

Energy Prospects Co-operative Ltd

**Annual Report
for the year ended 31st January 2012**

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Society Information

Directors:	Rod Blunden Nick Jones Mike Smyth
Chairman:	Rod Blunden
Company Secretary:	Annette Heslop
Registered Office:	Unit 26 Trinity Enterprise Centre Furness Business Park Barrow in Furness LA14 2PN
Registered Number:	30879R
Auditors:	Melville & Co 18 Trinity Enterprise Centre Furness Business Park Barrow-in-Furness Cumbria LA14 2PN
Bankers:	Co-operative Bank plc 1 Balloon Street Manchester M60 4EP
Number of current members	457

Chairman's Report for EP AGM for year ending 31st January 2012

This report gives you an update on the activity and progress of your Board and a view of what we have done across several projects, progress made and an outline of how we intend to move forward during the next year. Included below is reference to the second tranche of funding that we shall seek in order for the co-operative to continue its business and build on the experience and development gained since our inception.

To date we have had little success as you will see from the individual project reports below. Your Board has noted a marked change in the UK marketplace for wind projects with major utilities competing for smaller ROC scale projects. We hope to be able to take advantage of this through the Feed-in-Tariff projects now available. There is a significant departure from the projects considered when the prospectus was initially issued but this change should allow us to achieve success.

Your Board have continued to meet on a monthly basis to review activities and project progress. Grant Jones resigned at the end of 2011 due to a course of operations he had planned to overcome a sight problem. We thank Grant for his input in the past and hope that he will rejoin the Board once he has completed this round of medical care.

Currently the reduced size of the Board is effective with support from Energy4All staff. We will review Board size as we seek additional funding later in the year when we may also seek to recruit extra expertise as the workload is likely to increase.

Current Project Reports.

Firstly let me comment on the following projects in our portfolio:

Mosscastle – mentioned in last year's report. Difficulties with an aviation radar solution do not look like being resolved and we have decided not to progress this project further.

Tynreithyn – in mid Wales. We spent time looking at access and ecological issues for this project but came to the conclusion that the expensive grid connection costs would make this project non viable.

Esgair y Graig – in mid Wales. Good progress was being made with this 10MW+ project with the landowner sharing development costs with us. In October last year he rather suddenly passed away which left the project in limbo whilst his family and the affairs of his estate were resolved. Discussions are still ongoing and we will assess details and the likelihood of any changes to the planning success risk in due course.

View Law - in Northumberland. Although there are grid issues to resolve for this 4MW project there is wind activity in this area set aside as a local search area. We retain an exclusivity agreement with the landowner and hope to be able to move this project forward once we can obtain a realistic grid connection offer.

Clyde Valley Energy Co-operative - We were disappointed that the Drumsmuir project was rejected at the local planning meeting in January and we subsequently decided to appeal this decision. A Reporter from the Directorate for Planning and Environmental Appeals visited the site to consider the Appeal. Unfortunately, we received notice on 23 May that the appeal had failed therefore we have decided not to take this any further.

Generally we have found that larger scale projects are increasingly difficult to get through the planning process and have received a number of enquiries for smaller scale projects that fit well into the Feed-in-Tariff regime. Major utility and larger developer companies seem to have cornered the market for ROC size

projects. We have found that smaller Feed-in-Tariff projects offer an apparently quicker route to successful planning and a return on our investment and are currently concentrating our efforts on the following three portfolio projects that could lead to planning success and setting up attractive co-operatives through Energy4All:

i)– Agricultural Landowner – East of England

We have carried out feasibility studies on 8 sites in East Anglia and South Lincolnshire, each capable of supporting a single wind turbine, and are moving forward to submitting the first planning consent applications in June or early July. Others are planned to follow at monthly intervals. It is expected that a total of 6 applications will be submitted. If successful we can expect an early build of 2MW capacity with a positive income for EP.

ii) Northern Ireland

We have carried out due diligence on a portfolio of 5 single wind turbine sites in Northern Ireland for a small 1.25MW portfolio of sites, with planning consent, to be known as Drumlin Wind Energy Co-op. It is anticipated that EP will bring these projects to construction and earn fees for this work. Construction is anticipated to commence in Q3 2012.

iii) A blue chip company with 16 sites in Midlands and north of England has approached us to look at installing 500kW wind turbines across their portfolio. We hope to be able to give further details of these negotiations shortly. It is anticipated that the Board will seek to raise further funds from the members in September to develop the sites through to planning.

