviewed during the year, includes some clear ethical parameters including avoiding investments in fossil fuels.

The performance of the Investment Portfolio and Managers are scrutinised at the Foundation's Board meetings.

At 31 December 2022, the market value of investment held amounted to £4,551,744 (2021: £5,231,613). During the year the investments yielded investment income of £133,266 (2021: £104,727) and unrealised investment capital losses of £776,298 (2021: investment gains of £446,220).

During 2020 the Charity entered into a social investment partnership with crowdsourcing platform Ethex, which raises investment funding for ethical and green projects such as renewable energy installations. The agreement involved the charity pledging to commit up to £500,000 towards investment in different projects, to be used by Ethex to help leverage additional funding from individuals. The investments will be mixed motive, in that they help advance the charity's objects and will be expected to bring a financial return. Ethex carries out due diligence on potential projects which is then further scrutinised by Trustees before investments are made.

Trustees judged that this partnership enables the Charity to show leadership in the sector in how capital funds can help directly advance the charitable mission, while also diversifying the Charity's investment portfolio in a way that is judged to reduce risk. To date, two such investments have been made totalling £75,000 (2021: £75,000) with other potential projects to be reviewed as and when they are put forward by Ethex.

Plans for the Future

The MCS Group Strategic Plan for 2023 builds on the refreshed strategy adopted in late 2021. As well as the ongoing enhancement of the MCS scheme and how it serves installers and consumers, the strategy seeks to harness all the group's assets to maximise the Foundation's role as a convenor in the sector. Specific aims for 2023 include:

- Secure a requirement for all new buildings to be zero carbon with domestic renewables – installed to MCS standards – to be included as standard. Develop a business model for the expansion of MCS standards into new build.

- Working with Energy Saving Trust, deliver a consumer advice, technology choice and quotation tool to support consumer investments in low-carbon energy technology.
- Advocate for measures to reduce the cost of electricity – including the decoupling of gas and electricity prices – to incentivise the electrification of heat.
- Work with the Green Finance Institute to support the trial and roll out of Property Linked Finance for energy efficiency and domestic renewables, including advocating for any required political/legislative support.
- Advocate on behalf of the domestic renewables sector: for example in the promotion of heat pumps as the established technology for decarbonising heating, and press for a major government-backed public awareness campaign on energy efficiency and domestic renewables.
- Through the Green Jobs Action Group, galvanise the sector's work on skills, in particular in formulating a strategy for addressing recruitment and engagement; and support the roll out of good practice training provision.
- Complete the evolution of MCS as an authority on sector skills, including the relaunch of the MCS competency framework, offering MCS accreditation to quality training provision in support of a growing low-carbon energy technology design and installation workforce.
- Use the Foundation's grants programme to drive innovation in the sector, acting as an active partner with grantees and sharing learning from grants within the sector.
- Through the Mass Scale Retrofit programme, in partnership with the UK Green Building Council, support innovation at local authority level in advancing retrofit at scale.
- Build partnerships with other funders to seek to accelerate the much-needed investment into scaling up the decarbonising of homes and buildings at an area-by-area level.
- Complete the review of the MCS Foundation brand, considering the interaction of brands across the Group and in light of the group strategy.
- Further deliver on the objective to simplify the compliance model related to the MCS scheme, for the benefit of installers and the public.
- Broaden the MCS Scheme's existing standards development and maintenance processes to allow for the structured assessment of opportunities for new Standards.
- Further develop and expand the executive teams across the Foundation and Company, ensuring the Group is able to utilise and drive the growth opportunities in the sector and accounting for increased group-wide working across MCS Group.

MCS Service Company Plans for 2023

Building on the MCS Service Company achievements in 2022, the Company's primary goal for 2023 remains the achievement of its vision 'To see MCS certified products and installations in every UK home and community', and as a result achieve critical carbon savings from a change to the way we heat and power our homes and businesses. Success in this regard is dependent on maintaining the relevance and effectiveness of the Microgeneration Certification Scheme.

The Company has invested in the Scheme over the last four years since novation, delivering on projects for Standards Simplification, Sector Skills and Scheme Support. Taken together, these have helped reposition the Scheme for the future. The Company plans for 2023 will ensure ongoing growth and profitability, afforded in year as a result of forecast strong income performance, delivered primarily through continued growth in the UK's Solar PV market, further complemented by the income potential from the certification of Battery installations.

In 2023, the strategic objectives of the Company and its related investments, will focus on the achievement of the following goals:

1. Delivered quality compliance assessments
Raise the standard of installations by refocusing the Scheme's compliance regime for the assessment of the quality of installations on site (as 'delivered quality') and less on back-office systems and paperwork. This is in response to contractor feedback as to the accessibility of the Scheme.

2. Reset consumer protections
Company research undertaken at the end of 2021 and early 2022 presents clear evidence that the sector's protections fall short of a consumer's primary need to 'de-risk' their adoption of small-scale renewables. These findings and associated conclusions were published in the report 'Consumer Protection in Small-Scale Renewables' in December 2022.

Over the course of 2023, the Company will reset the Scheme's consumer protections. As a result, the Company is targeting increased consumer confidence, delivered in part through more robust protections, monitored through centralised consumer feedback and complaints management.

3. Installation Standards ready for new build
Building on the success of the investments made over the last two years in 'Standards Simplification', the Company will take a next logical step in the evolution of MCS Installation Standards to only contain 'technical truths' that are context neutral. As a result, this will allow for the inclusion of MCS in new build as well as in the retrofit market.

4. Standards development strategy
In 2023, the Company will broaden the existing standards development and maintenance processes to allow for the structured assessment of opportunities for new Standards. This will require the delivery of a Standards Development Strategy, allowing the Company to address what is a strategic opportunity for MCS in the further development of Standards and associated compliance Schemes.

5. Sector skills authority
In a move to compete the evolution of MCS as an authority on sector skills, the Company plans to build on what has been achieved in 2022, including the relaunch of the MCS competency framework (MCS 025 – The Competency Standard), offering MCS accreditation to quality training provision in support of a growing low-carbon energy technology design and installation workforce.

6. Consumer journey: Heat Pump Ready
In partnership with the Energy Saving Trust (EST), the Company will deliver a Heat Pump Ready project, part-funded by the Department of Energy Security and Net Zero (DESNZ). Having secured this funding, the Company will for the first time, advance a consumer advice, technology choice and quotation tool to support consumer investments in low-carbon energy technology.

Trustees' Responsibilities Statement

The Trustees (who are also directors of MCS Charitable Foundation for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial period. Under company law the Trustees 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 charitable company and of the income and the expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

We, the Trustees of the Foundation who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditors are unaware; and

- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In approving the Trustees' Annual Report, we also approve the Strategic Report included therein, in our capacity as company directors.

Auditors

Saffery Champness LLP were re-appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

This report was approved by the Trustees on 29 June 2023 and signed on their behalf.

Fabio Silva Nehme
Chair, Board of Trustees

Independent auditor's report to the Members and Trustees of MCS Charitable Foundation For the year ended 31 December 2022

Opinion

We have audited the financial statements of MCS Charitable Foundation (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of financial activities, consolidated balance sheet, charity balance sheet, consolidated cash flow statement 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 December 2022 and of the group's incoming resources and application of resources, including its income and expenditure, 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

Other information (continued)
Our opinion on the financial statements does not cover the other information and 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.

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 trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

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

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of trustees
As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable 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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006, guidance issued by the Charity Commission and relevant employee and tax legislation.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent charitable 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 parent charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company, the parent charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.



29 June 2023

Cara Turtington (Senior Statutory Auditor)
for an on behalf of Saffery Champness LLP

71 Queen Victoria Street
London
EC4V 4BE

Chartered Accountants
Statutory Auditors

MCS Charitable Foundation

Consolidated statement of financial activities (including the income and expenditure account)
For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 Unrestricted funds	Year ended 31 December 2021 Unrestricted funds
		£	£
Income from:			
Other trading activities	3	5,450,082	3,156,305
Bank interest received	3	486	-
Investments	4	133,267	104,727
Total income		5,583,835	3,261,032
Expenditure on:			
Raising funds:			
Other trading activities	3	3,408,504	2,578,991
Fundraising activities	5	33,111	33,641
Charitable activities	6	647,596	638,117
Total expenditure		4,089,211	3,250,749
Net income/(expenditure) before investment movement		1,494,624	10,283
Net gains/(losses) on investments	13	(776,298)	446,220
Net income and movement in funds		718,326	456,503
Reconciliation of funds:			
Total funds brought forward		7,172,865	6,716,362
Total funds carried forward		7,891,191	7,172,865

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 30 to 44 form part of these financial statements.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

MCS Charitable Foundation

Consolidated balance sheet as at 31 December 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Tangible assets	12		207,397		25,229
Investments	13		4,626,744		5,306,613
			4,834,141		5,331,842
Current assets					
Debtors	14	961,460		565,025	
Cash at bank and in hand		2,903,785		1,927,249	
		3,865,245		2,492,274	
Creditors: amounts falling due within one year	15	(748,195)		(651,251)	
Net current assets			3,117,050		1,841,023
Total assets less current liabilities			7,951,191		7,172,865
Provisions for liabilities			60,000		-
Net assets			7,891,191		7,172,865
Funds					
Unrestricted funds			7,891,191		7,172,865
Total funds			7,891,191		7,172,865

The financial statements were approved and authorised for issue by the Board of Trustees on 29 June 2023 and were signed on its behalf by:

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Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

Date: 29/6/2023

The notes on pages 30 to 44 form part of these financial statements.

MCS Charitable Foundation

Charity balance sheet as at 31 December 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Investments	13		4,626,744		5,306,613
Current assets					
Debtors	14	20,140		18,792	
Cash at bank and in hand		527,432		563,971	
		547,572		582,763	
Creditors: amounts falling due within one year	15	(35,314)		(23,857)	
Net current assets			512,258		558,906
Total assets less current liabilities			5,139,002		5,865,519
Net assets			5,139,002		5,865,519
Funds					
Unrestricted funds		5,139,002		5,865,519	
			5,139,002		5,865,519
Total funds			5,139,002		5,865,519

As permitted by Section 408 of the Companies Act 2006 no separate Statement of Financial Activities for the charity alone has been presented. The net deficit of the parent company charity for the year was £726,517 (2021: deficit of £181,216).

The financial statements were approved and authorised for issue by the Board of Trustees on 29 June 2023 and were signed on its behalf by:

..... Date: 29/06/23

Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

The notes on pages 30 to 44 form part of these financial statements.

MCS Charitable Foundation

Consolidated cash flow statement
For the year ended 31 December 2022

	Notes	2022 £	2022 £	2021 £	2021 £
Cashflow from operating activities					
Net cash flow used in operating activities	**20**		1,150,030		(226,313)
Cashflow from investing activities					
Purchase of tangible fixed assets		(220,253)		(8,467)	
Proceeds from disposal of tangible fixed assets		9,922		-	
Purchase of investments		(1,237,853)		(1,032,211)	
Proceeds on disposal of investments		1,141,424		938,755	
Income received from investments		133,267		104,727	
Net cash generated from/(used in) investing activities			(173,493)		2,804
Net increase/(decrease) in cash and cash equivalents			976,536		(223,509)
Cash and cash equivalents at beginning of year			1,927,249		2,150,758
Cash and cash equivalents at end of year			2,903,785		1,927,249
Relating to:					
Cash held in bank			2,590,972		1,615,769
Cash held in current asset investment			312,813		311,480
			2,903,785		1,927,249

The notes on pages 30 to 44 form part of these financial statements.

1 Accounting policies

Company information

MCS Charitable Foundation is a charity incorporated as a company limited by guarantee in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The registered office is First Floor Violet 3 Sci-Tech Daresbury, Keckwick Lane, Warrington, Cheshire, England, WA4 4AB.

1.1 Accounting convention

The financial statements have been prepared in accordance with the accounting policies set out below, the Companies Act 2006 and the second edition of the Charities SORP (FRS 102) "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value.

The charity meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The group financial statements incorporate the financial statements of the parent charitable company and its subsidiary undertaking for the year ended 31 December 2022.

1.2 Going concern

Having considered the working capital requirements of the charity and group alongside cash flow projections, budgets and the cash available within the business, the Trustees believe that the charity will continue in existence for at least twelve months following the approval of these financial statements. The group had a strong cash balance of £2,903,785 as at 31 December 2022. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity unless the funds have been designated for other purposes.

1.4 Income

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income, after any performance conditions have been met, when the amount can be measured reliably and when it is probable that the income will be received.

Income from other trading activities includes income earned through the subsidiary MCS Service Company from income received in exchange for supplying services in order to raise funds and is recognised when entitlement has occurred.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest. Interest income is recognised when receivable and dividend income is recognised as the charity's right to receive payment is established.

1.5 Expenditure

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Expenditure on charitable activities includes staff and administration costs; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

Trading expenditure is costs incurred by MCS Service Company in undertaking its activities.

1.6 Tangible fixed assets

Expenditure on the acquisition of individual tangible fixed assets that cost more than £1,000 are capitalised at cost and subsequently measured at cost, net of depreciation and any impairment losses. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	20% per annum straight line basis
Plant and equipment	25% per annum straight line basis
Office equipment	20% per annum straight line basis
Computer equipment	25% per annum straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

1.6 Tangible fixed assets (continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.7 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment toss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.8 Investments

Publicly traded investments, or those where fair value can otherwise be measured reliably, are measured at fair value at each balance sheet date, with changes in fair value recognised in 'net gains/(losses) on investments' in the SoFA.

Mixed motive investments in the form of ordinary or preference shares are initially measured at the transaction price of those shares and subsequently at its fair value if this can be measured reliably. Where this is not possible it is measured at cost less impairment. Mixed motive investments will be reviewed for impairment annually.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

1.10 Financial instruments (continued)

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Operating leases

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure on a straight-line basis over the term of the relevant lease.

1.14 Taxation

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010. It therefore meets the definition of a charitable company for UK corporation tax purposes and consequently no provision has been made for either corporation tax or deferred tax.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The key areas of the financial statements that we consider to be subject to estimation or judgement are as follows:

Investments
The accounting policies for investments and mixed motive investments are disclosed in note 1.8.

3 Income and expenditure from other trading activities

	Group	
	Year ended 31 December 2022	**Year ended 31 December 2021**
	£	**£**
MCS Service Company income	5,450,082	3,216,911
MCS Service Company expenditure	(3,408,504)	(2,579,192)
Bank interest received	486	-
	2,042,064	637,719

All income from other trading activities in the current and prior year was unrestricted.

MCS Charitable Foundation has 100% control of The MCS Service Company Ltd (company registration no. 07759366), a company registered by guarantee and whose registered office is First Floor Violet 3 Sci Tech Daresbury, Keckwick Lane, Warrington, Cheshire, England, WA4 4AB. The subsidiary year end is 31 December 2022.

3 **Income and expenditure from other trading activities (continued)**

The company's activities comprise certification of microgeneration technologies used to produce electricity and heat from renewable sources. The summary financial performance of the subsidiary alone for the year ended 31 December 2022 is as follows:

	Group	
	Year ended 31 December 2022	**Year ended 31 December 2021**
	£	**£**
Turnover	5,450,082	3,216,911
Administrative expenses	(3,408,504)	(2,579,192)
Bank interest received	486	-
Profit/(loss) before taxation	2,042,064	637,719
Gift aid payment to MCS Charitable Foundation	(596,737)	-
Net profit/(loss) for the year	1,445,327	637,719
Fixed assets	207,397	25,229
Current assets	3,322,744	1,914,009
Current liabilities	(717,956)	(631,894)
Provisions for liabilites	(60,000)	-
Net assets	2,752,185	1,307,344

4 **Income from Investments**

	Group	
	Year ended 31 December 2022	**Year ended 31 December 2021**
	£	**£**
Dividends from investments	133,267	104,727

All income from investments in the current and prior year was unrestricted.

5 Cost of generating funds

	Group	
	Year ended 31 December 2022	Year ended 31 December 2021 as restated
	£	£
Investment manager fees	33,111	33,641

6 Expenditure on charitable activities

	Group	
	Year ended 31 December 2022	Year ended 31 December 2021 as restated
	£	£
Project management and delivery costs*	308,169	373,010
Support costs		
Staff costs	197,554	123,637
Travel costs	14,752	4,146
Accountancy fees	4,900	9,631
Other costs	91,628	52,543
Governance costs		
Trustees' expenses	3,296	1,110
Audit fees**	12,627	9,981
Other costs		
Legal & professional fees	10,056	40,059
Consultancy costs	4,614	24,000
	647,596	638,117

*The total project management and delivery costs of the group in the period are listed below. Grants are only awarded to institutions, not individuals, and details of grant recipients are included in brackets below.

** The audit fees for The MCS Service Company Ltd are included within other trading expenditure.

6 Expenditure on charitable activities (continued)

	Year ended 31 December 2022		Year ended 31 December 2021	
	Grants	Programmes	Grants	Programmes
	£	£	£	£
Development and Policy				
Net Zero New Build *(Good Homes Alliance)*	-	-	13,500	-
Superhomes Rating Scheme *(National Energy Foundation)*	-	-	15,000	-
Energy Sleeving Pool *(Bristol City Council)*	-	-	9,555	-
The Community Energy Revolution *(Power for People)*	5,000	-	5,000	-
Accelerator Cities *(UK Green Building Council)*	25,000	-	15,000	-
Decarbonising Heat in Scotland's Buildings *(WWF Scotland)*	15,000	-	15,000	-
Supply Chains *(War on Want)*	-	-	8,445	-
Community Capacity Building				
Zero Carbon Parish Planning Tool *(Herefordshire Green Network)*	14,580	-	23,190	-
Zero Carbon Parish Planning Tool *(Westminster*	10,000	-	-	-
Accelerating Local Response *(Ashden)*	16,266	-	53,687	-
Launch Pad Network *(Somerset Climate Action Group)*	-	-	10,000	-
Renewables Done Well (*CPRE*)	8,000	-	-	-
Big Solar Coop *(Sharenergy Cooperative)*	12,900	-	-	-
Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate *(Wealden District Council)*	11,200	-	21,200	-
Ambleside to Zero AtoZ *(Ambleside Action for a Future)*	-	-	7,000	-
Integrating Community Energy *(Community Energy London)*	-	-	9,380	-
Community Energy Planning *(Centre for Sustainable Energy)*	-	-	10,000	-
Community Energy Planning *(South East London Community Energy)*	20,000	-	-	-
Community Energy Planning *(Community Energy England)*	5,900	-	-	-

6 Expenditure on charitable activities (continued)

	Year ended 31 December 2022		Year ended 31 December 2021	
	Grants	Programmes	Grants	Programmes
	£	£	£	£
Research and Consumer Information				
Value of Solar Homes *(Solar Trade Association)*		-	20,000	-
Housing Archetypes & Heat Pump Deployment *(Plymouth Community Energy)*		-	20,000	-
Zero Carbon Schools (*Green Schools Project*)		-	5,000	-
Measured Savings, Better Outcomes *(Energy Systems Catapult)*	40,000	-	10,000	-
Heat Pumps Now *(Carbon Co-op)*	10,000	-	15,000	-
Rebuilding the Low Energy Buildings Database *(Association for Environmental Conscious Buildings)*	10,000	-	20,000	-
Domestic Heating briefing paper *(Imperial College London)*	-		-	38,940
VAT Research *(MHA Tait Walker)*	-		-	6,000
MP Survey *(You Gov Plc)*	-		-	4,992
Repowering London	30,000	-	-	-
Solar Energy UK	13,823	-	-	-
PEC Trust	15,000	-	-	-
University of Oxford	10,000	-	-	-
Cornwall Insight Limited	-	11,400	-	-
Skills and Education				
Net Zero Skills Builder *(Archbishop Council of Church of England)*	5,800	-	5,000	-
MCS Skills, Competency & Training project	-	-	12,121	-
Association of Decentralised Energy	10,500	-	-	-
Green Finance				
Conservatives Environment Network	-	7,800	-	-
	288,969	19,200	323,078	49,932
	308,169		**373,010**	

7 Income from charitable activities

	Group	
	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Government grant	44,153	-
	44,153	-

Government grant income relates wholly to a grant received by the subsidiary, issued by the Greater London Authority. No other income was received from government sources in the prior year.

