

Energy Prospects Co-operative Ltd

**Annual Report
for the year ended 31st January 2011**

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Society Information

Directors:	Rod Blunden Grant Jones 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	458

Chairman's Report for year ending 31.01.2011

Introduction

You will recall that we had reached our target to raise £1m in shares on 17th May 2010 and our thanks are given to all of the investors/members for that. This enabled your Board to commence its work to develop a portfolio of on-shore co-operative wind projects and further details of each project are set out below.

This, our first annual report, will outline progress to date and our expectations for the future. Besides outlining work up to the end of our financial year the narrative also gives an update on some activity that has taken place beyond this date where it is pertinent to Energy Prospects' progress.

Summary

My initial letter of 27th May 2010 to all members indicated that we had decided to move forward with three specific projects and further information was circulated on the 17th December 2010.

Your Board has met formally each month via a conference call, with further discussions on various topics in between times, which has assisted the progress of developing these projects whilst at the same time managing our outgoing expenditure against available funds. We are committed to funding relatively large sums to secure a place in the line for grid connections and to allow the various electrical utilities to commence work to ensure the possibility of a grid connection to those projects. This has restricted the rate of development on some other projects and has meant delaying early development activity whilst we retained sufficient funding for the higher priority funded projects and before we are able to submit an application for planning consent. We have though made significant progress and we believe we have got the balance right.

As originally intended it is planned to seek a second tranche of funding from the members in the near future to continue with our project portfolio. Details will be circulated to all members at the appropriate time.

Current Projects Report

In our November 2010 update report, which was circulated to members, we identified three sites where development activity had started. It will be our policy not to put the names of projects in the public domain until such time as we are able to gauge success for a project and for it to be viable. At that time it is likely that we will have held public exhibitions local to the project and we have the intent to submit a planning application. Competition in the wind marketplace is fierce for the types of small projects we are currently looking at and progress is not always straightforward – thus we intend to proceed with caution.

When a projected site is identified a lot of work needs to be carried out and money spent in feasibility work as a result of which a significant number of sites identified prove not to be possible. This is part of the remit of Energy Prospects Co-op in that it enables community funded schemes to overcome these issues on a portfolio basis, as well as the planning risks.

1) Drumsuir (Clyde Valley Co-operative)

This 2 wind turbine project in South Lanarkshire has moved forward with a planning application due to be submitted in late May 2011. This should be determined by the local authority within a period of 16 weeks. Local exhibitions have been held in Carluke and Lanark indicating support for the project with co-operative ownership. Clyde Valley Co-operative Ltd was formed during April 2011.

We have completed on-site survey work, obtained planning consent for and erected a met mast, concluded access and landowner leases. Most of the funds we have expended to date have been spent on the work for this project and will enable us to submit a planning application in late May. If successful, Clyde Valley Co-operative will seek funding through a new share issue in approximately mid 2012 to build and operate the wind farm. It is usual to have people opposing wind farm applications and Drumsuir is no exception; therefore, once the planning application has been submitted we shall contact all members asking you to support the project by writing to the planning officer.

2) Mosscastle

This 2 wind turbine project also in South Lanarkshire, alongside a larger wind project known as Andershaw Wind Farm and owned by Force 9 Energy, has identified aviation radar issues which have mitigation solutions planned for 2 -3 years time. We will work to conclude an application for planning consent in this timeframe. Local consultations have indicated support for our project.

3) View Law

This small project in Northumberland is in an identified search area where there are several other projects at various stages of development. Each developer has been quoted a high cost for their required grid connection which by itself makes each project non viable. We are working alongside others to reach the best solution for ourselves. If successful we shall then proceed to submit a planning application. Some projects in this area have a significant active anti group but we have also found good support for our co-operative ownership type scheme.

4) Two other projects that were in our original prospectus have been shelved. That for a single wind turbine project in Scotland was found not to be viable and that in Hertfordshire impacted on Met Office radar so could not be built as there were no mitigation measures suitable.

5) The two sites in mid Wales are being considered as future projects with currently a reasonable chance of success. Some expenditure has been made whilst due diligence and grid connection enquiries on these sites are completed.

Financial Report

We have spent considerable funds progressing several projects throughout the year. Costs totalling £60,000 relating to general project costs and portfolio management have been written off to the Profit & Loss. Losses for the year amount to £126,237 which is where we would expect to see the co-op at the current level of activity. As a result of the loss no share interest will be paid this year. At the end of the year cash funds amounted to £805,629.