Financial Report

We have spent considerable funds progressing several projects throughout the year. Costs totalling £65,705 relating to general project costs and portfolio management have been written off to the Profit & Loss. Losses for the year amount to £122,047. As a result of the loss no share interest will be paid this year in line with expectations in the Share Offer document. Work in progress amounts to £386,814, the majority of which relates to the Clyde Valley project. At the end of the year cash funds amounted to £173,533. During the year we paid Scottish & Southern £211,000 to secure a grid placement for Clyde Valley, however as the project has now failed at the appeal process we asked for the deposit to be returned which we received during May. This will aid the progress of our current portfolio of projects.

The future outlook.

We continue to receive unsolicited interest from several quarters as potential clients become aware of the support we give to Energy4All and their development targets. In addition we continue to seek individual potential sites to develop small wind projects across the UK and are in discussion with several organisations. Your Board is convinced that opportunities and an appetite for investment in wind projects are available in the longer term and that there is a real interest for developing community owned co-operative projects.

We thank you for your continuing support and anticipate a positive future for planning success and a stream of small projects coming our way in the not too distant future.



Rod Blunden
Chairman
May 2012

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2012

Principal activities

The principal activity of the co-operative is that of the development of renewable energy projects.

Board of Directors

The following directors have held office since 1 February 2011:

Rod Blunden

Grant Jones (Resigned 8 December 2011)

Nick Jones

Mike Smyth

The Rules allow for a maximum number of five Board members of which one third retire each year. Grant Jones resigned due to ill health in December. Nick Jones will retire in rotation and is seeking re-election.

Accounts

For the financial year ended 31 January 2012 Energy Prospects was entitled to exemption from audit. No member of the Co-op has requested an audit of the financial statements. In order to take advantage of the audit exemption a motion will be put before the AGM to allow the Co-op to be exempt from carrying out an external audit.

Remuneration of Directors

The Board considers it is not appropriate, given the size of the Society, to establish a separate Remuneration Committee, and these functions are carried out by the Board as a whole. As the Co-op is in the early stages of development the directors claimed no fees during the year.

Management

Energy4All Ltd, a not for profit company dedicated to developing community ownership of renewables, manages the day to day activities of the Co-op along with maintaining the members' share register and financial monitoring. Energy4All are also contracted to manage the Energy Prospects project portfolio under a service agreement.

Directors' responsibilities

The rules of the Co-operative require the directors to prepare financial statements for the financial year. Under these rules the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Co-operative and of the profit or loss of the Co-operative for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Cooperative will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Co-operative and enable them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965-2002. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Notice of Annual General Meeting to be held on Saturday 23rd June 2012

NOTICE is given that the Annual General Meeting of members will be held at 1:00pm on Saturday 23rd June 2012 at the Friends Meeting House, 6 Mount Street, Manchester M2 5NS for the following purposes:

AGENDA

1. Introductions and welcome.
2. **Motion 1:** To approve the minutes of the annual general meeting held on 25th June 2011 (circulated December 2011).
3. **Motion 2:** In accordance with Section 4A(2) of the Friendly and Industrial and Provident Societies Act 1968, a resolution not to undertake a full professional audit of the co-operative for the year.
4. **Motion 3:** To receive and adopt the Report of the Directors and the annual Accounts for the year ended 31st January 2012.
5. **Motion 4:** Election of Directors
To re-appoint Nick Jones as a Director of the Co-op.

Close of Formal Business

By order of the Board
Annette Heslop,
Company Secretary
25th May 2012

Registered Office:
Unit 26, Trinity Enterprise Centre
Furness Business Park
Barrow in Furness
LA14 2PN

Please refer to the enclosed Form of Proxy for instructions on voting.

Directors Seeking Re-election to the Board

The Rules allow for a maximum number of five Board members of which one third must retire each year. Nick Jones will retire by rotation and is seeking re-election. Members will be asked to re-elect Nick through a motion.

Biographical Note

Director seeking re-election.