8 Net income/(expenditure) for the year

Net income/(expenditure) for the year is stated after charging:

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Audit fees	24,850	19,450
Depreciation	28,164	7,980

9 Auditor's remuneration

	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Fees payable to the charity's auditor for the audit of the charity's annual accounts	9,400	7,950
Fees payable to the charity's auditor for other services:		
Audit of the charity's subsidiary	15,450	11,500
Accounts preparation	5,800	5,275
	30,650	24,725

10 Trustees' and key management personnel remuneration and expenses

During the year the trustees, Chief Executive Officer, Chief Executive Officer of the MCS Service Company Ltd, Director of External Affairs and Director of Grants and Development of the charity are considered to be key management personnel.

The trustees neither received nor waived any remuneration during the year ended 31 December 2022 (2021: £Nil).

In the year ended 31 December 2022, key management personnel received total remuneration of £166,061 (5 individuals) (2021: £135,044, (3 individuals)).

Trustee's expenses were reimbursed or paid directly on their behalf during the year for travel, hotels and subsistence to four (2021: none) trustees amounting to £3,577 (2021: £nil).

11 Employees

The average monthly number of employees during the year was as follows:

	Group	
	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
	41	32

The total staff costs and employee benefits were as follows:

	Group	
	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Wages and salaries	1,547,129	1,013,912
Social security costs	165,865	86,326
Other pension costs	114,841	77,648
	1,827,836	1,177,886

The number of employees receiving total employee benefits (excluding employer pensions costs and employers NI) of more than £60,000 were as follows:

	Group	
	Year ended 31 December 2022 Number	Year ended 31 December 2021 Number
£70,001 - £80,000	2	1
£90,001 - £100,000	2	1

The group made termination payments totalling £38,926 (2021: £12,750) in the period in respect of 2 (2021: 1) employees.

12 Tangible fixed assets (Group)

	Leasehold improvements £	Plant and equipment £	Office equipment £	Computer equipment £	Total £
Cost					
At 1 January 2022	14,526	370	3,701	20,682	39,279
Additions	188,440	-	6,675	25,138	220,253
Disposals	(14,526)	(370)	(2,379)	(989)	(18,264)
At 31 December 2022	188,440	-	7,997	44,831	241,268
Depreciation					
At 1 January 2022	5,696	222	1,117	7,015	14,050
Charge for the year	19,570	39	606	7,949	28,164
Elimated via disposal	(6,423)	(261)	(1,103)	(556)	(8,343)
At 31 December 2022	18,843	-	620	14,408	33,871
Net book value					
At 31 December 2022	169,597	-	7,377	30,423	207,397
At 31 December 2021	8,830	148	2,584	13,667	25,229

The Charity had no tangible fixed assets in the current or prior year.

13 Fixed asset investments (Group and Charity)

	2022 £	2021 £
Listed investments	4,551,744	5,231,613
Mixed motive investments*	75,000	75,000
	4,626,744	5,306,613

	Mixed motive investments £	Listed investments £	Total £
Valuation			
At 1 January 2022	75,000	5,231,613	5,306,613
Additions	-	1,237,853	1,237,853
Disposals	-	(1,141,424)	(1,141,424)
Gain on revaluation	-	(776,298)	(776,298)
At 31 December 2022	75,000	4,551,744	4,626,744

13 Fixed asset investments (Group and Charity) (continued)

Listed investments at fair value comprise:

	2022	2021
	£	£
Fixed interest	1,507,051	1,396,804
UK equities	1,074,422	1,286,353
Overseas equities	1,256,318	1,792,534
Alternatives	538,173	598,514
Cash within investment portfolio	175,780	157,408
	4,551,744	5,231,613

* The mixed motive investment consists of shares purchased in Low Carbon Hub IPS and People Powered Retrofit.

The charity also holds an investment in its subsidiary undertaking, The MCS Service Company Ltd, at a value of £nil (2021 - £nil) as no consideration was paid for this investment. Further details of The MCS Service Company Ltd's activities for the year are included in note 3.

14 Debtors

	Group		*Charity*	
	2022	2021	2022	2021
Amounts falling due within one year:	£	£	£	£
Trade debtors	633,053	322,361	-	-
Amounts due from subsidiary undertaking	-	-	5,074	4,500
Other debtors	58,165	15,354	-	-
Prepayments and accrued income	270,242	227,310	15,066	14,292
	961,460	565,025	20,140	18,792

15 Creditors: amounts falling due within one year

	Group		*Charity*	
	2022	2021	2022	2021
	£	£	£	£
Trade creditors	188,918	50,766	13,914	5,164
Other taxation and social security	261,904	147,129	-	-
Other creditors	13,854	10,033	-	-
Accruals and deferred income*	283,519	443,323	21,400	18,693
	748,195	651,251	35,314	23,857

15 Creditors: amounts falling due within one year (continued)

* Accruals and deferred income includes the following movements in deferred income:

	Group 2022 £	2021 £
Deferred income		
At 1 January	115,305	146,925
Released in the year	(45,135)	(71,085)
Deferred in the year	45,855	39,465
At 31 December	116,025	115,305

The Charity had no deferred income in the current or prior year.

16 Obligations under operating leases (Group)

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	2022 £	2021 £
Within one year	105,984	43,920
Between two and five years	379,800	3,660
	485,784	47,580

The Charity had no operating lease commitments in the current or prior year.

17 Provisions

At the year end, the group recognised a provision for dilapidations relating to the new office lease.

	2022 £	2021 £
Dilapidations	60,000	-
	60,000	-

Movements on provisions:

	Dilapidations £
Other movements	60,000

The Charity had no provisions in place in the current or prior year.

18 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil for the Group and £nil for the Charity (2021 - £nil and £nil respectively).

19 Related party transactions

During the year the following transactions took place between the Charity and its wholly owned subsidiary:

-The Charity paid £5,528 (2021: £72,726) to The MCS Service Company Ltd for project management and delivery costs.
-The Charity recharged £88,683 (2021: £50,259) of expenses to The MCS Service Company Ltd.
-The MCS Service Company Ltd made a donation of £596,737 (2021: £Nil) to the Charity under Gift Aid.

At the year end, the Charity owed The MCS Service Company Ltd £5,074 (2021: £4,500 was owed from The MCS Service Company Ltd to the Charity).

£80,850 (2021: £85,000) was paid to Solar Trade Association for whom trustee Gareth Williams is a Director, £15,850 of which related to their share of the Solar Skills London GLA grant. £3,645 (2021: £23,190) was paid to Herefordshire Green Network for whom trustee Gareth Williams is a Steering Group member. Gareth Williams declared an interest in the grant applications from both organisations and left the Board meetings when these applications were being considered. £10,500 (2021: £6,000) of sales were made to Caplor Energy Limited, a company owned by Gareth Williams. As at 31 December 2022 there were no balances outstanding and the amounts paid/received in the financial year were on an arms length basis.

20 Reconciliation of net income to net cash flow from operating activities

	Group 2022 £	2021 £
Net income for the reporting period (as per the statement of financial activities)	718,326	456,503
Adjustments for:		
Investment income	(133,267)	(104,727)
(Gains) / Losses on investments	776,298	(446,220)
Depreciation and impairment of tangible fixed assets	28,164	7,980
Movements in working capital:		
Increase in debtors	(396,435)	(340,554)
Increase in creditors	96,944	200,705
Increase in provisions	60,000	-
Net cash flow from operating activities	1,150,030	(226,313)

MCS CHARITABLE FOUNDATION

England & Wales - Charity number 1165752

Accounts

Company Registration No. 10119873

Charity registration number. 1165752

MCS Charitable Foundation

Trustees' Report and Consolidated Financial Statements for the year ended 31 December 2021

MCS Charitable Foundation

Charity reference and administrative details

Trustees	Sandra Elizabeth Walmsley Fabio Silva Nehme (Chair) Charlotte Emma Powell Gareth John Williams (Vice Chair) Magdalena Zarowiecki Karen Shearer (Appointed 19 April 2022)
Chief Executive Officer	Adrian Ramsay
Charity Number	1165752
Company Number	10119873
Registered office	Suite G40 Innovation Centre Keckwick Lane Daresbury Warrington United Kingdom WA4 4FS
Auditor	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE
Solicitor	Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
Bank	CAF Bank Limited 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
Investment advisors	Rathbone Greenbank 10 Queen Square Bristol BS1 4NT

MCS Charitable Foundation

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Trustees' report (including statement of trustees' responsibilities)
For the year ended 31 December 2021

The Trustees (who are also directors of the Charity for the purposes of the Companies Act) present their annual report together with the audited consolidated financial statements of MCS Charitable Foundation (the Foundation) for the year ended 31 December 2021.

The trustees confirm that the Annual Report and financial statements of the charity comply with the Charities Act 2011, the Companies Act 2006, the requirements of the charity's governing documents and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Origins and History of the Foundation

The Microgeneration Certification Scheme (MCS) was set up by the Government in 2008 to certify buildings scale renewable electricity and heat products and installers to provide assurance to consumers about the quality and standard of their installation.

MCS plays an important part in the growth of the installation of renewables in homes and small businesses.

The Government transferred the assets comprising the Microgeneration Certification Scheme, as well as the MCS Fund (the historical profits from the operation of the scheme), to the MCS Charitable Foundation on 25 April 2018.

The MCS Service Company Ltd now operates as a trading arm of the Charitable Foundation. Surplus income from the Service Company is added to the MCS Foundation Fund.

The Foundation aims to fulfil a number of charitable objects, including;

- educating the public about;
- promoting research about;
- improving the quality of;
- supporting the development of standards for; and
- raising confidence and consumer awareness of renewable energy and low carbon technologies.

These objects sit within the Foundation's overall vision of a world where everyone has access to affordable and reliable renewable energy.

The Foundation's mission is to accelerate the widespread adoption of renewable energy and low carbon technologies and its work programme is focused on driving and supporting a step-change in action towards achieving the net zero emission target in homes and buildings.

Structure, Governance and Management

The MCS Charitable Foundation is a registered charity (no. 1165752) and a limited company (no. 10119873). Its constitution is its Memorandum and Articles of Association. The company was incorporated on 12 April 2016.

On 25 April 2018 the Foundation became the parent undertaking of The MCS Service Company Ltd (Company registration number 07759366), a company limited by guarantee. This report consolidates the financial reporting of the Group.

Trustees (including Recruitment and Training)

Overall strategic direction and decisions rest with the Board of Trustees. The Trustees were recruited in accordance with the Memorandum and Articles of Association of the charitable foundation. The Trustees during the year were as follows:

Sandra Elizabeth Walmsley – Chair until 3 February 2021

Fabio Silva Nehme – Chair from 3 February 2021

Gareth Williams – Vice Chair from 3 February 2021

Nicholas Moule Whitaker – Resigned 16 December 2021

Charlotte Emma Powell

Magdalena Zarowiecki

Karen Shearer – Appointed 19 April 2022

The year marked the second full period of operation of the Charity. A Strategic Plan and budget were agreed at the end of 2020 building on the work completed during that year. The year saw the further roll out of the Charity's open grants programme and its research and advocacy function, both aimed at supporting and driving strategic action to accelerate adoption of renewable energy and the decarbonisation of the UK's homes and buildings. To support this, the Charity further grew its executive team during the year, with a Director of Grants and Development and a Research and Campaigns Officer joining half way through the year.

As such the Board continued to move to a more strategic role during the year, meeting on alternate months and with more functions delegated to the executive team.

Joint working between MCS Charitable Foundation and its subsidiary, MCS Service Company Ltd (which runs the MCS standards scheme), continued during the year, including through the adoption of a Group External Affairs Strategy. The two Chief Executives also work closely together in planning the activities of the MCS Group and monitoring performance.

In addition, to support moves towards a more integrated strategy across MCS Group aimed at realising the substantial opportunities for high growth in the sector, Trustees undertook a process of reviewing the Group's governance structures that included commissioning a governance review that concluded in May 2021, aimed at preparing the Group for a significant expansion of activities focused on broadening its role as a convenor of the sector. The governance review was conducted by charity governance specialists Higgs LLP who made a variety of recommendations to ensure that the Charity is following good governance practice. This included a recommendation to revise the structure of the Charity and Company Boards and bring about a greater overlap between the membership of the two. This recommendation was implemented by the Charity Board soon after the governance review was completed, and Higgs continues to provide support in implementing other changes such as a refresh of the Charity Articles which was completed post year end.

During the year the membership of the Board of Trustees remained constant, with one long-standing Trustee standing down near the end of the year. Trustees resolved to review the skills required on the Board, to support the Charity's strategic objectives and then add to the Board's membership during 2022.

The Trustees consider that the Board of Trustees, the Chief Executive Officer, the Director of External Affairs and the Director of Grants and Development comprise the key management personnel of the Charity, with

Trustees ensuring good governance and clear strategic direction, and the executive team leading the delivery of the strategy and Foundation operations. All Trustees give their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions are disclosed in the notes to the accounts. The pay band of the Chief Executive Officer is set by the Board of Trustees and reviewed periodically. The pay bands for other staff are set by the Chief Executive Officer as part of a framework across MCS Group. The remuneration is set to ensure it is fair and will attract and retain staff of the appropriate calibre and experience required by the Foundation.

The Foundation is a member of the National Council of Voluntary Organisations (NCVO) and the Association of Charitable Foundations (ACF), which both provide helpful information and training on good practice, changes in the law affecting charities and act as an authoritative lobby on behalf of charitable foundations with government and regulators. Trustees use NCVO and ACF resources and events to keep up-to-date.

Trustees are required to disclose all relevant interests and register them with the Board. In the event of a conflict of interest or loyalty, the Foundation's policy is that Trustees should withdraw from the decision-making process.

Risk Management

The Trustees have assessed the major risks to which the Charity is exposed, in particular, those related to the operations and finances of the Charity.

The principal risks and uncertainties identified by the Trustees are:

- That grants and sector convening work fail to meet the agreed objectives;
- Investment performance is below expectations or not adequately monitored;
- Significant government policy shift either drives installers away from MCS as a voluntary scheme or introduces competition;
- Social events affect operations, particularly of The MCS Service Company Ltd, e.g. further strict lockdowns;
- Over reliance on particular funding streams.

A risk register is in place through which all risks are monitored. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to the major risks.

All applications for funding are considered in relation to the Charity's objects and the need to show a clear public benefit.

Performance of the Charity's investments is monitored on a quarterly basis and during the year the value of the capital fund held by Rathbones increased substantially in value and more than recovered from the dip experienced at the first lockdown in spring 2020.

The MCS Service Company Ltd profits were very healthy in 2021, and the Group has established operations which are resilient to lockdowns and enable effective hybrid or home working as needed. The Company Business Plan has as a key aim ensuring that the MCS scheme remains attractive to and is simplified for the benefit of installers, consumers and stakeholders – and the scheme continues to see growth in the number of registered installers.

Objectives and Activities

The Objects of the Charity are:

(a) the advancement of education and environmental protection and improvement by educating the public in the subject of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems) (including, for the avoidance of doubt, providing bursaries to those wishing to pursue careers in this area and institutions providing education in this area);

(b) the advancement of education and environmental protection and improvement by promoting study and research into the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(c) the advancement of health and the saving of lives and environmental protection and improvement by promoting study and research into improving the safety of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(d) the advancement of environmental protection and improvement by supporting the development of standards and related guidance for the renewable energy and low carbon technology sector; and

(e) the advancement of environmental protection and improvement by raising awareness and confidence amongst consumers in the area of renewable energy and low carbon technologies (products and systems).

The Charity's Strategic Plan for 2020/21, which was developed following a period of stakeholder consultation, was focused on supporting its trading company to maintain and improve quality standards in the sector; and on running a grants and research programme aimed at supporting fairly early stage innovative ideas that have the potential to deliver a step change in the uptake of renewable energy and low carbon solutions. In addition, the Group External Affairs Strategy adopted in early 2021 had a focus on removing VAT on renewable energy installations, reforming building standards to require net zero in new build by 2023, supporting green finance solutions for the sector, and for a long-time incentive framework to support the growth of the sector.

For the open grants programme, first launched in February 2020, the Foundation agreed the following themes: education, skills and CPD; public awareness and consumer confidence; zero carbon planning and local zero carbon delivery initiatives. There is a particular interest in capacity building in the sector and bids are expected to meet at least one of the following criteria: seed funding for innovative initiatives; support delivery of a proof of concept; sharing good practice; research to support innovation or capacity building in one of the themed areas.

During 2021, the Charity reviewed its strategy based on feedback gained from the sector from its grant-giving and external affairs work. Through this work and the delivery of the MCS scheme, MCS as a group has an important leadership role to play in its sector and the Charity has developed activities to further develop this role. The first two initiatives of this sector convening work (provisionally entitled 'MCS Launchpad') began towards the end of 2021.

The Green Jobs Action Group is the first of two initiatives with the aim of increasing the number of people employed across the domestic renewables sector. The second initiative is our partnership with the UK Green Building Council (UKGBC) which is supporting the Accelerator Cities project through the co-creation of mobilisation plans with leading combined and local authorities to help them faster implement their retrofit strategies.

Public Benefit Statement

The Trustees confirm that they have paid due regard to the Charity Commission's Guidance on Public Benefit, when considering the Foundation's objects.

Strategic Report – Achievements and Performance During the Year

The following projects were delivered during the year, all of which are featured on the Foundation's website with links to project outputs and research:

Research & Consumer Information

Value of Solar Homes (delivered by Solar Energy UK) – *work completed during the year:*

The purpose of the Value of Solar Homes project was to not only promote the installation of rooftop solar photovoltaic (PV) systems in the UK, but also demonstrate that they add value to your home.

The project did this by providing information and guidance for owners and investors on the financial value of 'solar property' – property which includes a rooftop PV system, and / or an energy storage system.

The project focussed on domestic properties only and looked at the costs and savings generated by solar systems and also looked at the increased value of domestic solar properties on resale values as an additional benefit and has achieved good government, media and industry success. The final research highlighted the range of values that installing solar PV added to a range of different types and locations of housing, showing that for the typical UK home, solar PV added £1,800 to the value.

Previous Solar Energy UK research identified the lack of robust evidence on the financial benefits of solar. As such, homeowners, valuers, the construction sector, and intermediaries involved in property transactions now have a reliable way of assessing or explaining the value of solar property.

Development & Policy

Net Zero New Build – the GHA Vanguard Network (delivered by Good Homes Alliance) – *work completed during the year:*

This project demonstrated how zero carbon in new build can be achieved. The project was delivered by the Good Homes Alliance working with its Vanguard Network of local authorities, all of whom have declared Climate and Ecological Emergencies.

The Vanguards network aims are to accelerate the changes necessary on the road to net zero carbon new homes, in advance of Government targets/timelines for the industry, showing much needed leadership whilst addressing the "build back better" and "green recovery" challenges.

The project funded by MCS Foundation saw the development of net zero resources to support the ever-growing Vanguard Network, a collective of 16 local authorities (LAs) that are set to build 50,000 new homes on council-owned land over the next 10 years.

MCS Foundation funding has developed best-practice resources, namely, 10+ detailed case studies of net zero housing projects, plus; model policies for Employer's Requirements that set specifications for net zero and health and wellbeing outcomes.

Skills & Education

Green Schools (delivered by the Green Schools Project) – *work completed during the year:*

Schools account for around 2% of the country's total carbon emissions. Perhaps more importantly, if we are to work towards zero carbon on a society level we need to harness the energy and enthusiasm of young people.

This was a pilot project supporting four schools in the London Borough of Hackney to devise and implement a plan to reduce their carbon emissions and move towards zero carbon. Students at the four schools were involved at all stages of the plan, carrying out a project to calculate the schools' carbon emissions, working out what the most effective steps would be to reduce them and carrying out activities which support these steps. Green Schools Project ran a pilot of a new Zero Carbon Schools programme with four schools in Waltham Forest in 2020-21.

The programme was originally intended to last a full year but, due to the pilot taking place during the pandemic, schools had significantly less time than this. However, the pilot was successful in testing most aspects of the programme model and there were some encouraging results.

Community Capacity Building

Accelerating Local Response (delivered by Ashden Sustainable Solutions Better Lives) – *work completed during the year:*

Ashden's Liveable Cities programme is using funding from MCS Foundation to identify the most promising actions that local authorities can deliver to help tackle climate change, such as buildings retrofit and renewable energy.

The project brought together relevant solutions from their network of organisations and initiatives with local authority early adopters and industry experts, Ashden are developing these into action, learning and peer support networks. The aim is for these to help local authorities implement tried and tested projects that are locally adapted to enable them to respond much more quickly to the climate emergency.

Integrating Community Energy Programmes into Council Climate Emergency Plans (delivered by Community Energy London) – *work completed during the year:*

Urban areas, and London especially, tend to be under-represented in community and buildings-scale renewables. This project will develop programmes and guidance for local authorities who have signed a Climate Emergency declaration to support the growth of community energy in their area through new Climate Action Plans.

The focus of this project was to support London local authorities with the outputs being developed alongside Community Energy England (CEE) such that they can also be shared with other urban/city-based local authorities.

The project saw the completion of a briefing document for London Community Groups on the status of the Climate Emergency Declarations, a paper for councils that sets out findings and case studies, and the design

and delivery of workshops in partnership with councils to help them understand the contribution community energy can make to the social and environmental objectives of councils.

The following projects were commissioned during the year:

Research & Consumer Information

Housing Archetypes & Heat Pump Deployment (delivered by Plymouth Energy Community) – ***work started during the year:***

To reduce emissions from heat there is a need to drastically increase heating from renewable resources. There is a push towards the electrification of heating through national policies and in line with the Government's legal obligations and as such all new residential properties will not be connected to the gas grid from 2025 meaning there is a need for suitable alternatives. Mass deployment of heat pumps is likely to be key to achieving these aims.

While heat pumps are a renewable technology capable of being deployed on residential properties there are many barriers to their deployment, which has resulted in a low uptake across the UK that all have a significant impact on the deployment of residential heat pumps. Through this project PEC aims to tackle these problems by focussing on the qualities of different housing archetypes and what retrofit measures are required for each to allow for optimum heat pump installations will allow us to work towards removing these barriers.

The project will develop a model and heat pump calculator which will be tested in Plymouth and will then be made available for wider use to help determine how heat pumps can best be used in the most common housing archetypes across the UK.

Burning Sunshine (delivered by Solar Energy UK) – ***work started during the year:***

This project will generate original evidence on the role of solar and storage technologies in decarbonising the provision of heat in the UK. Its aim is to inform the development of heating policy that maximises the contribution of onsite solar heating. The project will build on previous work supported by the MCS Foundation looking at the Value of Solar Property.

The research will directly support improvements in the design and installation of renewable and low carbon energy projects into the UK's building stock, helping to advance environmental protection and improvement.

Development & Policy

Decarbonising heat in Scotland's Buildings (delivered by WWF) – ***work started during the year:***

The overall objective of the project is to ensure that the Scottish Government has a clear strategy and brings forward new policies to decarbonise gas heated buildings.

Heating buildings accounts for a quarter of Scotland's carbon emissions, and we cannot tackle the climate emergency without rapid action in this area. The majority (80%) of buildings use fossil gas for heating and finding and deploying renewable solutions for these remains the key challenge in this sector.

WWF and MCS have helped secure ambitious targets for heat decarbonisation from the Scottish Government over the past year; for example, the September 2020 commitment to increase annual low-carbon heating system installations from 2,000 today to 65,000 by 2025. However, significant uncertainties and challenges

remain on the road to securing the policies and legislation to deliver these targets in the real-world. These challenges include how to support households and particularly the fuel poor with the costs of the transition, a lack of industry consensus (with various lobbies pushing preferred solutions) and concerns regarding the potential for a just transition and impacts on existing jobs (e.g. gas networks and heating engineers).

WWF Scotland has a strong and established track record of working with the Scottish Parliament and Scottish Government to secure better decisions for our environment. WWF and MCS will use the recommendations report to inform our advocacy work with stakeholders, the Scottish Parliament and Scottish Government to secure the funding, policy and regulation required to drive the switch away from gas boilers required to meet its Net Zero targets and to decarbonise housing in Scotland.

The Community Energy Revolution (delivered by Power for People) – ***work started during the year:***

Community energy currently accounts for less than 0.5% of the UK's electricity generation. It could be twenty times more than this, but it is being blocked by outdated energy market regulations which favour a centralised supply model.

The heart of the problem is disproportionate costs. Becoming an electricity supplier involves set up and running costs of millions of pounds, no matter how large or small your operation. This effectively blocks community-scale suppliers from entering the market.

To solve the problem, Power for People has drafted the Local Electricity Bill and is campaigning for it to be made law. This would establish a 'Right to Local Supply' and proportion the costs of selling clean electricity to the scale of the local supplier's operation. Many more community energy projects would become viable as a result.

With more of the profits from clean electricity circulating locally, there would be more investment in local services and facilities and this would create a powerful incentive to build more renewable energy infrastructure. Communities would thrive as they contribute meaningfully to the UK's net zero transition.

This campaign is winnable, as evidenced by widespread parliamentary and public support. A cross-party group of over 260 MPs now support the Bill, along with an ever-growing coalition of national and local organisations.

Community Capacity Building

Ambleside to Zero (A to Z) (delivered by the Ambleside Action for a Future (AAFAF)) – ***work started during the year:***

Ambleside Action for a Future is a network of local residents working together to mitigate climate and environmental breakdown and build community resilience.

There are several initiatives that the A-Z are working on to help lower the towns carbon footprint, and the two largest of these are:

'Warmer Homes': reducing the energy we use within our homes by improving their energy efficiency is a huge challenge for many buildings in our area, many of which are old and poorly insulated. This group is developing ways to help residents take the action required, which will save energy, save money, and make homes more comfortable to live in.

'Renewable Energy': reducing our reliance on fossil fuel energy and harnessing the power of the sun (even in the Lake District!) is one of the primary objectives, as it will lower our carbon footprint significantly. There are

already over 50 households with solar installations in the town and are now developing solar schemes with some of the larger community buildings & larger businesses in the town. AAFAF are also developing an 'approved solar installer' scheme for residential homes and smaller businesses.

All the AAFAF projects rely on strong engagement with the local community, whether it be residents or businesses. Our funding will be used to increase awareness of the A-Z project, and to sign participants up to the key initiatives, to create the initial momentum that will be so important in reaching the aims of the project.

Building Capacity for Community Energy through Regional Networks (delivered by Community Energy England (CEE)) – *work started during the year:*

Community energy brings people together to take democratic, collective climate action with a wide range of local co-benefits. The sector has already achieved a huge amount but faces increasing obstacles and a challenging policy landscape.

Community Energy England is the membership network and representative body for the sector, and in this project will increase its engagement across the country to track evolving sector needs and challenges more effectively. This will enable CEE to build partnerships and support at a regional and local level, coordinate the sharing of learning and develop new resources, and support development of regional networks, to help stimulate successful community energy organisations and facilitate growth in the sector.

Sector Convening Activities

During the latter part of the year the Foundation established two 'launchpad' groups aimed at using its convening role to drive initiatives to support the growth of the sector.

Green Jobs Action Group (GJAG)

The aim of the GJAG is to advise, support, and promote investment in education and skills at all levels across the domestic renewables and low carbon energy sector. The group is partnership led and will operate as a sector-wide skills and jobs advisory group. It will inform both the content and delivery of training and skills initiatives, with a three-fold aim: to increase the number of people employed across the domestic renewables sector; to support the government's ambition for the installation of 600,000 heat pumps a year by 2028; and ensure that training programmes and skills have been upgraded to help facilitate the green industrial revolution. The group comprises Government departments, the educational sector, industry representatives and local authorities, as well as representatives from trade associations and the installer community. An initial meeting of the group was held in December to identify potential workstreams.

Accelerating Cities (partnership with UK Green Building Council (UKGBC))

Following exploratory research in 2019, UKGBC began coordinating a programme of work in 2020 designed to support local government catalyse a step-change in home retrofit. The programme, 'Accelerator Cities', has a single core objective – to help local and combined authorities to develop home retrofit policy and programmes. It does this primarily through co-ordinating the sharing of replicable best practice, lessons learned, evidence, case studies and resources between local authorities on a range of key issues – including finance, consumer engagement and skills.

The current programme builds on the previous UKGBC work and will focus on the challenges for local authorities of retrofit strategy, finance, skills and consumer engagement – treating these key topics not in

siloes, but as intrinsically linked. It is intended to use this project to build the intelligence and partners that can form the business case for a mass scale retrofit demonstrator project that can be a learning and development tool for the whole sector.

External Affairs

The Charity is helping to change the policy landscape and accelerate the decarbonisation of our homes, heat and energy, through our research and government engagement. We commission reports, conduct literature reviews and use the independent science to inform our position, which is then used to help inform policy creation within Government.

Our current priority areas of work include the case for removing VAT from renewable energy installations, reform of the building regulations to require net zero in new build by 2023 and moving green levies away from electricity so as to improve the economics of the electrification of heat. In addition, the Charity is working to demonstrate the case for heat pumps as a central solution to the decarbonisation of heat (and a technology available today), promote green finance solutions for the sector and – centrally to our founding purpose – to advance the case for standards to be written in as central to regulations and incentive schemes.

On all these topics, the Charity advanced the case during the year through commissioning research, building evidence, engaging with industry and academic and non-governmental organisation sector specialists. The Charity also worked to make its evidence available to policy makers and government through responding to around 60 consultations, building relationships with civil servants and where appropriate engaging directly with politicians from across the political spectrum.

Activity of the MCS Service Company 2021

2021 was a year of recovery for The MCS Service Company Ltd (Company), following the impact COVID-19 had on the market during the prior year. The sector proved resilient, bouncing back strongly, especially during the second half of the year, stimulated in part by the Green Homes Grant (GHG) voucher scheme. As a result of a stronger than expected market and the delivery of a number of initiatives to drive contractor certification, the Company delivered a healthy financial surplus, significantly above budget for the year.

Certification to MCS was a requirement for the GHG voucher scheme and although the scheme was withdrawn earlier than planned due to operational challenges, it did nevertheless stimulate consumer interest in Heat Pumps. 30,000 Heat Pump installations were registered under MCS in the year, part of nearly 100,000 installations, over 60% of which were for Solar Photovoltaic (PV), maintaining the historical dominance of this technology over others covered by MCS.

The total number of contractors (businesses) certified under MCS as at the end of 2021 had increased by 469 to over 2,100 contractors. Many of whom became certified to install Heat Pumps as a low carbon heating technology. This trend in new installers on the Scheme could potentially signal a more equal split of MCS technologies installed in future years, although Solar PV has never been more popular since the closure of the Feed in Tariff in March 2019.

Renewing Britain

At the beginning of 2021, MCS Group published a landmark report titled, Renewing Britain: The Changing Landscape of Home-Grown Energy 2008 – 2021. This report uncovered 14 years' worth of data held In the MCS Installation Database (MID), against a backdrop of a UK target to reach net-zero by 2050.

Since 2008, MCS has registered over 1.2 million installations of the five major renewable energy technologies, generating 34,000 GWh-plus of energy, and saving nearly 10 million tonnes of CO_2e – roughly equivalent to the electricity consumed annually by 9.65 million homes.

The report revealed Britain's small-scale renewable energy 'deserts and forests'. Rural forests and urban deserts highlighted a huge disparity in adoption of domestic green energy. The report highlights that the pace of installing small-scale renewables is achingly slow in the context of the 2050 target: 1.2 million installations over 14 years suggests a rate of just 100,000 per annum, even in a period when Solar PV boomed. At the current rate of installations it would take 250 years to reach all households.

Another busy year for Standards development

2021 continued the trend under the new Company leadership, in so far as standards related activity is concerned. Since 2019 and under a 'new MCS', 82 standards related projects have been delivered, compared to 44 in the previous 10 years.

Amongst 2021's standards related highlights was the launch of the industry's first standard for the installation of battery storage systems. The new Battery Installation Standard (MIS 3012) outlines the requirements for MCS certified installers who supply, design, and install electrical energy storage or battery systems with a capacity of up to 50kW. This standard represents a first for MCS in that that it covers energy storage versus energy generation.

In a further departure from traditional 'microgeneration', MCS also published a new Standard for the maintenance of Biomass Boilers. Its publication came following several months of industry engagement for the design of this new Standard to help improve the air quality of emissions from biomass boilers. The Standard was commissioned following the government's Clean Air Strategy 2018, Urban Biomass Consultation, and the findings of KIWA's research into the 'measurement of the in-situ performance of solid biomass boilers'.

The Department of Business, Energy and Industrial Strategy (BEIS) were actively involved in the associated working group, linked to a plan the government has to introduce a requirement for the owners of biomass boilers in receipt of the Renewable Heat Incentive (RHI), to carry out annual preventative maintenance checks on their Biomass Boilers.

Industry support

In support of MCS contractors certified for the installation of Solar PV, in 2021 the Company announced a new Solar Energy UK (SEUK) affiliate membership offer. Open to all solar MCS installers, this partnership agreed by the Company allows installers to join an affiliate membership package and become a valued member of the UK's trade association for solar and storage. As affiliate members, installers will have access to SEUK's regular newsletters, monthly webinars, and policy briefings.

In 2021 the Company published the findings from a consultation which aimed to establish how so called Umbrella Schemes operate, the forms they take and how they comply with current Standards. The umbrella scheme consultation launched at the end of September and invited industry participation in an information gathering exercise.

In this context, 'umbrella schemes' are operated by MCS certified organisations who typically complete the design and commissioning of a new system but subcontract all, or elements of, the installation of the system. MCS received just over 100 responses to the questionnaire and in addition, spoke directly to a number of operators of umbrella schemes.

This exercise provided a comprehensive set of findings on what is a contentious subject for the industry. Three 'outcomes' were determined following the consultation, which the Company intends to deliver on during 2022.

The first outcome will see MCS develop and issue clear guidance to Certification Bodies, who as a result, will be expected to both identify the operation of umbrella schemes in their base of MCS contractors and then effectively assess the associated compliance risks, proportionate to the scale and complexity of an umbrella scheme's operations.

A second outcome will see MCS publish a report to share umbrella scheme best practice, acting as a benchmark for all schemes of this nature to aspire to.

As a final outcome, MCS will assess how umbrella scheme customers are protected today, compared to and in contrast with what is written in MCS 001-1, the main MCS Contractor Standard, in relation to contracts with customers and subcontracting arrangements. This assessment may result in changes to MCS 001-1.

Sector Skills & Training

In recognition of the importance installer competency plays in the delivery of quality installations for consumers, the Company delivered on a number of skills and training initiatives during the year.

Funded by the MCS Charitable Foundation, these initiatives included the development of a Level 3 short course in Heat Pump Installation and Maintenance, offered to already qualified gas and heating engineers wishing to move into low carbon heating.

In addition, the Company facilitated the development of an energy storage (battery) installation course to complement the new Battery Installation Standard (MIS 3012).

The Company also formed an employer group for the development of a new specialist apprenticeship – Low Carbon Heating Technician – in response to sector feedback that the existing Plumbing and Domestic Heating apprenticeship does not adequately provide for training and skills in low carbon heating technologies, especially for the design and installation of Ground / Water Source Heat Pumps. The launch of the new apprenticeship scheme aims to create a new wave of highly skilled Renewables Technicians, ready to help deliver a net zero future.

Achievements and Performance

a) Achievements During the Year

During the year, the Foundation achieved the following;

- Launched the Green Jobs Action Group (GJAG) bringing together representatives from four Government departments, trade associations, training associations, relevant NGO's and other key stakeholders to advise, support, and promote investment in education and skills at all levels in the Microgeneration and Low Carbon Energy Technology sector;
- Formed a strategic partnership with UKGBC which is supporting the Accelerator Cities programme through the co-creation of mobilisation plans with leading combined and local authorities to help them implement their retrofit strategies faster;
- Revised our grant funding criteria to reflect our strategic direction and focus to enable the scaling up of whole house retrofit;
- Continued to attract healthy competition for our grant funding from innovative projects that can deliver a step change impact;

- Played an active role in supporting the delivery of several key grant-funded projects;
- Rebounding quickly from the COVID-19 pandemic in terms of MCS Company trading income;
- Launched the Renewing Britain Report providing data to the sector on renewable energy installations over a 14 year period;
- Commissioned and launched a new report on zero rating VAT from tax experts Tait-Walker which gained media coverage and went to the Treasury and Government and shadow ministers;
- Achieved official observer status at COP26 and had a very successful conference engaging with all key Ministers, former prime minister, Mark Carney, The Welsh First Minister, Lord Deben; and
- Responded to over 50 Government consultations and calls for evidence on our key areas of work and conducted research on a number of central topics, helping establish MCS Foundation as credible and reliable source of information on our key areas of work.