Nick Jones – Edinburgh

I am a solicitor and a member of the Law Society of Scotland. Having had a long career in private practice I am also a partner and Head of Energy at MacRoberts, a Scottish Law Firm with offices in Edinburgh and Glasgow. I have over 20 years experience in all aspects of commercial property work including property development, acquisitions, disposals, commercial leasing, security and investment work. For the last 15 years MacRoberts has increasingly focussed on the renewables sector, especially onshore wind farm development.

I am a member of the Scottish Renewables onshore wind group and the Scottish Property Federation Building standards and sustainability working group.

I live in Edinburgh with my wife and three children.

Having served as a director of Energy Prospects since its inception, I would welcome the opportunity to stand for a further term.

**INDEPENDENT ACCOUNTANTS' STATEMENT
TO THE SHAREHOLDERS OF ENERGY PROSPECTS CO-OPERATIVE LIMITED**

We have examined the summary financial statement for the year ended 31 January 2012 set out on pages 9 and 10.

Respective responsibilities of directors and the Reporting Accountants

The directors are responsible for preparing the summarised financial statements in accordance with applicable United Kingdom law and guidance and they consider that the Co-operative is exempt from an audit.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the summarised annual report with the full financial statements and the Directors' Report.

We also read the other information contained in the summarised financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full financial statements describes the basis of our opinion on those financial statements and the Directors' Report.

Opinion

In our opinion the summary financial statements are consistent with the full financial statements and the Directors Report of Energy Prospects Co-operative Limited for the year ended 31 January 2012 and have been prepared in accordance with relevant guidance and regulations.

In our opinion the Co-operative has satisfied the conditions for exemption from an audit of the accounts for the year ended 31 January 2012 as set out in the Industrial and Provident Societies Acts 1965 to 2002 and did not at any time within the year fall within any of the categories of society not entitled to such exemption.



Melville & Co.
Chartered Accountants
Reporting Accountants

25th May 2012

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18 Trinity Enterprise Centre
Barrow-in-Furness
Cumbria
LA14 2PN

ENERGY PROSPECTS CO-OPERATIVE LIMITED

SUMMARY PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JANUARY 2012

	Notes	2012 £	2011 £
Turnover	1	11,386	11,968
Cost of sales	2	(65,705)	(59,905)
Gross profit		(54,319)	(47,937)
Administrative expenses	3	(68,960)	(84,136)
Operating loss		(123,279)	(132,073)
Other interest receivable and similar income	4	1,232	5,836
Loss on ordinary activities before taxation		(122,047)	(126,237)
Tax on profit on ordinary activities	5	-	-
Loss for the year		(122,047)	(126,237)

Notes

1 Turnover

Project costs re-imbursed.

2 Cost of sales

Project costs.

3 Administrative expenses

Items under this heading include depreciation on met mast, insurance, accountancy costs and management & administrative services for the co-operative provided by Energy4All Ltd under contract.

4 Other interest receivable

Bank interest received.

5 Taxation

No charge arises for corporation tax due to the loss incurred. There are tax losses of £258,573 available for relief against future trading profits.

ENERGY PROSPECTS CO-OPERATIVE LIMITED

SUMMARY BALANCE SHEET AS AT 31 JANUARY 2012

	Notes	2012 £	2011 £
Fixed Assets	1	28,133	0
Current assets			
Work in progress	2	386,814	118,662
Debtors	3	230,945	25,958
Cash at bank		173,533	805,629
		791,292	950,249
Creditors: amounts falling due within one year	4	(67,709)	(76,486)
Total assets less current liabilities		751,716	873,763
Capital and reserves			
Called up share capital	5	1,000,000	1,000,000
Profit and loss account		(248,284)	(126,237)
Shareholders' funds		751,716	873,763

Notes

1 Fixed Assets

Met Mast Drumsmuir site, this has now been taken down and is in storage.

2 Stocks (work in progress)

Represents project costs carried forward at cost where there is a reasonable expectation that the project will continue.

3 Debtors

	2012	2011
Trade debtors	5,188	6,956
Prepayments and accrued income	214,794	3,855
VAT recoverable	10,963	15,147
	230,945	25,958

Accrued income of £210,748 is the refund for the grid deposit from Drumsmuir.

4 Creditors

Trade creditors	65,282	72,690
Accruals	2,427	3,796
	67,709	76,486

5 Called up share capital

1,000,000 Ordinary Shares of £1 each issued to Members