Financial Review

a) Financial Review Summary

The Foundation made a surplus, after investment gains of £446,220 (2020: £752,239), of £456,503 (2020: £351,737) in the year.

During the year the Foundation's income amounted to £3,261,032 (2020: £1,243,794). The majority of the income related to trading income from the subsidiary of £3,156,305 (2020: £1,156,019 which included £18,555 of furlough income received). The remainder being income of £104,727 (2020: £87,855) from the investments held.

The costs of the Foundation for the year amounted to £3,250,749 (2020: £1,644,296). £671,758 (2020: £275,132) of expenditure incurred related to costs with respect to its charitable objectives. £2,578,991 (2020: £1,369,164) related to trading costs of The MCS Service Company Ltd.

At 31 December 2021 the Foundation held £5,306,613 (2020: £4,766,937) in investments which includes £50,000 of shares invested in Low Carbon Hub IPS and £25,000 of shares invested in People Powered Retrofit schemes. £1,927,249 (2020: £2,150,758) was held in cash at bank.

The Foundation's total funds at the year end amounted to £7,172,865 (2020: £6,716,362).

The significant sum received from BEIS in the year ended 31 March 2019 (£6,649,610) was intended to fund the Foundation to deliver its charitable objects over a number of years. As such the Trustees are comfortable that in some years, such as 2020, the Foundation may make an operating loss on its charitable activities. Trustees are pleased that in 2021 the Foundation made a surplus.

b) Reserves Policy

The objective of our reserves policy is to ensure that the Group maintains sufficient cash and readily realisable assets to enable it to withstand any shortfall in income or unforeseen expenditure while any necessary adjustments are made to the Group's operations. Our reserves have enabled us to respond to the impact of the pandemic in a measured way, without having to rush serious decisions that will have a long-term effect on the future of the group and its activities.

The appropriate basis for the Foundation's reserves policy is managed cash and investments, rather than accounting reserves as reflected in the Group's consolidated balance sheet.

Group managed cash and Investments	2021 £000	2020 £000
Investments	5,307	4,767
Cash and short-term deposits	1,927	2,151
Exclusions*	-75	-50
Total	7,159	6,868

*Exclusions consist of mixed motive investments that are considered illiquid.

The Trustees' minimum expectation is to maintain sufficient managed cash and investments to fund at least three months of annualised forecast gross cash outflows. The Group's reserve policy is currently under review.

The total managed cash and investments at 31 December 2021 was £7.2m, which represents twenty months of budgeted cash outflows for the year. All funds held are unrestricted. The Trustees are comfortable with holding a large reserves balance as it is heavily reliant on the trading profits of the subsidiary being its main source of income, funding its grant making and operational outflows. Should the trading subsidiary experience disruptions to operations, the Charity will look to rely on investment income to fund its operational activities in the short term.

The Group is budgeting to spend £360k cash per month during 2022, a total of over £4.3m for the year. We anticipate our investment portfolio to reduce in 2022, largely due to the broader economic conditions impacted by the war in Ukraine. The Trustees are currently reviewing the investment portfolio in terms of size, risk appetite, asset allocation and length of investment terms applied.

c) Principal Funding

The Foundation's principal funding is the transfer of £6,649,610 received from BEIS, as well as investment income received which is derived from holding the transferred funds for investment purposes. Ongoing funding is received in the form of the profits from the operation of the MCS scheme under The MCS Service Company Ltd.

d) Fundraising Policy

The Trustees take their responsibility under Charities (Protection and Social Investment) Act 2016 seriously and have considered the implications on their activities. The Foundation has not to date engaged in fundraising work, and future fundraising and financial partnership work is likely to be with other Foundations and institutions. The Charity does not actively raise funds or solicit donations directly from the general public. The charity does not work directly with commercial sponsors in relation to fundraising. The Trustees are not aware of any complaints made in respect of fundraising during the period.

Investment Policy and Performance

The majority of the proceeds received as a result of the novation (historical profits of the MCS scheme) are held in an investment portfolio with Rathbone Greenbank (£4 million was invested).

The Board of Trustees has agreed the Foundation's Investment Policy Statement which is the mandate to which the Investment Managers hold the funds on behalf of the Foundation. The Investment Policy Statement states that the funds invested in a way that maximises the return within the context of taking only moderate risk and a likely investment horizon of up to ten years. In addition, the Policy, which was reviewed and updated in summer 2019, includes some clear ethical parameters including avoiding investments in fossil fuels.

The performance of the Investment Portfolio and Managers are scrutinised at the Foundation's Board meetings.

At 31 December 2021, the market value of investments held amounted to £5,231,613 (2020: £4,716,937). During the year the investments yielded investment income of £104,727 (2020: £87,855) and unrealised investment capital gains of £446,220 (2020: £752,239).

During 2020 the Charity entered into a social investment partnership with crowdsourcing platform Ethex, which raises investment funding for ethical and green projects such as renewable energy installations. The agreement involved the charity pledging to commit up to £500,000 towards investment in different projects, to be used by Ethex to help leverage additional funding from individuals. The investments will be mixed motive, in that they help advance the charity's objects and will be expected to bring a financial return. Ethex carries out due diligence on potential projects which is then further scrutinised by Trustees before investments are made.

Trustees judged that this partnership enables the Charity to show leadership in the sector in how capital funds can help directly advance the charitable mission, while also diversifying the Charity's investment portfolio in a way that is judged to reduce risk. To date, two such investment has been made totalling £75,000 (Period ending 31 December 2020 - £50,000) with other potential projects to be reviewed as and when they are put forward by Ethex.

Plans for the Future

In late 2021, a refreshed strategy for MCS Group was adopted. As well as the ongoing enhancement of the MCS scheme and how it serves installers and consumers, the strategy seeks to harness all the group's assets to maximise the Charity's role as a convenor in the sector. Specific aims for 2022 include:

- Develop the Charity's sector convening role, in particular using the Green Jobs Action Group to identify and take forward initiatives to drive the growth of skills and training in the sector;
- Advance the Accelerating Retrofit programme, in partnership with UKBGC, to support leading local authorities in formulation and advancement of mass retrofitting plans;
- Build partnerships with other funders to seek to accelerate the much-needed investment into scaling up the decarbonising of homes and buildings at an area-by-area level;
- Refine the Charity's grant-giving programme to focus more fully on accelerating retrofitting of homes;
- Deliver research, evidence and advocacy in support of the group's key external affairs objectives, for example around the case for removing VAT from renewable energy installations and bringing forward net zero requirements for new build;
- Review the Charity's brand in light of the new strategy and enhance the communication of MCS Group's knowledge and evidence to the sector;
- Refresh and update the governing documents of the Charity and Company in line with the recent governance review and in support of group objectives;

- Further develop and expand the executive team to lead the operational delivery of the Foundation's work, including in the context of increased group-wide working across MCS Group; and
- Further deliver on the objective to simplify the compliance model related to the MCS scheme, for the benefit of installers and the public.

MCS Service Company Plans for 2022

The Company's plans for the year ahead are aligned to four main themes:

1. To build on the platform created over the last three years, that has re-established the credibility of MCS, to now effect a step change in Scheme accessibility and compliance to the Standards.

   During the first of half of 2022, this will include the launch of the MCS Wizard. This will mark the start of a significant change in how the Scheme supports contractors to achieve certification. The current certification process is complicated and involves contractors contacting various organisations outside of MCS, including a choice of Consumer Code and Certification Body. The first phase of the Wizard will be integrated with RECC as the pilot Consumer Code and OFTEC and NAPIT as the pilot Certification Bodies.

2. Extend the value of the Scheme, offering a new consumer protection proposition that will aim to radically simplify complaint handling and a consumer's access to recourse, and at the same time be of greater appeal to certified Contractors than the current model. In so doing, the MCS Company intends to deliver on its mission 'To give people confidence in low-carbon energy technology by defining, maintaining and improving quality'.

   During the year, the Company will respond to a market research and sector consultation commissioned towards the end of 2021, that has explored the effectiveness of current consumer protections offered under the Scheme. As the Scheme works today, a response to a consumer's issue is dependent on the decision their Contractor makes as to which Certification Body, Consumer Code and Insurance Backed Warranty provider they wish to be associated with. It is essential therefore that in the future the sector's complaints and decisions taken for their resolution, are consistent and seen to be aligned to a clear statement of what consumers can expect if things do go wrong.

   A planned investment in this area will create a responsive audit and compliance programme for launch during the second half of 2022. This will offer the Scheme an outcome, installation quality focused audit programme that can respond to consumer and Scheme concerns as to the quality of a contractor's installations (as evidence of a contractor's management of quality).

3. Further invest in the MCS team, our people and our facilities, ensuring that the Company is able to deliver on the significant opportunities that arise from the UK's transition to renewable energy and the role to be played by the adoption of small-scale renewable energy technologies. This will include a move to a larger office based on the same campus as the Company's existing office accommodation.

4. Prepare for a post subsidy environment by determining the MCS consumer proposition, with the aim of positioning the MCS brand as adding value to every stage in the consumer journey. This is likely to be achieved through the provision of MCS support and guidance during the consumer decision-making process, connecting consumers with competent installers at the point of purchase, offering installation and post installation support, and the potential for MCS to have an ongoing engagement with consumers

for years after their installation, including in monitoring system performance and signposting certified maintenance services.

Trustees' Responsibilities Statement

The Trustees (who are also directors of MCS Charitable Foundation for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial period. Under company law the Trustees 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 charitable company and of the income and the expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

We, the Trustees of the Foundation who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

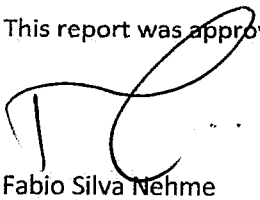
- there is no relevant audit information of which the company's auditors are unaware; and
- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In approving the Trustees' Annual Report, we also approve the Strategic Report included therein, in our capacity as company directors.

Auditors

Saffery Champness LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

This report was approved by the Trustees on 30 June 2022 and signed on their behalf by:



Fabio Silva Nehme
Chair, Board of Trustees

Independent auditor's report to the Members and Trustees of MCS Charitable Foundation For the year ended 31 December 2021

Opinion

We have audited the financial statements of MCS Charitable Foundation (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of financial activities, consolidated balance sheet, charity balance sheet, consolidated cash flow statement 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 December 2021 and of the group's incoming resources and application of resources, including its income and expenditure, 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 Trustees' Annual Report which includes the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report which includes the Directors' Report 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 parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

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:

- proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees
As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and the parent charitable 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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with regulations made under that Act.

Our objectives are to obtain reasonable assurance about whether the group and parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent charitable company's financial statements to material misstatement and how fraud might occur, including through discussions with the trustees, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent charitable company by discussions with trustees and updating our understanding of the sector in which the group and parent charitable company operate.

Laws and regulations of direct significance in the context of the group and parent charitable company include The Companies Act 2006, guidance issued by the Charity Commission and relevant employee and tax legislation.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the parent charitable company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent charitable company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

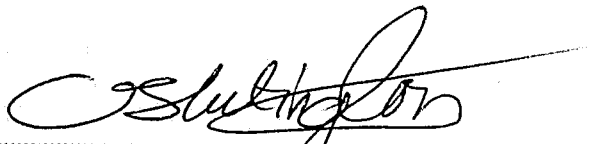
During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the parent charitable 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 parent charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company, the parent charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Cara Turtington (Senior Statutory Auditor)
for an on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

30 June 2022

71 Queen Victoria Street
London
EC4V 4BE

MCS Charitable Foundation

Consolidated statement of financial activities (including the income and expenditure account)
For the year ended 31 December 2021

	Notes	Year ended 31 December 2021 Unrestricted funds £	Period ended 31 December 2020 Unrestricted funds £
Income from:			
Other trading activities	3	3,156,305	1,137,464
Investments	4	104,727	87,855
Other income	5	-	18,555
Total income		3,261,032	1,243,794
Expenditure on:			
Other trading activities	3	2,578,991	1,369,164
Charitable activities	6	671,758	275,132
Total expenditure		3,250,749	1,644,296
Net income/(expenditure) before investment movement		10,283	(400,502)
Other recognised gains/(losses):			
Net gains on investments	12	446,220	752,239
Net movement in funds		456,503	351,737
Reconciliation of funds:			
Total funds brought forward		6,716,362	6,364,625
Total funds carried forward		7,172,865	6,716,362

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 27 to 40 form part of these financial statements.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

MCS Charitable Foundation

Consolidated balance sheet as at 31 December 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	11		25,229		24,742
Investments	12		5,306,613		4,766,937
			5,331,842		4,791,679
Current assets					
Debtors	13	565,025		224,471	
Cash at bank and in hand		1,927,249		2,150,758	
		2,492,274		2,375,229	
Creditors: amounts falling due within one year	14	(651,251)		(450,546)	
Net current assets			1,841,023		1,924,683
Total assets less current liabilities			7,172,865		6,716,362
Net assets			7,172,865		6,716,362
Funds					
Unrestricted funds		7,172,865		6,716,362	
			7,172,865		6,716,362
Total funds			7,172,865		6,716,362

The financial statements were approved and authorised for issue by the Board of Trustees on 30 June 2022 and were signed on its behalf by:

.....

Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

Date: 30 JUNE 2022

The notes on pages 27 to 40 form part of these financial statements.

MCS Charitable Foundation

Charity balance sheet as at 31 December 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Investments	12		5,306,613		4,766,937
Current assets					
Debtors	13	18,792		-	
Cash at bank and in hand		563,971		1,310,390	
		582,763		1,310,390	
Creditors: amounts falling due within one year	14	(23,857)		(30,592)	
Net current assets			558,906		1,279,798
Total assets less current liabilities			5,865,519		6,046,735
Net assets			5,865,519		6,046,735
Funds					
Unrestricted funds		5,865,519		6,046,735	
			5,865,519		6,046,735
Total funds			5,865,519		6,046,735

As permitted by Section 408 of the Companies Act 2006 no separate Statement of Financial Activities for the charity alone has been presented. The net deficit of the parent company charity for the year was £181,216 (2020: surplus of £935,514).

The financial statements were approved and authorised for issue by the Board of Trustees on 30 June 2022 and were signed on its behalf by:

.....

Date: 30 JUNE 2022

Fabio Nehme
Chair and Trustee
Company Registration No. 10119873

The notes on pages 27 to 40 form part of these financial statements.

MCS Charitable Foundation

Consolidated cash flow statement
For the year ended 31 December 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cashflow from operating activities					
Net cash flow used in operating activities	**18**		(226,313)		(464,171)
Cashflow from investing activities					
Purchase of tangible fixed assets		(8,467)		(6,001)	
Purchase of investments		(1,032,211)		(538,726)	
Proceeds on disposal of investments		938,755		427,747	
Income received from investments		104,727		87,855	
Net cash generated from/(used in) investing activities			2,804		(29,125)
Net decrease in cash and cash equivalents			(223,509)		(493,296)
Cash and cash equivalents at beginning of year			2,150,758		2,644,054
Cash and cash equivalents at end of year			1,927,249		2,150,758
Relating to:					
Cash held in bank			1,615,769		1,541,947
Cash held in current asset investment			311,480		608,811
			1,927,249		2,150,758

The notes on pages 27 to 40 form part of these financial statements.

1 Accounting policies

Company information

MCS Charitable Foundation is a charity incorporated as a company limited by guarantee in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The registered office is Suite F40 Innovation Centre, Keckwick Lane, Daresbury, Warrington, WA4 4FS.

1.1 Accounting convention

The financial statements have been prepared in accordance with the accounting policies set out below, the Companies Act 2006 and the second edition of the Charities SORP (FRS 102) "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value.

The charity meets the definition of a public benefit entity under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The group financial statements incorporate the financial statements of the parent charitable company and its subsidiary undertaking for the year ended 31 December 2021.

1.2 Going concern

Having considered the working capital requirements of the charity and group alongside cash flow projections, budgets and the cash available within the business, the Trustees believe that the charity will continue in existence for at least twelve months following the approval of these financial statements. The group had a strong cash balance of £1,927,249 as at 31 December 2021. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Reporting period

The comparative figures included in these financial statements are for the 9 month period ended 31 December 2020 and are not therefore directly comparable.

1.4 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity unless the funds have been designated for other purposes.

1.5 Income

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income, after any performance conditions have been met, when the amount can be measured reliably and when it is probable that the income will be received.

Income from other trading activities includes income earned through the subsidiary MCS Service Company from income received in exchange for supplying services in order to raise funds and is recognised when entitlement has occurred.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest. Interest income is recognised when receivable and dividend income is recognised as the charity's right to receive payment is established.

1.6 Expenditure

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Expenditure on charitable activities includes staff and administration costs; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

Trading expenditure is costs incurred by MCS Service Company in undertaking its activities.

1.7 Tangible fixed assets

Expenditure on the acquisition of individual tangible fixed assets that cost more than £1,000 are capitalised at cost and subsequently measured at cost, net of depreciation and any impairment losses. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	20% per annum straight line basis
Plant and equipment	25% per annum straight line basis
Office equipment	20% per annum straight line basis
Computer equipment	25% per annum straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment toss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Investments

Publicly traded investments, or those where fair value can otherwise be measured reliably, are measured at fair value at each balance sheet date, with changes in fair value recognised in 'net gains/(losses) on investments' in the SoFA.

Mixed motive investments in the form of ordinary or preference shares are initially measured at the transaction price of those shares and subsequently at its fair value if this can be measured reliably. Where this is not possible it is measured at cost less impairment. Mixed motive investments will be reviewed for impairment annually.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.11 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

1.12 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Operating leases

Rentals payable under operating leases, including any lease incentives received, are charged to expenditure on a straight-line basis over the term of the relevant lease.

1.15 Taxation

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010. It therefore meets the definition of a charitable company for UK corporation tax purposes and consequently no provision has been made for either corporation tax or deferred tax.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The key areas of the financial statements that we consider to be subject to estimation or judgement are as follows:

Investments
The accounting policies for investments and mixed motive investments are disclosed in note 1.9.

3 Income and expenditure from other trading activities

	Group	
	Year ended 31 December 2021	Period ended 31 December 2020
	£	£
MCS Service Company income	3,156,305	1,156,019
MCS Service Company expenditure	(2,578,991)	(1,369,164)
	577,314	(213,145)

All income from other trading activities in the current and prior year was unrestricted.

MCS Charitable Foundation has 100% control of The MCS Service Company Ltd (company registration no. 07759366), a company registered by guarantee and whose registered office is Suite F40 Innovation Centre, Sci-Tech, Daresbury, Cheshire, WA4 4FS. The subsidiary year end is 31 December 2021.

3 Income and expenditure from other trading activities (continued)

The company's activities comprise certification of microgeneration technologies used to produce electricity and heat from renewable sources. The summary financial performance of the subsidiary alone for the year ended 31 December 2021 is as follows:

	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Turnover	3,216,911	1,265,456
Administrative expenses	(2,579,192)	(1,381,390)
Profit/(loss) before taxation	637,719	(115,934)
Gift aid payment to MCS Charitable Foundation	-	(471,846)
Net profit/(loss) for the year	637,719	(587,780)
Fixed assets	25,229	24,740
Current assets	1,914,009	1,064,838
Current liabilities	(631,894)	(419,954)
Net assets	1,307,344	669,625

4 Income from Investments

	Group	
	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Dividends from investments	104,727	87,855

All income from investments in the current and prior year was unrestricted.

5 Other income

	Group	
	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Government grant	-	18,555

All other income in the prior year was unrestricted.

The government grant relates to the Coronavirus Job Retention Scheme. No other income was received from government sources in the current or prior year.

6 Expenditure on charitable activities

	Group	
	Year ended 31 December 2021	Period ended 31 December 2020
	£	£
Project management and delivery costs*	373,010	140,863
Cost of generating funds		
Investment manager fees	33,641	22,534
Support costs		
Staff costs	123,637	51,186
Travel costs	4,146	264
Accountancy fees	9,631	5,040
Other costs	52,543	16,859
Governance costs		
Trustees' expenses	1,110	1,080
Audit fees**	9,981	12,706
Other costs		
Legal & professional fees	40,059	24,600
Consultancy costs	24,000	-
	671,758	275,132

*The total project management and delivery costs of the group in the period are listed below. Grants are only awarded to institutions, not individuals, and details of grant recipients are included in brackets below.

	Year ended 31 December 2021		Period ended 31 December 2020	
	Grants	Programmes	Grants	Programmes
	£	£	£	£
Development and Policy				
Net Zero New Build *(Good Homes Alliance)*	13,500	-	13,500	-
Superhomes Rating Scheme *(National Energy Foundation)*	15,000	-	15,000	-
Energy Sleeving Pool *(Bristol City Council)*	9,555	-	-	-
The Community Energy Revolution *(Power for People)*	5,000	-	-	-
Accelerator Cities *(UK Green Building Council)*	15,000	-	-	-
Decarbonising Heat in Scotland's Buildings *(WWF Scotland)*	15,000	-	-	-
Supply Chains *(War on Want)*	8,445	-	-	-

6 Expenditure on charitable activities (continued)

	Year ended 31 December 2021		Period ended 31 December 2020	
	Grants	Programmes	Grants	Programmes
	£	£	£	£
Community Capacity Building				
Zero Carbon Parish Planning Tool *(Herefordshire Green Network)*	23,190	-	11,370	-
Accelerating Local Response *(Ashden)*	53,687	-	22,968	-
Launch Pad Network *(Somerset Climate Action Group)*	10,000	-	10,000	-
Renewables Done Well (CPRE)	-	-	15,000	-
Integrating Community Energy *(Community Energy London)*	9,380	-	10,000	-
Big Solar Coop *(Sharenergy Cooperative)*	-	-	4,500	-
Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate *(Wealden District Council)*	21,200	-	-	-
Ambleside to Zero AtoZ *(Ambleside Action for a Future)*	7,000	-	-	-
Community Energy Planning *(Centre for Sustainable Energy)*	10,000	-	-	-
Research and Consumer Information				
Consumer scoping study	-	-	-	22,000
Value of Solar Homes *(Solar Trade Association)*	20,000	-	15,000	-
Housing Archetypes & Heat Pump Deployment *(Plymouth Community Energy)*	20,000	-	-	-
Zero Carbon Schools (*Green Schools Project*)	5,000	-	-	-
Measured Savings, Better Outcomes *(Energy Systems Catapult)*	10,000	-	-	-
Heat Pumps Now *(Carbon Co-op)*	15,000	-	-	-
Rebuilding the Low Energy Buildings Database *(Association for Environmental Conscious Buildings)*	20,000	-	-	-
Domestic Heating briefing paper *(Imperial College London)*	-	38,940	-	-
VAT Research *(MHA Tait Walker)*	-	6,000	-	-
MP Survey *(You Gov Plc)*	-	4,992	-	-
Skills and Education				
Net Zero Skills Builder *(Archbishop Council of Church of England)*	5,000	-	2,200	-
Green Schools Project	-	-	10,000	-
MCS Skills, Competency & Training project	12,121	-	-	-
Other programmes	-	-	-	(10,675)
	323,078	49,932	129,538	11,325
	373,010		**140,863**	

** The audit fees for The MCS Service Company Ltd are included within other trading expenditure.

7 Net income/(expenditure) for the year

Net income/(expenditure) for the year is stated after charging:

	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Audit fees	19,450	19,950
Depreciation	7,980	4,477

8 Auditor's remuneration

	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Fees payable to the charity's auditor for the audit of the charity's annual accounts	7,950	7,950
Fees payable to the charity's auditor for other services:		
Audit of the charity's subsidiary	11,500	12,000
Accounts preparation	5,275	6,605
	24,725	26,555

9 Trustees' and key management personnel remuneration and expenses

During the year the trustees, Chief Executive, Director of External Affairs and Director of Grants and Development of the charity are considered to be key management personnel.

The trustees neither received nor waived any remuneration during the year ended 31 December 2021 (2020: £Nil).

In the year ended 31 December 2021, key management personnel received total remuneration of £135,044 (3 individuals) (2020: £71,657 - 2 individuals).

Trustee's expenses were reimbursed or paid directly on their behalf during the year for travel, hotels and subsistence to no (2020: one) trustees amounting to £nil (2020: £76).

During the year the MCS Service Company Ltd gifted Christmas hampers to Magdalena Zarowiecki, Gareth Williams & Nick Whitaker for their services as Non-Executive directors of The MCS Service Company Ltd, at a cost of £92 per hamper. During the prior year Christmas hampers were gifted to Steven Gould & Fabio Nehme for their services as Non-Executive directors of The MCS Service Company Ltd, at a cost of £92 per hamper.

10 Employees

The average monthly number of employees during the year was as follows:

	Group	
	Year ended 31 December 2021 Number	Period ended 31 December 2020 Number
	32	23

The total staff costs and employee benefits were as follows:

	Group	
	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Wages and salaries	1,013,912	569,871
Social security costs	86,326	41,244
Other pension costs	77,648	47,130
	1,177,886	658,245

The number of employees receiving total employee benefits (excluding employer pensions costs and employers NI) of more than £60,000 were as follows:

	Group	
	Year ended 31 December 2021 Number	Period ended 31 December 2020 Number
£60,001 - £70,000	-	1
£70,001 - £80,000	1	-
£90,001 - £100,000	1	-

11 Tangible fixed assets (Group)

	Leasehold improvements £	Plant and equipment £	Office equipment £	Computer equipment £	Total £
Cost					
At 1 January 2021	14,526	370	2,379	13,537	30,812
Additions	-	-	1,322	7,145	8,467
At 31 December 2021	14,526	370	3,701	20,682	39,279
Depreciation					
At 1 January 2021	2,791	130	509	2,640	6,070
Charge for the year	2,905	92	608	4,375	7,980
At 31 December 2021	5,696	222	1,117	7,015	14,050
Net book value					
At 31 December 2021	8,830	148	2,584	13,667	25,229
At 31 December 2020	11,735	240	1,870	10,897	24,742

The Charity had no tangible fixed assets in the current or prior year.

12 Fixed asset investments (Group and Charity)

	2021 £	2020 £
Listed investments	5,231,613	4,716,937
Mixed motive investments*	75,000	50,000
	5,306,613	4,766,937

	Mixed motive investments £	Listed investments £	Total £
Valuation			
At 1 January 2021	50,000	4,716,937	4,766,937
Additions	25,000	1,007,211	1,032,211
Disposals	-	(938,755)	(938,755)
Gain on revaluation	-	446,220	446,220
At 31 December 2021	75,000	5,231,613	5,306,613

12 Fixed asset investments (Group and Charity) (continued)

Listed investments at fair value comprise:

	2021	2020
	£	£
Fixed interest	1,396,804	1,184,250
UK equities	1,286,353	1,252,171
Overseas equities	1,792,534	1,556,532
Alternatives	598,514	454,363
Cash within investment portfolio	157,408	269,621
	5,231,613	4,716,937

* The mixed motive investment consists of shares purchased in Low Carbon Hub IPS and People Powered Retrofit.

The charity also holds an investment in its subsidiary undertaking, The MCS Service Company Ltd, at a value of £nil (2020 - £nil) as no consideration was paid for this investment. Further details of The MCS Service Company Ltd's activities for the year are included in note 3.

13 Debtors

	Group		*Charity*	
	2021	2020	2021	2020
Amounts falling due within one year:	£	£	£	£
Trade debtors	322,361	164,147	-	-
Amounts due from subsidiary undertaking	-	-	4,500	-
Other debtors	15,354	-	-	-
Prepayments and accrued income	227,310	60,324	14,292	-
	565,025	224,471	18,792	-

14 Creditors: amounts falling due within one year

	Group		*Charity*	
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	50,766	35,694	5,164	13,615
Other taxation and social security	147,129	69,913	-	-
Other creditors	10,033	6,572	-	-
Accruals and deferred income*	443,323	338,367	18,693	16,977
	651,251	450,546	23,857	30,592

14 Creditors: amounts falling due within one year (continued)

* Accruals and deferred income includes the following movements in deferred income:

	Group	
	2021	2020
	£	£
Deferred income		
At 1 January	146,925	181,680
Released in the year	(71,085)	(90,495)
Deferred in the year	39,465	55,740
At 31 December	115,305	146,925

The Charity had no deferred income in the current or prior year.

15 Obligations under operating leases (Group)

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	43,920	43,920
Between two and five years	3,660	47,580
	47,580	91,500

The Charity had no operating lease commitments in the current or prior year.

16 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil for the Group and £nil for the Charity (2020 - £nil and £nil respectively).

17 Related party transactions

During the year the following transactions took place between the Charity and its wholly owned subsidiary:

-The Charity paid £72,726 (2020: £86,717) to The MCS Service Company Ltd for project management and delivery costs.
-The Charity recharged £50,259 (2020: £20,500) of expenses to The MCS Service Company Ltd.
-The MCS Service Company Ltd made a donation of £nil (£2020: £471,846) to the Charity under Gift Aid.

At the year end, The MCS Service Company Ltd owed the Charity £4,500 (2020: £nil).

£85,000 (2020: £15,000) was paid to Solar Trade Association for whom trustee Gareth Williams is a Director. £23,190 (2020: £11,370) was paid to Herefordshire Green Network for whom trustee Gareth Williams is a Steering Group member. Gareth Williams declared an interest in the grant applications from both organisations and left the Board meetings when these applications were being considered. £6,000 (2020: £nil) of sales were made to Caplor Energy Limited, a company owned by Gareth Williams. As at 31 December 2021 there were no balances outstanding and the amounts paid/received in the financial year were on an arms length basis.

£81,975 (2020: £49,050) was paid to Chris Roberts, who was a director of The MCS Service Company Ltd, for fees as a consultant providing specialist support on MCS standards. Chris Roberts resigned as a director of The MCS Service Company Ltd on 20 May 2021.

18 Reconciliation of net income to net cash flow from operating activities

	Group 2021 £	2020 £
Net income for the reporting period (as per the statement of financial activities)	456,503	351,737
Adjustments for:		
Investment income	(104,727)	(87,855)
(Gains) / Losses on investments	(446,220)	(752,239)
Depreciation and impairment of tangible fixed assets	7,980	4,477
Movements in working capital:		
(Increase) / Decrease in debtors	(340,554)	63,229
Increase / (Decrease) in creditors	200,705	(43,520)
Net cash flow from operating activities	(226,313)	(464,171)

MCS CHARITABLE FOUNDATION

England & Wales - Charity number 1165752

Accounts

MCS Charitable Foundation

Consolidated Financial Statements

Period Ended 31 December 2020

Charity registration number: 1165752
Company registration number: 10119873

MCS Charitable Foundation

Financial Statements

Period Ended 31 December 2020

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MCS Charitable Foundation

Charity Reference and Administrative details

Period Ended 31 December 2020

Charity registration number	1165752
Company registration number	10119873
Trustees	Sandra Elizabeth Walmsley – Chair until 3 February 2021 Steven David Gould (Resigned 22 December 2020) Nicholas Moule Whitaker Fabio Silva Nehme – Chair since 3 February 2021 Charlotte Emma Powell Gareth John Williams – Vice Chair since 3 February 2021 Magdalena Zarowiecki
Chief Executive Officer	Adrian Ramsay
Registered office	Suite G40 Innovation Centre Keckwick Lane Daresbury Warrington United Kingdom WA4 4FS
Auditor	PKF Littlejohn LLP 15 Westferry Circus Canary Wharf London E14 4HD
Solicitor	Bates Wells and Braithwaite London LLP 10 Queen Street Place London EC4R 1BE
Bankers	CAF Bank Limited 25 Kings Hill Avenue Kings Hill West Malling Kent ME19 4JQ
Investment advisors	Rathbone Greenbank 10 Queen Square Bristol BS1 4NT

MCS Charitable Foundation

Trustees' Annual Report (Including Directors Report and Strategic Report)

Period Ended 31 December 2020

The Trustees (who are also directors of the Charity for the purposes of the Companies Act) present their annual report together with the audited consolidated financial statements of MCS Charitable Foundation (the Foundation) for the period 1 April 2020 to 31 December 2020.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2019.

Origins and History of the Foundation

The Microgeneration Certification Scheme (MCS) was set up by the Government in 2008 to certify buildings scale renewable electricity and heat products and installers to provide assurance to consumers about the quality and standard of their installation.

The MCS has played an important part in the growth of the installation of renewables in homes and small businesses.

The Government transferred the assets comprising the Microgeneration Certification Scheme, as well as the MCS Fund (the historical profits from the operation of the scheme), to the MCS Charitable Foundation on 25 April 2018.

The Department for Business, Energy and Industrial Strategy (BEIS) worked closely with the industry to ensure the MCS Charitable Foundation objects reflect how it would wish to see the MCS Fund used to support consumers' protection and the take-up of renewable and low carbon technologies.

The MCS Service Company now operates as a trading arm of the Charitable Foundation, so that the important certification services can continue, with the oversight of the Charitable Foundation. Future surplus income from the Service Company will be added to the MCS Foundation Fund.

The Foundation aims to fulfil a number of charitable objects, including;

- educating the public about;
- promoting research about;
- improving the quality of;
- supporting the development of standards for; and
- raising confidence and consumer awareness of renewable energy and low carbon technologies.

These objects sit within the Foundation's overall vision of a world where everyone has access to affordable and reliable renewable energy.

The Foundation's mission is to accelerate the widespread adoption of renewable energy and low carbon technologies and its work programme is focused on driving and supporting a step-change in action towards achieving the net zero emission target in buildings and communities.

Structure, Governance and Management

The MCS Charitable Foundation is a registered charity (no. 1165752) and a limited company (no. 10119873). Its constitution is its Memorandum and Articles of Association. The company was incorporated on 12 April 2016.

On 25 April 2018 the Foundation became the parent undertaking of The MCS Service Company Limited (Company registration number 07759366), a company limited by guarantee. This report consolidates the financial reporting of the Group.

Trustees (including Recruitment and Training)

Overall strategic direction and decisions rest with the Board of Trustees. The Trustees were recruited in accordance with the Memorandum and Articles of Association of the charitable foundation. The Trustees during the year were as follows:

Sandra Elizabeth Walmsley – Chair until 3 February 2021
Fabio Silva Nehme – Chair from 3 February 2021
Gareth Williams – Vice Chair from 3 February 2021
Nicholas Moule Whitaker
Charlotte Emma Powell
Magdalena Zarowiecki
Steven David Gould – resigned 22 December 2020.

The year marked the first full period of operation of the Charity. A Strategic Plan and budget were agreed at the beginning of 2020 following a period of stakeholder consultations. This provided the basis for the launching of an open grants programme and a research and advocacy function aimed at supporting and driving strategic action to accelerate adoption of renewable energy and the decarbonisation of the UK's homes and buildings. To support this, the Charity began to further grow its executive leadership team during the year, with an experienced charity advocacy professional joining as Director of External Affairs in July.

As such the Board continued to move to a more strategic role during the year, meeting on alternative months and with more functions delegated to the executive team.

Joint working between MCS Charitable Foundation and its subsidiary, MCS Service Company (which runs the MCS standards scheme), was also increased during the year, including through the introduction of a shared external affairs function under the new Director of External Affairs. The two Chief Executives also work increasingly closely together in planning the activities of the MCS Group and monitoring performance.

In addition, to support moves towards a more integrated strategy across MCS Group aimed at realising the substantial opportunities for high growth in the sector, Trustees began a process of reviewing the Group's governance structures. This included the commissioning of a governance review, to take place during the first half of 2021, aimed at preparing the Group for a significant expansion of activities focused on broadening its role as a convenor of the sector.

The Trustees continue to seek to follow the good practice set out by "The Essential Trustee" issued by the Charity Commission and "The Good Trustee Guide" published by the NCVO. Succession planning and recruitment of new Trustees for their experience, empathy and knowledge of the charitable foundation and its objectives, is undertaken by the Board as a whole. Four new Trustees had joined the Board in March 2019, so during this year Board membership remained constant and no new recruitment was planned.

The Trustees consider that the Board of Trustees and the Chief Executive Officer comprise the key management personnel of the Charity, the former in charge of overall strategic direction and governance, and the latter running and operating the Foundation on a day to day basis. All Trustees give their time freely and no Trustee received remuneration in the year. Details of Trustees' expenses and related party transactions are disclosed in the notes to the accounts. The pay band of the Chief Executive Officer is set by the Board of Trustees and reviewed periodically. The pay bands for other staff are set by the Chief Executive

Officer as part of a framework across MCS Group. The remuneration is set to ensure it is fair and will attract and retain staff of the appropriate calibre and experience required by the Foundation.

The Foundation is a member of the National Council of Voluntary Organisations and the Association of Charitable Foundations which both provide helpful information and training on good practice, changes in the law affecting charities and act as an authoritative lobby on behalf of charitable foundations with government and regulators. Trustees use NCVO and ACF resources and events to keep up-to-date.

Trustees are required to disclose all relevant interests and register them with the Board. In the event of a conflict of interest or loyalty, the Foundation's policy is that Trustees should withdraw from the decision-making process.

Risk Management

The Trustees have assessed the major risks to which the Charity is exposed, in particular, those related to the operations and finances of the Charity.

The principal risks and uncertainties identified by the Trustees are:

- That the Foundation does not operate within its stated objectives;
- That grants fail to meet the agreed objectives;
- Investment performance is below expectations or not adequately monitored;
- Retention of key personnel namely the Board of Trustees and key members of staff; and
- That the wholly owned subsidiary, MCS Service Company, fails to generate a profit or makes a loss.

A risk register is in place through which all risks are monitored. The Trustees are satisfied that systems and procedures are in place to mitigate exposure to the major risks.

All applications for funding are considered in relation to the Charity's objects and the need to show a clear public benefit.

During the year the Trustees paid particular attention to two risks which significantly heightened in likelihood as a result of the economic impact of COVID-19:

1. The profitability of MCS Service Company: With the start of lockdown in March 2020, installations of microgeneration – and source of the Company's main income stream – ground to a halt. Trustees asked the Service Company to report on its planned mitigation. This involved a mixture of measures including some furloughing of staff, reduction in non-staff expenditure and introduction of a revised financial forecast through which the situation could be monitored. Trustees established that the Company held very healthy reserves, equivalent to over six months' full operating costs, which provided reassurance. During the year, the Company reported in October 2020 that installation numbers had returned to pre-lockdown levels more quickly than expected. As such, losses during 2020 were negligible applying to a trading period spanning a few months in the spring and early summer, and the Company has since returned to a profitable position. During subsequent lockdowns, such as the one in the early part of 2021, installations of microgeneration technologies have been permitted, and so the profitable position of the Company has not been adversely affected.

2. The value of the Charitable Foundation's investment with Rathbone Greenbank: This took a hit in the first quarter of 2020 and the Trustees resolved to monitor the situation and give the market a chance to recover before deciding on any potential mitigating strategy. By the end of the year, the value of the fund had recovered to a level significantly above where it was before the pandemic hit.

The Foundation, therefore, was able to manage and overcome successfully the economic uncertainties and risks brought by the economic impacts of Covid.

Objectives and Activities

The Objects of the Charity are:

(a) the advancement of education and environmental protection and improvement by educating the public in the subject of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems) (including, for the avoidance of doubt, providing bursaries to those wishing to pursue careers in this area and institutions providing education in this area);

(b) the advancement of education and environmental protection and improvement by promoting study and research into the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large;

(c) the advancement of health and the saving of lives and environmental protection and improvement by promoting study and research into improving the safety of the design, development, manufacture and installation of renewable energy and low carbon technologies (products and systems), provided that the useful results of such study and research are disseminated to the public at large.

(d) the advancement of environmental protection and improvement by supporting the development of standards and related guidance for the renewable energy and low carbon technology sector; and

(e) the advancement of environmental protection and improvement by raising awareness and confidence amongst consumers in the area of renewable energy and low carbon technologies (products and systems).

The Charity's Strategic Plan for 2020/21, which was developed following a period of stakeholder consultation, is focused on supporting its trading company to maintain and improve quality standards in the sector; and on introducing a grants and research programme aimed at supporting fairly early stage innovative ideas that have the potential to deliver a step change in the uptake of renewable energy and low carbon solutions. In addition, an External Affairs Strategy was developed in summer 2020 to underpin the policy and advocacy work of MCS Group, with a focus on presenting the case for removing VAT on renewable energy installations, for a comprehensive consumer information service and for a long-time incentive framework to support the growth of the sector.

For the open grants programme, operating from February 2020, the Foundation agreed the following themes: education, skills and CPD; public awareness and consumer confidence; zero carbon planning; local zero carbon delivery initiatives. There is a particular interest in capacity building in the sector and bids are expected to meet at least one of the following criteria: seed funding for innovative initiatives; support delivery of a proof of concept; sharing good practice; research to support innovation or capacity building in one of the themed areas.

Public Benefit Statement

The Trustees confirm that they have paid due regard to the Charity Commission's Guidance on Public Benefit, when considering the Foundation's objects.

Strategic Report – Achievements and Performance During the Year

The following projects were delivered during the year:

Research and Consumer Information

Smart Solar Homes (delivered by Solar Trade Association) – *completed during the year:*
Transitioning to a smart, flexible energy system is widely understood as necessary to support cost-effective decarbonisation and the increasing electrification of transport and heat. Recent independent expert analysis consistently stresses the economic value of a smart system. However, the value of smart homes and businesses including solar power and storage has not received specific attention and to date we are unaware of any 'bottom up' assessment of the value of smart homes.

The objective of this project was to set out new evidence of the benefits to households and the electricity system of enabling more deployment of solar, energy storage and smart meters in domestic homes.

The output of the project was a report which examines both the individual household benefits of installing smart energy technologies, and the contribution they can make to the whole electricity system, when scaled-up across a portfolio of 4.4 million homes.

The report concluded that equipping this number of homes with solar, battery storage and intelligent controls to manage electricity use can provide enough rapid flexible power to flatten spikes in demand, helping to balance the electricity system without the need for costly reinforcements. Such homes can also more than halve carbon emissions and energy bills too.

The Solar Trade Association presented the findings of the report in a webinar which was widely attended within the sector.

Consumer Information Study (delivered by Catrin Maby) – *completed during the year:*
As a Foundation we have a particular interest in consumer confidence and consumer information on renewable energy and energy efficiency. For consumers, the ability to gain independent advice is paramount. A range of charities and organisations run advice and information services to answer consumer questions, regarding particular technologies and the appropriate solution for their home or property. Feedback from stakeholders has indicated that funding for such services may have been cut back in recent years, while the need for this kind of assistance is likely to grow as climate change targets are translated into specific requirements on the domestic sector.

During the last financial year the Foundation commissioned a scoping study to assess the services that are available across the UK, the robustness and accessibility of information provided and gaps in the types of information and demographics of householders and geographical areas that are covered. The overall goal of the study was to inform MCS Charitable Foundation and the wider sector about the independent information and advice services available to consumers and to enable informed decisions to be made about how service provision can best be delivered. The focus of the study was on the retrofit of existing domestic properties, both grant-aided and where homeowners are paying for the work themselves.

The study builds on existing literature and past studies relevant to these topics as well as carrying out primary research and includes consideration of the situation in the devolved nations and regions in which there is a varying policy context.

The study was carried out by Catrin Maby, an independent consultant and researcher with many years' experience in energy advice delivery and strategy. It was completed in December 2020 and was launched live on 9th December to an audience of sector stakeholders, with Catrin Maby providing an overview of the report including MCS Charitable Foundation's recommendations for the governments of the UK and for the energy advice and information sector. The launch also saw responses to the report from Dr Alan Whitehead MP, the Shadow Green New Deal and Energy Minister, and Baroness Natalie Bennett of the Green Party, as well as a Q&A session.

Since the launch the Foundation has engaged directly with BEIS on the learnings of the report and how they can inform UK government policy and services.

Geothermal Energy from Mines (delivered by North East Local Enterprise Partnership) – *work completed post year end:*
This project looked at abandoned mines across the UK that have the potential to provide a new source of clean geothermal heat. These mines are often located in areas that were previously heavily industrialised and are now in need of regeneration, which offers the chance to build on the industrial legacy to deliver environmental, social and economic benefits.

A national 'mine energy taskforce' was convened via the Department of Business Energy and Industrial Strategy (BEIS) Energy Hubs, acting as a community of interest to share knowledge and address challenges. The taskforce continually attracted new attendees and gathered a comprehensive range of stakeholders including regulators, academics, the Coal Authority, businesses, government, LEPs, and local authorities across the UK.

MCS Charitable Foundation joined the steering group and co-sponsored the development of a paper which sets out the commercial, regulatory, market and policy interventions which are needed to address barriers, and accelerate delivery of mine energy at scale in the UK.

Supported by the BEIS Energy Hubs (North East, Yorkshire and Humber, and Midlands Hubs) the white paper produced a powerful evidence base which is to be shared publicly, containing substantiated recommendations to present to government and other stakeholders.

The project concluded in April 2021.

Development and Policy

Exploring the supply chain of renewable energies (delivered by War on Want) – *work completed post year end:*
Over the coming decades, the most ambitious estimates for a low-carbon future project that global material footprint will more than double. This is in part due to the fact that dozens of metals and minerals are employed in renewable energy technologies. However, the role they play, scale at which they are consumed, availability and ability to be substituted, vary widely and are determined by political will and the choices we make as a society. As demand increases for such technologies, multinational mining companies are scaling up their activities at an unprecedented rate, raising serious questions over ecological and environmental impacts and human rights across Africa, Asia and Latin America.

We need to rapidly transition our economies to a clean zero-carbon energy supply, but we must ensure that the material supply for renewable energies as part of that transition is also fair, just and clean. With the support of MCS Foundation, War on Want worked in partnership with two leading social and environmental justice organisations in the global South, to produce an in-depth report on the fundamental questions underpinning a just transition to renewable energy. This work has educated the UK public, movements and policy-makers on the social and environmental impacts of the global supply chain of renewable energy technologies, and helped develop key policy proposals and innovative criteria for industry and governments, to ensure that renewable energy is procured ethically and fairly.

This project concluded in March 2021. Following the publication of the report, War on Want is now working with Solar Energy UK on engaging the solar sector internationally on the learnings from the research.

Energy Sleeving Pool (delivered by Bristol City) – *work completed post year end:*
From November 2020 to February 2021, Bristol City Council working with Regen, and supported by funding from MCS Charitable Foundation, produced a feasibility assessment exploring the concept of a Sleeving Pool in order to help the local authority procure local renewable electricity at scale and create increased demand for local renewable energy sources.

This involved carrying out a high-level assessment of the commercial and administrative feasibility of the concept and providing recommendations about viability and issues to consider in taking this concept forward. This analysis involved three main elements: Developing the energy Sleeving Pool concept and make recommendations about governance and process; Modelling the matching of demand and generation, analysing PPA costs and possible price structures and; Engaging with suppliers to explore the facets and scope of the Pool Manager role.

These elements are detailed in the final feasibility assessment and Bristol City Council, as a result of the research, is now planning to showcase how the Sleeving Pool can be delivered in practice.

SuperHomes Rating Scheme (delivered by National Energy Foundation) – *work completed post year end:*
The National Energy Foundation SuperHomes project recognises the achievements of those who have gone the extra mile in the eco-refurbishment of their property and achieved high levels of carbon and energy reduction together with increased levels of comfort.

The SuperHomes network builds on the enthusiasm of eco-refurbishment pioneers to provide inspiration to all for a successful sustainable retrofit, improvement in home energy ratings and increased occupant comfort. Behind each retrofit is the passion and commitment to create a positive change for the benefit of our planet as well as personal health and well-being.

MCS Foundation funded NEF's development of the SuperHomes rating scheme, which offers recognition and acknowledgement of the householders' efforts with different milestones in levels of energy performance recognised. The revamped SuperHomes scheme launched in April 2021. It will be engaging with a wide range of partners and landlords and aims to achieve one million SuperHomes by 2030.

The following projects were commissioned during the year:

Research and Consumer Information

Value of Solar Homes (delivered by Solar Energy UK) – *work started during the year:*
The purpose of the Value of Solar Homes project is to promote the installation of rooftop solar photovoltaic (PV) systems in the UK. It will do this by providing information and guidance for owners and investors on the financial value of 'solar property' – property which includes a rooftop PV system, and / or an energy storage system.

Doing so will overcome a key informational barrier to the uptake of solar PV. Previous Solar Energy UK research identified the lack of robust evidence on the financial benefits of solar. As such, homeowners, valuers, the construction sector, and intermediaries involved in property transactions do not have a reliable way of assessing or explaining the value of solar property.

The project will focus on domestic property and will: conduct a thorough analysis of the costs and savings generated by solar systems; provide a comprehensive explanation of the value of domestic solar property and will help build on the successful installation of nearly a million rooftop PV systems as part of the Feed-in-Tariff (FIT) scheme; and make a robust case on the value of solar property for the residential market that will support the development of future research on the commercial and industrial sector.

MCS Charitable Foundation is on the steering group for this project.

Heat Pumps Now (delivered by Carbon Co-op) – *work started during the year:*
The focus of the project is on Air Source Heat Pumps as a technology that can provide a solution to heat decarbonisation at scale in the UK. The aim is to develop and showcase an end to end heat pump service and regional supply chain needed to support the roll out of low carbon heat installations at scale.

The area of delivery is the 'travel to work' reach of Greater Manchester where Carbon Co-op operates and builds on existing innovation work and learning developed in Carbon Co-op's work and in particular in People Powered Retrofit.

By the end of the project the aim is to have:

- engaged with 250 Greater Manchester householders and demonstrated that they regard Carbon Co-op as a trusted intermediary to advise on the installation of a heat pump in their homes.
- Developed a Greater Manchester supply chain of designers, installers and fitters necessary to meet demand for heat pumps, at a minimum doubling the size of the sector relative to today.
- Developed a codified, end to end heat pump service harmonised with PAS2035 that enables intermediaries to oversee the high quality installation of domestic heat pump systems.
- Developed a simple set of open source ICT tools to support the delivery of the heat pump service including a heat loss calculation calculator and a low cost open source monitoring solution which integrates with smart meters.
- Demonstrated the delivery model on a minimum of 10 heat pump installations in Greater Manchester.
- Documented the learning from the project, including the service delivery model and to have created a methodology for replication with similar Community Energy intermediaries.

Skills and Education

Green Schools (delivered by the Green Schools Project) – *work started during the year:*
Schools account for around 2% of the country's total carbon emissions. Eliminating the emissions of one school, a group of schools or even the entire education system will make a contribution to cutting the UK's overall carbon emissions.

Perhaps more importantly, if we are to work towards zero carbon on a society level we need to harness the energy and enthusiasm of young people. We therefore need to provide them with the knowledge and skills necessary to play a role in tackling the crisis and attempting to build a sustainable society.

This is a pilot project supporting four schools in the London Boroughs of Hackney and Waltham Forest to devise and implement a plan to reduce their carbon emissions and move towards zero carbon. Students at the four schools will be involved at all stages of the plan, carrying out a project to calculate the schools' carbon emissions, working out what the most effective steps would be to reduce them and carrying out activities which support these steps.

As well as measurable carbon emissions reduction, this will lead to the development of knowledge and skills that will greatly enhance their education and empower them to help drive wider society's shift to zero carbon.

The project will closely monitor, record, and share learning from the implementation and will provide a proof of concept, demonstrating to other schools that it is both achievable and financially desirable to implement zero carbon programmes.

Net Zero Skills Builder (delivered by Archbishops Council of the Church of England) – *work started during the year:*
The Church of England has a very extensive built estate; 16,000 churches, many of which have separate church halls and clergy housing, nearly 5,000 schools, 42 cathedrals, and diocesan offices. Collectively, the "carbon footprint" is between 600,000 and 1,000,000 tCO2e.

With a commitment to radically reducing this, their General Synod has passed a landmark motion, calling on all parts of the Church to plan for 'net zero' by 2030, and there is a great deal of commitment to achieving this target.

To support this, the Church is seeking to increase the skills of its staff and volunteers in taking the necessary action. This is to be focused on the Church's very particular context, with the majority of the buildings listed and with fragile heritage interiors.

The objective of this project is to increase the skills and knowledge of Church of England staff and volunteers around the country, giving them the practical skills they need to achieve net zero carbon, and an increased confidence in making changes.

Funding will deliver:

- 16 webinars on topics such as heat pumps, draught-proofing, and community solar;
- Each will be recorded, to create a lasting legacy from the project; and
- Each will be specific to the Church's unique context (listed heritage buildings).

The webinars will also be made available to other heritage and religious organisations.

Development and Policy

Net Zero New Build – the GHA Vanguard Network (delivered by Good Homes Alliance) – *work started during the year:*
This project seeks to demonstrate how zero carbon in new build can be achieved. The project is being delivered by the Good Homes Alliance working with its Vanguard Network of local authorities, all of whom have declared Climate and Ecological Emergencies.

The Vanguards network aims to accelerate the changes necessary on the road to net zero carbon new homes, in advance of Government targets/timelines for the industry, showing much needed leadership whilst addressing the "build back better" and "green recovery" challenges.

The initiative will see development of resources to support the ever-growing Vanguard Network, a collective of 16 local authorities (LAs) that are set to build 50,000 new homes on council-owned land over the next 10 years.

MCS Foundation funding will assist in accelerating the outputs of the network, specifically in developing important best-practice resources, namely; 10+ detailed case studies of net zero housing projects, plus; model policies for Employer's Requirements that will set specifications for net zero and health and wellbeing outcomes.

The beneficiaries of the project will include:

- Local authorities (including current and future members of the Vanguard Network)
- Tenants and occupants of new, high-quality homes (via lower energy bills/improved occupant comfort)
- Developers and construction companies involved in the delivery of net zero homes
- The construction supply chain (especially net zero products technologies that improve fabric performance or provide on-site renewable energy)

Community Capacity Building

Accelerating Local Response (delivered by Ashden Sustainable Solutions Better Lives) – *work started during the year:*
Ashden has a mission to accelerate transformative climate solutions and build a more just world by championing low carbon solutions that maximise the social benefits of climate action such as cleaner air, better public transport, warmer buildings, savings for public services, increased social cohesion, healthier environments and job creation.

As part of their Liveable Cities programme they are working to secure and accelerate the creation of a low carbon economy that protects the wellbeing of every member of society. Partnering with the Grantham Institute and Friends of the Earth they developed the first business case for local authority climate action – the Climate Action Co-Benefits Toolkit.

Building on this work, and with funding from MCS Foundation, Ashden are now working with their stakeholders on how to take forward the most promising actions that local authorities can deliver, such as buildings retrofit, sustainable transport and renewable energy.

Bringing together relevant solutions from their network of organisations and initiatives with local authority early adopters and industry experts, Ashden are developing these into action, learning and peer support networks. The aim is for these to help local authorities implement tried and tested projects that are locally adapted to enable them to respond much more quickly to the climate emergency.

Five for Fownhope – Zero Carbon Parish Planning Tool (delivered by Herefordshire Green Network) – *work started during the year:*
HGN and partners Caplor Horizons are working together on the new 'Great Collaboration Towards a Zero Carbon Herefordshire' to develop an interactive website for parish council communities that will encourage individuals on their journey towards zero carbon, whilst guiding and supporting the development of local zero carbon initiatives. The tool will support the sharing of good practice whilst enabling parishes to plan and track carbon reduction initiatives as part of their zero carbon planning.

The platform will be engaging and interesting to use and the user testing of the trial version with Fownhope Parish Council in Herefordshire started in mid-October. HGN will coordinate with Herefordshire Association of Local Councils to ensure good uptake for the website around Herefordshire and then with the National Association of Local Councils to extend the offer to parish councils around the UK.

Plans are to have the website resource available for local use across Herefordshire by Spring 2021 and across the UK by late 2021. This will provide Parish councils across the UK with a better understanding about the measures they can take to achieve their zero carbon targets, with local people feeling empowered and inspired to act and confident to participate in adopting local low carbon delivery initiatives.

Renewables Done Well (delivered by CPRE) – *work started during the year:*
Working with eight rural communities across England, CPRE will create a series of unique visions of what renewable energy could look like within a local rural landscape when it is implemented to exist in harmony with local landscapes and communities.

The process will take the form of a series of facilitated participatory workshops which will engage with a diverse and representative group of people from the local community. The outcomes of these workshops will then form the basis of a 'community vision document' that will be presented to the community with a range of options on how to proceed with this newly created vision and support them to complete the next steps.

The aim of the project is to develop a model for community visioning on renewables in rural areas.

Somerset Climate Action Networkers – Launch Pad Project (delivered by Somerset Climate Action Network) – *work started during the year:*
Somerset Climate Action Network (SCAN) is working with Somerset County Council to help deliver the County's zero carbon aspirations through harnessing skills in the community. SCAN is a county-wide network of people empowering, advising, catalysing and aggregating actions from the wider community to enable positive and low carbon projects to accelerate in every corner of Somerset.

The work will bring people up to speed with the challenges faced and communicate the most up to date information and new findings on both the current climate situation, what is coming in the future and the smartest ways to tackle it at every level, providing case studies of local examples of action.

The project will give people, business and communities the tools they need to take action and make smart changes with an aim to develop a county-wide resource for climate action, encompassing: scaling up renewable energy generation capacity in liaison with Somerset Community Energy, Zero Carbon projects, energy saving, business, transport and more.

As a result, the model will be replicable and scalable in other counties in the UK and abroad.

Integrating Community Energy Programmes into Council Climate Emergency Plans (delivered by Community Energy London) – *work started during the year:*
Urban areas, and London especially, tend to be under-represented in community and builds-scale renewables. This project will develop programmes and guidance for local authorities who have signed a Climate Emergency declaration to support the growth of community energy in their area through new Climate Action Plans.

The focus of this project will be – in the first instance – to support London local authorities, however the outputs will be developed alongside Community Energy England (CEE) such that they can also be shared with other urban/city-based local authorities.

The project will see the completion of a briefing document for London Community Groups on the status of the Climate Emergency Declarations, a paper for councils that will set out findings and case studies, and the design and delivery of workshops in partnership with councils to help them understand the contribution community energy can make to the social and environmental objectives of councils.

Following completion, there would be potential for this work to be developed further to support community energy in more rural based local authorities and for their Climate Action Plans.

The Big Solar Co-op (delivered by Sharenergy Co-operative Ltd) – *work started during the year:*
The Big Solar Co-op is working to put in place the business model and organisational structure needed to launch a national-scale post-subsidy solar co-op in 2021.

By 2023 they aim to install 100MW of rooftop solar that each year this will save nearly 40,000 tonnes of CO2 emissions and produce enough electricity for over 250 million miles of electric car journeys.

This project seeks to support the expansion of the community renewables sector by taking away some of the barriers faced by volunteer-run local community renewables groups. Through this new approach, solar activists are invited to work locally but as part of a UK-wide solar co-op which will nurture and support the growth of their volunteer base by providing support through training and peer mentoring and breaking down the work into more manageable portions to enable people with less time to participate.

The project aims to also engage 250 active volunteers across 25 local groups, generate 5 new sustainable jobs, create ethical, accessible social investment opportunities raising £25m and save over £300,000 annually on fuel bills for community buildings and social housing.

Accelerating the uptake of renewable energy and low carbon technology in a multi-tenure industrial estate (delivered by Wealden District Council) – *work started during the year:*
This project will engage and work with SMEs and property owners to accelerate the implementation of renewable and low carbon technology in a multi-tenure industrial estate setting.

The aim is to demonstrate a model for rolling out low carbon solutions in such settings. This will be achieved through a three-track approach: identifying the barriers preventing SMEs from installing renewable or low carbon technology; raising awareness of the incentives and benefits of installing measures; and providing SMEs with additional, more bespoke, technical support to help convert energy audit reports into installed measures and overcome later stage obstacles.

Activity of the MCS Service Company 2020
2020 was a challenging year due to COVID-19. However, the MCS Service Company did manage to weather a significant downturn in registrations experienced from the end of March, delivering a small operating loss that was limited by a strong bounce back in the volume of installations performed by MCS installers from the end of the summer. Throughout this time, MCS was able to offer its installer community a great deal of support, including how best to manage installations under COVID restrictions, to advice on how to secure furlough payments. The resilience and flexibility of the Company's operations were tested during this time. With the majority of Company activities supported by cloud based systems, including the operation of the MCS Installations Database (MID) and MCS Helpdesk, the Scheme remained accessible to both installers and consumers throughout.

Initiatives taken during the year to strengthen the operation of the Scheme, included an extension to the partnership with the Renewable Energy Consumer Code (RECC) and the deployment of an Insurance Backed Warranty solution with partners IWA.biz. This has proved very popular with installers during 2020, saving them both administrative time and money. A new payment gateway was also introduced to the MID, allowing for greater flexibility in the way installers can pay for MCS services, including payments taken for installation certificates and insurance policies, accommodated via a new online basket and checkout.

A requirement to be MCS certified for the deployment of low carbon heating measures, was included in the government's Green Homes Grant voucher scheme, launched in September 2020. Unfortunately, the Scheme was beset with problems from the start, with installers turning to MCS for support and guidance, triggering record numbers of calls and emails to the MCS Helpdesk. The Company was also called upon to guide the scheme's administrators and the Department of Business, Energy and Industrial Strategy, to ensure improvements were made which encouraged more consumer uptake and installer involvement. Although the consumer based voucher scheme versus the local authority Green Homes Grant scheme, is closing ahead of its expected end date of March 2022, it has generated a significant interest in low carbon heating which directly benefits MCS through increased installation volumes. Two thirds of new installers on the Scheme are seeking certification for the deployment of Heat Pumps. Prior to the Green Homes Grant, Solar PV had been the main technology an installer would require certification for.

2020 was a very busy year in terms of MCS Standards. A project to simplify and update the main technology installation Standards refreshed, and in some cases rewrote, many of the MCS documents. This included MCS 001 as the scheme's umbrella Installation Standard that all MCS certified installers must follow. In addition to the work on the Standards documents themselves, the Company also published the 'MCS Domestic Heat Pumps - A Best Practice Guide' which is considered by many in the sector as the key reference for those involved in the installation of Heat Pumps, and a 'Percussive Events Guidance' for Biomass Boiler installers, certification bodies and manufacturers.

The Company also completed a restructuring of the MCS Standards community, implementing a new terms of reference for the Scheme's technical Working Groups, forming a new Approvals Committee to replace the previous Standards Management Group and recruited to a new role of Independent Chair of MCS Standards to oversee the impartiality and integrity of the work of the Standards community. These changes have afforded improved decision-making as demonstrated by the speed and quality of deployment of agreed changes to Standards documents.

In a move to support sector growth and utilising funding made available by the MCS Charitable Foundation, the Company facilitated the development of a new Level 3 qualification for the installation and maintenance of Heat Pumps and the creation of the new Energy Storage (Battery) training course. These new training programmes, now live in 2021, targeted existing electricians to encourage battery deployment and plumbers, gas and oil based heating engineers to allow them to diversify into the installation of Heat Pumps.

Achievements and Performance

a) ACHIEVEMENTS DURING THE YEAR

During the year, the Foundation achieved the following;

- Recruited a Director of External Affairs to build an External Affairs Unit working across MCS Group;
- Developed an external affairs strategy to maximise leverage with particular attention on building the evidence and presenting the case for policy change in support of our mission;
- Successfully rolled out the open grants programme, attracting healthy competition from innovative projects that can deliver a step change impact;
- Played an active role in supporting the delivery of several key grant-funded projects;
- Introduce a social investment partnership to diversity the Charity's financial portfolio and enable mixed motive investments;

- Launched a research report on the need for comprehensive consumer advice and information services, and subsequently engaged directly with government on the findings;
- Rebounding quickly from the first lockdown in terms of MCS Company trading income; and
- Further refinements to the MCS scheme to enhance accessibility to installers and consumers, including the deployment of an Insurance Backed Warranty.

b) GOING CONCERN

After making appropriate enquiries, the Trustees have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for at least 12 months from the signing date. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies note on page 27 of the financial statements.

Financial Review

a) CHANGE OF ACCOUNTING PERIOD

In reviewing the accounts and financial summary, it should be noted that the Charity's accounting period end date has changed from 31 March to 31 December, meaning that the accounts presented for 2020 are for a 9 month period and are therefore not directly comparable to the 12 month period in the previous year's accounts. The accounting period end date of the Charity's trading subsidiary has also been changed to 31 December (previously 28 February). The reason for the change is so that, from 1 January 2020, the accounting periods of the Charity and subsidiary align and better fit with the business cycle of the subsidiary. The decision to change the accounting periods were made by the respective Boards of the Charity and trading Company in accordance with their articles and reported to Companies House.

b) FINANCIAL REVIEW SUMMARY

The Foundation made a surplus, after investment gains of £752,239 (year ended 31 March 2020 – investments loss of £257,274), of £351,737 (year ended 31 March 2020 – loss of £541,281) in the period ended 31 December 2020.

For the period ended 31 December 2020 the Foundation's income amounted to £1,243,794 (year ended 31 March 2020 - £1,890,553). The majority of the income related to trading income from the subsidiary of £1,156,019 (year ended 31 March 2020 – £1,775,782) which includes £18,555 of furlough income received. The remainder being income of £87,855 (year ended 31 March 2020 - £114,771) from the investments held.

The costs of the Foundation for the year amounted to £1,644,296 (year ended 31 March 2020 - £2,174,560). £275,132 (year ended 31 March 2020 - £182,878) of expenditure incurred related to costs with respect to its charitable objectives including costs such as travel expenses, governance expenses and audit fees as well as grant-giving. £1,369,164 (year ended 31 March 2020 - £1,991,682) related to trading costs of MCS Service Company Limited.

At 31 December 2020 the Foundation held £4,766,937 (year ended 31 March 2020 - £3,903,719) in investments which includes £50,000 of shares invested in Low Carbon Hub IPS. £2,150,758 (year ended 31 March 2020 - £2,644,054) was held in cash at bank.

The Foundation's total funds at 31 December 2020 amounted to £6,716,362 (year ended 31 March 2020 – £6,364,625).

The significant sum received from BEIS in the year ended 31 March 2019 (£6,649,610) was intended to fund the Foundation to deliver its charitable objects over a number of years. As such the Trustees are

comfortable that in some years, such as 2020, the Foundation may make an operating loss on its charitable activities.

c) RESERVES POLICY

The Trustees have agreed that a minimum of three months of operating expenditure will be maintained as cash reserves.

d) PRINCIPAL FUNDING

The Foundation's principal funding is the endowment of £6,649,610 it received from BEIS, as well as investment income received which is derived from holding the endowment for investment purposes. Ongoing funding is received in the form of the profits from the operation of the MCS scheme under MCS Service Company.

Investment Policy and Performance

The majority of the proceeds received as a result of the novation (historical profits of the MCS scheme) are held in an investment portfolio with Rathbone Greenbank (£4 million was invested).

The Board of Trustees has agreed the Foundation's Investment Policy Statement which is the mandate to which the Investment Managers hold the funds on behalf of the Foundation. The Investment Policy Statement states that the funds invested in a way that maximises the return within the context of taking only moderate risk and a likely investment horizon of up to ten years. In addition, the Policy, which was reviewed and updated in summer 2019, includes some clear ethical parameters including avoiding investments in fossil fuels.

The performance of the Investment Portfolio and Managers are scrutinised at the Foundation's Board meetings.

At 31 December 2020, the market value of Investment held amounted to £4,716,937 (year ended 31 March 2020 - £3,903,719). During the year the investments yielded investment income of £87,855 (£110,283) and unrealised investment capital gain of £752,239 (loss of £257,274).

During the year the Charity entered into a social investment partnership with crowdsourcing platform Ethex, which raises investment funding for ethical and green projects such as renewable energy installations. The agreement involved the charity pledging to commit up to £500,000 towards investment in different projects, to be used by Ethex to help leverage additional funding from individuals. The investments will be mixed motive, in that they help advance the charity's objects and will be expected to bring a financial return. Ethex carries out due diligence on potential projects which is then further scrutinised by Trustees before investments are made.

Trustees judged that this partnership enables the Charity to show leadership in the sector in how capital funds can help directly advance the charitable mission, while also diversifying the Charity's investment portfolio in a way that is judged to reduce risk. To date, one such investment has been made of £50,000 with other potential projects to be reviewed as and when they are put forward by Ethex.

Plans for the Future

The Charity's objectives for 2021 are the following:

- Introduction of a new group-wide strategy for MCS which harnesses all the assets at the group's disposal and maximises its role as a convenor in the sector, including adopting a more pro-active approach to grant-giving;
- Expand MCS Group's role in supporting the sector to build new qualifications that will support the anticipated substantial increase in trained renewable energy installers;
- Further build relationships with other third sector organisation working on greening homes and buildings, with a particular attention on co-ordinating efforts in the run up to the COP26 climate talks in Glasgow, now scheduled for November 2021;
- Complete a review of MCS Group governance structures during the first half of the year, accounting for good practice in the charity sector and the need to support the next phase of the group's strategic aims and growth;
- Refine and expand the monitoring and evaluation process for the grants programme;
- Further develop and expand the executive team to lead the operational delivery of the Foundation's work, including in the context of increased group-wide working across MCS; and
- Further deliver on the objective to simplify the compliance model related to the MCS scheme, for the benefit of installers and the public.

MCS Service Company Plans for 2021

The Company has made significant progress over the second half of last year in the simplification of the Standards document set. This work will conclude during the first half of 2021. The Standards Simplification project creates a foundation on which a new initiate, referred to as the 'MCS Wizard', is to be built. The MCS Wizard will be an online support environment and downloadable application for MCS contractors, that will bring compliance to MCS Standards into the field. This initiative is part of a wider Scheme accessibility agenda, that will also see the creation of an online dashboard of scheme metrics and market insights, which will be made available to the Scheme's stakeholders including policy makers.

A range of new Standards are also due for publication in 2021, reversing a trend of inactivity over the last 5 years. A new Biomass Maintenance Standard, sponsored by BEIS, will be live by the Autumn and is likely to be referred to in legislation planned for early 2022, that is intended to protect air quality. A Borehole Drilling Specification will be in place by year end with the support of the Ground Source Heat Pump Association. Perhaps most significantly in terms of market impact, MIS 3005 the Heat Pump installation Standard, will be split between design and Installation in recognition of the individual skills and competency required by Designers distinct from Installers.

2021 will see the deployment of a new sub-licence agreement between the Service Company and its partner Certification Bodies. For the first time since the Scheme was launched, Certification Bodies are being asked to operate to an agreed service level (SLA) which for example, will measure their performance in responding to applications for certification and the management of consumer complaints. A contractor's relationship with the Scheme is primarily through the annual assessments that are undertaken by their Certification Body. It is therefore essential that the Scheme has greater control over the operation of certification activities under the Standards and this will be achieved through the deployment of new sub-licence agreements.

2021 will also be the year that MCS more formally recognises and supports individual installer qualifications. By the end of the year, a new qualification based route to certification will be made available to those that are new to the sector. This is the start of broader change in Scheme focus in recognition that the UK's small-scale renewables sector now benefits from regulated qualifications. To support the cross training and upskilling of existing fossil fuel based heating engineers and plumbers, MCS will promote a new Level 3 qualification in the 'Installation and Maintenance of Heat Pumps'; the development of which had been funded by the MCS Charitable Foundation in 2020. Work on a new Low Carbon Heating Technician apprenticeship will reach its conclusion in 2021, having secured approval from the Institute of Apprenticeships and Technical Education. This approval opens up the potential for employers to benefit from funding via the

government's apprenticeship levy. By the end of 2021, training delivery partners including Further Education Colleges, will have been secured to support the rollout of the new apprenticeship pathway.

Trustees' Responsibilities Statement

The Trustees (who are also directors of MCS Charitable Foundation for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial period. Under company law the Trustees 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 charitable company and of the income and the expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

We, the Trustees of the Foundation who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the company's auditors are unaware; and

- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In approving the Trustees' Annual Report, we also approve the Strategic Report included therein, in our capacity as company directors.

In preparing this report, the Trustees have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Auditors

PKF Littlejohn LLP have indicated their willingness to continue in office.

This report was approved by the Trustees on 21 July 2021 and signed on their behalf.



Fabio Silva Nehme
Trustee (Chair)

MCS Charitable Foundation

Independent Auditor's Report

Period Ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF MCS CHARITABLE FOUNDATION

Opinion

We have audited the financial statements of MCS Charitable Foundation (the 'parent charitable company') and its subsidiary (the 'group') for the period ended 31 December 2020 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 the parent charitable company's affairs as at 31 December 2020, and of the group's incoming resources and application of resources, including its income and expenditure, 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 and the Charities Act 2011.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the trustees' annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion

thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report 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 parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the group and parent charitable company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent charitable company financial statements, the trustees are responsible for assessing the group and parent charitable 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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts and relevant regulations made or having effect thereunder.

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 an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent charitable company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent charitable company in this regard to be those arising from Companies Act 2006. Charities Act 2011, Charities (Accounts and Reports) Regulations 2008 and relevant employee and tax legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent charitable company with those laws and regulations. These procedures included, but were not limited to enquiries of management and review of minutes.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that a risk existed with regards to the valuation of mixed motive investments and recognition of project expenditure. The mixed motive investments were purchased in December 2020 and as such we did not consider there to be any indications of impairment and the value of the shares at cost was deemed reasonable. We discussed with management the progress of projects and reviewed supporting documentation and minutes of meetings held to determine whether the amounts recognised were fairly stated. No issues were found.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business. No issues were found.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation

is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

29 September 2021

MCS Charitable Foundation

Consolidated Statement of Financial Activities

Period Ended 31 December 2020

	Note	Period ended 31 December 2020 Unrestricted funds £	Period ended 31 December 2020 Total £	Year ended 31 March 2020 Total £
Income from:				
Trading activities	2	1,137,464	1,137,464	1,775,782
Investments	3	87,855	87,855	114,771
Other income	2,4	18,555	18,555	-
Total income		1,243,794	1,243,794	1,890,553
Expenditure on:				
Charitable activities	5	275,132	275,132	182,878
Trading activities	2	1,369,164	1,369,164	1,991,682
Total expenditure		1,644,296	1,644,296	2,174,560
Net income/(expenditure)		(400,502)	(400,502)	(284,007)
Net gain/(loss) on investments	10	752,239	752,239	(257,274)
Net movement in funds		351,737	351,737	(541,281)
Reconciliation of funds:	15			
Total funds brought forward		6,364,625	6,364,625	6,905,906
Total funds carried forward		6,716,362	6,716,362	6,364,625

All income and expenditure derives from continuing activities.

The statement of financial activities includes all gains and losses recognised during the year.

The notes on pages 21 to 33 form part of these financial statements.

MCS Charitable Foundation
Consolidated Balance Sheet

As at 31 December 2020

	Note	31 December 2020 £	31 March 2020 £
Fixed assets			
Investments	10	4,766,937	3,903,719
Tangible assets	11	24,742	23,218
		4,791,679	3,926,937
Current assets			
Debtors	12	224,471	287,699
Cash at bank and in hand	13	2,150,758	2,644,054
		2,375,229	2,931,753
Creditors: amounts falling due within one year	14	450,546	494,065
Net current assets		1,924,683	2,437,688
Total assets less current liabilities		6,716,362	6,364,625
Net assets		6,716,362	6,364,625
Funds			
Unrestricted funds	15	6,716,362	6,364,625
Total funds	15	6,716,362	6,364,625

The accounts have been prepared in accordance with the provisions applicable to the small companies regime.

The financial statements were approved and authorised for issue by the Board on 21 July 2021.

Signed on behalf of the board of trustees



Fabio Silva Nehme, Chair and Trustee

The notes on pages 21 to 33 form part of these financial statements.

Company registration number: 10119873

MCS Charitable Foundation
Charity Balance Sheet

As at 31 December 2020

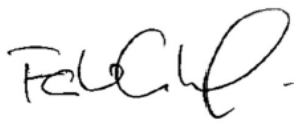
	Note	31 December 2020 £	31 March 2020 £
Fixed assets			
Investments	11	4,766,937	3,903,719
		4,766,937	3,903,719
Current assets			
Debtors	12	-	19,706
Cash at bank and in hand	13	1,310,390	1,445,894
		1,310,390	1,465,600
Creditors: amounts falling due within one year	14	30,592	262,098
Net current assets		1,279,798	1,203,502
Total assets less current liabilities		6,046,735	5,107,221
Net assets		6,046,735	5,107,221
Funds			
Unrestricted funds	15	6,046,735	5,107,221
Total funds	15	6,046,735	5,107,221

The charity surplus for the period ended 31 December 2020 is £935,514 (year ended 31 March 2020: deficit £697,291).

The accounts have been prepared in accordance with the provisions applicable to the small companies regime.

The financial statements were approved and authorised for issue by the Board on 21 July 2021.

Signed on behalf of the board of trustees



Fabio Silva Nehme, Chair and Trustee

The notes on pages 21 to 33 form part of these financial statements.

Company registration number: 10119873

MCS Charitable Foundation

Consolidated Statement of Cash Flows

Period Ended 31 December 2020

	Note	For the period ended 31 December 2020 £	For the year ended 31 March 2020 £
Cash flow from operating activities	16	(464,171)	(312,877)
Net cash flow provided used for operating activities		(464,171)	(312,877)
Cash flow from investing activities			
Payments to acquire investments	10	(110,979)	(79,628)
Dividends, interest and rents received from investments	3	87,855	114,771
Purchase of fixed assets	11	(6,001)	(24,811)
Net cash flow from investing activities		(29,125)	10,332
Change in cash and cash equivalents in the year		(493,296)	(302,545)
Cash and cash equivalents at 1 April		2,644,054	2,946,599
Cash and cash equivalents at 31 December		2,150,758	2,644,054

The notes on pages 21 to 33 form part of these financial statements.

1 Summary of significant accounting policies

(a) General information and basis of preparation

MCS Charitable Foundation is a charity incorporated as a company limited by guarantee in the United Kingdom. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 1 of these financial statements.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2019.

On 25 April 2018 the Foundation acquired 100% control of The MCS Service Company Limited (company registration number 07759366) from which point transactions have been consolidated.

The Charity has opted to take advantage of the reduced disclosure exemption in paragraph 1.12(b) of FRS 102, from producing an individual cash flow statement.

The Charity has taken exemption from presenting its unconsolidated profit and loss account under section 408 of Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention, with the exception of investments which are included at market value. The financial statements are prepared in sterling which is the functional currency of the charity.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(b) Funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

(c) Income recognition

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income, after any performance conditions have been met, when the amount can be measured reliably and when it is probable that the income will be received.

Income from trading activities includes income earned through the subsidiary MCS Service Company from income received in exchange for supplying services in order to raise funds and is recognised when entitlement has occurred.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest. Interest income is recognised when receivable and dividend income is recognised as the charity's right to receive payment is established.

(d) Expenditure recognition

All expenditure is accounted for on an accruals basis. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Expenditure on charitable activities includes staff and administration costs; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

Trading expenditure is costs incurred by MCS Service Company in undertaking its activities.

(e) Investments

Publicly traded investments, or those where fair value can otherwise be measured reliably, are measured at fair value at each balance sheet date, with changes in fair value recognised in 'net gains / (losses) on investments' in the SoFA.

(f) Mixed motive investments

Mixed motive investments in the form of ordinary or preference shares are initially measured at the transaction price of those shares and subsequently at its fair value if this can be measured reliably. Where this is not possible it is measured at costs less impairment. Mixed motive investments will be reviewed for impairment annually.

(g) Fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Depreciation is provided on the following basis:

Freehold property - 20% per annum
Leasehold improvements - 25% per annum
Plant and machinery - 20% per annum
Office equipment - 20% per annum
Computer equipment - 25% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(h) Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

(i) Tax

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010. It therefore meets the definition of a charitable company for UK corporation tax purposes. Following the triennial review of FRS 102 applicable for accounting periods commencing on or after 1 January 2019, there must be a legal obligation in place in order for a donation of profit from subsidiary to parent to be recognised in the financial statements. There was no legal obligation in place at 31 December 2020 and so the donation of the subsidiary company's profit to the Charity has correctly not been recognised within these financial statements. Where the post year end payment of the profit for the previous financial year is deemed probable, this is taken into account within the tax computation of the subsidiary company.

(j) Assessment of going concern

The Trustees have assessed whether the use of going concern assumption is appropriate in preparing these accounts. The trustees have made this assessment in respect to a period of one year from the date of approval of these accounts. The Trustees recognise the uncertainty of future trading and obtaining a minimum unrestricted reserve.

(k) Critical accounting estimates and judgements

To be able to prepare the financial statements in accordance with FRS102, the charity must make certain estimates and judgements that have an impact on the policies and the amount reported in the annual accounts. The estimates are based on past experience and other factors including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made. The key area of the financial statements that we consider to be subject to estimation or judgement is investments and mixed motive investments, the accounting policy is disclosed in note 1 (e) and (f).

2 Income and expenditure from other trading activities

	Period ended 31 December 2020	Year ended 31 March 2020
	£	£
MCS Service Company income	1,156,019	1,775,782
MCS Service Company expenditure	(1,369,164)	(1,991,682)
	(213,145)	(215,900)

MCS Charitable Foundation has 100% control of The MCS Service Company Limited (Company registration number 07759366), a company registered by guarantee and whose registered office is Suite F40 Innovation Centre, Sci-Tech, Daresbury, Cheshire, WA4 4FS. The subsidiary year end is 31 December 2020. Previously the year end was 29 February.

The company's activities comprise certification of microgeneration technologies used to produce electricity and heat from renewable sources. The summary financial performance of the subsidiary for the year ended 31 December 2020 is as follows:

	Period ended 31 December 2020	Year ended 31 March 2020
	£	£
Turnover	1,265,456	2,108,185
Administrative expenses	(1,381,390)	(1,952,174)
Operating (loss)/profit	(115,934)	156,011
Gift aid payment to MCS Charitable Foundation	(471,846)	-
Net (loss)/profit	(587,870)	
Fixed assets	24,740	23,218
Current assets	1,064,838	1,663,784
Current liabilities	(419,954)	(429,597)
Net assets	669,625	1,257,405

3 Income from investments (Group and Charity)

	Period ended 31 December 2020 £	Year ended 31 March 2020 £
Dividends from non-current investment	87,855	110,283
Interest – deposits	-	4,488
	87,855	114,771

4 Other income

	Period ended 31 December 2020 £	Year ended 31 March 2020 £
Furlough income	18,555	-
	18,555	-

5 Charitable activities

	Group	
	Period ended 31 December 2020	Year ended 31 March 2020
	£	£
Project management and delivery costs*	140,863	31,226
Cost of generating funds		
Investment manager fees	22,534	31,289
Support costs		
Staff costs	51,186	53,755
Travel costs	264	4,845
Accountancy fees	5,040	6,978
Other costs	16,859	22,288
Governance costs		
Trustees' Expenses	1,080	5,895
Audit fees**	12,706	9,360
Other costs		
Legal & Professional fees	24,600	15,742
Consultancy costs	-	1,500
	275,132	182,878

***** £86,717 (Year ended 31 March 2020: £269,428) was paid to MCS Service Company in respect of project management and delivery costs. The total project management and delivery costs in the period were:

	Period ended 31 December 2020		Year ended 31 March 2020	
	Grants	Programmes	Grants	Programmes
	£	£	£	£
Development and Policy				
MCS Installer Database	-	-	-	104,772*
Net Zero New Build *(Good Homes Alliance)*	13,500	-	-	-
Superhomes Rating Scheme *(National Energy Foundation)*	15,000	-	-	-
Standards and Safety				
Audit and verification	-	-	-	182,711*
Standards review	-	86,717*	-	30,000*
Biomass percussive incidents	-	-	-	23,708
Community Capacity Building			-	-
Zero Carbon Parish Planning Tool *(Hertfordshire Green Network)*	11,370	-	-	
Accelerating Local Response *(Ashden)*	22,968	-	-	-
Launch Pad Network *(Somerset Climate Action Group)*	10,000	-	-	-
Renewables Done Well *(CPRE)*	15,000	-	-	-
Integrating Community Energy *(Community Energy London)*	10,000	-	-	-
Big Solar Coop *(Sharenergy Cooperative)*	4,500	-	-	-
Research and consumer information				
Smart solar homes	-	-	-	7,500
Consumer scoping study	-	22,000	-	-
Value of Solar Homes *(Solar Trade Association)*	15,000	-	-	-
Skills & Education				
Training project				54,464*
Net Zero Skills Builder *(Archbishop Council of Church of England)*	2,200	-	-	
Green Schools Project	10,000	-	-	
	129,538	238,355	-	403,155

** The audit fees for MCS Service Company are included within trading expenditure.

6 Net income/(expenditure) for the year

Net income/(expenditure) is stated after charging:

	Period ending 31 December 2020 £	Year ended 31 March 2020 £
Audit fees	19,950	19,300
Depreciation	4,477	1,593

7 Auditor's remuneration

	Period ending 31 December 2020 £	Year ended 31 March 2020 £
Fees payable to the charity's auditor for the audit of the charity's annual accounts	7,950	7,800
Fees payable to the charity's auditor for other services:		
Audit of the charity's subsidiary	12,000	11,500
Accounts preparation	6,605	5,800
	26,555	25,100

8 Trustees' and key management personnel remuneration and expenses

During the period ended 31 December 2020 the trustees and the Chief Executive of the charity are considered to be key management personnel.

The trustees neither received nor waived any remuneration during the period ended 31 December 2020 (Year ended 31 March 2020: £Nil).

In the period ended 31 December 2020, key management personnel received total remuneration of £41,249. (2020: £44,805).

Trustee's expenses were reimbursed or paid directly on their behalf during the period for travel, hotels and subsistence to one (year ended 31 March 2020: three) trustee amounting to £76 (year ended 31 March 2020: £5,445).

9 Staff costs and employee benefits

The average monthly number of employees during the period was as follows:

	Group		Charity	
	Period ended 31 December 2020 Number	Year ended 31 March 2020 Number	Period ended 31 December 2020 Number	Year ended 31 March 2020 Number
	23	18	2	1
	23	18	2	1

The total staff costs and employees benefits were as follows:

	Group		Charity	
	Period ended 31 December 2020 £	Year ended 31 March 2020 £	Period ended 31 December 2020 £	Year ended 31 March 2020 £
Wages and salaries	569,871	545,482	51,186	38,518
Social security	41,244	48,166	3,503	1,362
Defined contribution pension costs	47,130	39,764	4,487	1,926
	658,245	633,412	59,176	41,806

The number of employees receiving total employee benefits (excluding employer pension costs and employers NI) of more than £60,000 are detailed below:

	Group		Charity	
	Period ended 31 December 2020	Year ended 31 March 2020	Period ended 31 December 2020	Year ended 31 March 2020
	£	£	£	£
£70,001-£80,000	-	1	-	-
£60,001-£70,000	1	-	-	-

10 Fixed asset investments (Group and Charity)

	As at 31 December 2020 £	As at 31 March 2020 £
Listed investments	4,716,937	3,903,719
Mixed motive investments*	50,000	-
As at 31 December 2020	4,766,937	4,716,937

	Listed investments £	Total £
Valuation		
As at 1 April 2020	3,903,719	3,903,719
Additions	488,726	488,726
Disposals	(427,747)	(432,778)
Gain on revaluation	752,239	752,239
As at 31 December 2020	4,716,937	4,716,937

Investments at fair value compromise:

	31 December 2020 £	31 March 2020 £
Fixed interest	1,184,250	1,274,063
UK equities	1,252,171	1,062,044
Overseas equities	1,556,532	1,117,402
Alternatives	454,363	393,956
Cash within investment portfolio	269,621	56,254
	4,716,937	3,903,719

*The mixed motive investment consists of shares purchased in Low Carbon Hub IPS. On 17 December 2020, 50,000 shares with a nominal value of £1 per share were purchased. Interest will be a minimum of 2% per annum with the expected period of the investment being 10 years.

11 Fixed assets (Group)

	Leasehold improvements	Plant and Machinery	Office Equipment	Computer Equipment	Total
	£	£	£	£	£
Cost					
As at 1 April 2020	14,526	370	2,379	7,536	24,811
Additions	-	-	-	6,001	6,001
As at 31 December 2020	14,526	370	2,379	13,537	30,812
Depreciation					
As at 1 April 2020	653	62	112	766	1,593
Charge for the year	2,138	68	397	1,874	4,477
As at 31 December 2020	2,791	130	509	2,640	6,070
Net book value					
As at 31 December 2020	11,735	240	1,870	10,897	24,742
As at 31 March 2020	15,996	308	77	6,837	23,218

12 Debtors

	Group		Charity	
	31 December 2020 £	31 March 2020 £	31 December 2020 £	31 March 2020 £
Trade debtors	164,147	211,429	-	-
Prepayments and accrued income	60,324	76,270	-	19,706
Amounts due from MCS Service Company	-	-	-	-
	224,471	287,699	-	19,706

13 Cash at bank and in hand

	Group		Charity	
	31 December 2020 £	31 March 2020 £	31 December 2020 £	31 March 2020 £
Cash held in bank	1,541,947	1,639,566	701,579	441,406
Cash held in current asset investment	608,811	1,004,488	608,811	1,004,488
	2,150,758	2,644,054	1,310,390	1,445,894

14 Creditors: amounts falling due within one year

	Group		Charity	
	31 December 2020 £	31 March 2020 £	31 December 2020 £	31 March 2020 £
Trade creditors	35,694	23,742	13,615	2,560
Other taxation and social security	69,913	13,827	-	-
Other creditors	6,572	88,687	-	-
Accruals and deferred income	338,367	367,809	16,977	22,381
Amounts due to MCS Service Company	-	-	-	237,157
	450,546	494,065	30,592	262,098

15a Fund reconciliation

Unrestricted funds (Group)

Balance at 1 April 2020	**Income**	**Expenditure**	**Gains**	**Balance at 31 December 2020**
£	**£**	**£**	**£**	**£**
6,364,625	1,243,794	(1,644,296)	752,239	6,716,362
6,364,625	1,243,794	(1,644,296)	752,239	6,716,362

Balance at 1 April 2019	Income	Expenditure	Losses	Balance at 31 March 2020
£	£	£	£	£
6,905,906	1,890,553	(2,174,560)	(257,274)	6,364,625
6,905,906	1,890,553	(2,174,560)	(257,274)	6,364,625

Unrestricted funds (Charity)

Balance at 1 April 2020	Income	Expenditure	Gains	Balance at 31 December 2020
£	£	£	£	£
5,107,221	559,901	(372,626)	752,239	6,046,735
5,107,221	559,901	(372,626)	752,239	6,046,735

Balance at 1 April 2019	Income	Expenditure	Gains	Balance at 31 March 2020
£	£	£	£	£
5,804,512	114,771	(554,788)	(257,274)	5,107,221
5,804,512	114,771	(554,788)	(257,274)	5,107,221

15b Analysis of net assets between funds

As at 31 December 2020	Group	Charity
	£	£
Investments	4,766,937	4,766,937
Tangible assets	24,742	-
Cash at bank and in hand	2,150,758	1,310,390
Net current liabilities	(226,075)	(30,592)
Total	6,716,362	6,046,735

As at 31 March 2020	Group	Charity
	£	£
Investments	3,903,719	3,903,719
Tangible Assets	23,218	-
Cash at bank and in hand	2,644,054	1,445,894
Net current liabilities	(206,366)	(242,392)
Total	6,364,625	5,107,221

16 Reconciliation of net income to net cash flow from operating activities

	Group	
	For the period ended 31 December 2020	For the year ended 31 March 2020
	£	£
Net income/(expenditure) for the year	351,737	(541,281)
Dividends and interest from investments	(87,855)	(114,771)
(Gains)/Losses on investments	(752,239)	257,274
Decrease in debtors	63,229	217,680
(Decrease)in creditors	(43,520)	(133,372)
Depreciation	4,477	1,593
Net cash flow from operating activities	(464,171)	(312,877)

17 Financial commitments

There are no financial commitments as at 31 December 2020 (Year ended 31 March 2020: NIL)

18 Related party transactions and ex gratia payments

£15,000 was paid to Solar Trade Association for whom trustee Gareth Williams is a Director. (Year ended 31 March 2020: £ NIL). £11,370 was paid to Herefordshire Green Network for whom trustee Gareth Williams is a Steering Group member. (Year ended 31 March 2020: £ NIL). Gareth Williams declared an interest in the grant applications from both organisations and left the Board meetings when these applications were meeting considered. As at 31 December 2020 there were no balances outstanding and the amounts paid in the financial year, were on an arms length basis. £49,050 was paid to Chris Roberts, by MCS Service Company, for fees as a consultant providing specialist support on MCS standards (Year ended 31 March 2020: £48,675).