The Future and Pipeline Projects

Your Board members have worked well bringing their individual strengths and experiences together for the benefit of the co-operative. Each Director is due to resign at this AGM and all are seeking re-election and are willing to serve for the next year. From next year onwards, one third of the directors will retire each year in rotation.

We intend to continue to hold monthly meetings to review and progress projects in development, monitor expenditure and review a pipeline of potential new projects. We are encouraged that we can see several worthwhile project opportunities continuing to be available.

During the year and up to now we have received a steady stream of new projects for our consideration. They are in a large area from Devon to Scotland and from Wales to East Anglia. Several have been rejected for one or another reason. We have also received an enquiry for a small scale hydro project.

Website

We have set up a new website www.energyprospects.coop. Members can now find information on the current projects being progressed as well as a members' area to update your personal details and download financial information.

Conclusion

The Co-operative has made substantial progress in its start-up year which was our initial task. We can only submit funding to projects when there is a realistic chance of them developing to a planning consent application although there has to be some costs incurred whilst due diligence work is completed. The challenge is to identify those projects which will give us the best chance of a planning consent.

We have confidence that we shall be able to meet our goals in due time. We must also give thanks to all Energy4All staff without whose help we could not have made this progress to date.

We look forward to your continuing support as we move on in our second year and hopefully to our first planning success.



Rod Blunden
Chairman
May 2011

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2011

Principal activities

The principal activity of the co-operative is that of the development of renewable energy projects. The company commenced trade in March 2010 once it was evident that the share offer would raise sufficient funds.

Board of Directors

The following directors have held office since 1 February 2010:

Rod Blunden	(Appointed 19 February 2010)
Grant Jones	(Appointed 19 February 2010)
Nick Jones	(Appointed 19 February 2010)
Mike Smyth	(Appointed 19 February 2010)
Annette Heslop	(Resigned 19 February 2010)
Marna McMillin	(Resigned 19 February 2010)
Helen Jackson	(Resigned 19 February 2010)

The Rules allow for a maximum number of five Board members of which all must retire in the first year. Rod, Grant, Nick and Mike will resign at the AGM and all seek re-election.

Accounts

For the financial year ended 31 January 2011 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 25th June 2011

NOTICE is given that the Annual General Meeting of members will be held at 1:30pm on Saturday 25th June 2011 at the West Oxford Community Centre, Botley Road, Oxford, OX2 0BT for the following purposes:

AGENDA

1. Introductions and welcome.
2. **Motion 1:** 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.
3. **Motion 2:** To receive and adopt the Report of the Directors and the annual Accounts for the year ended 31st January 2011.
4. **Motion 3:** Election of Directors
To re-appoint Rod Blunden as a Director of the Co-op.
To re-appoint Grant Jones as a Director of the Co-op.
To re-appoint Nick Jones as a Director of the Co-op.
To re-appoint Mike Smyth as a Director of the Co-op.
5. **Motion 4:** To allow postal voting on any or all votes at any or all subsequent General Meetings of the Co-op on the election or re-election of Directors and any other business to be transacted at a General Meeting. Any postal ballot shall be carried out in accordance with Rule 8.8:

Close of Formal Business

By order of the Board
Annette Heslop,
Company Secretary
1st June 2011

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

To vote on the above motions you will need to attend the meeting in person. If you are unable to attend the meeting in person a Form of Proxy is available to appoint a proxy to attend in your place or appoint the Chairman to vote on your behalf. Please contact the address above to request a Form of Proxy.

Directors' biographical notes are shown on page 8 of the Annual Report.

Directors Seeking Re-election to the Board

The Rules allow for a maximum number of five Board members of which all must retire in the first year. All directors are seeking re-election and are willing to serve for the next year. From next year onwards, one third of the directors will retire each year in rotation.

Biographical Notes

Rod Blunden Chairman – Buckinghamshire

Rod Blunden is a Chartered Engineer, a Fellow of the Energy Institute and a Member of the Institution of Civil Engineers. He has spent a long career in major contractor organisations on energy and related civil engineering projects in senior positions both in the UK and overseas. During a period of 14 years with National Wind Power (now part of RWE) he had responsibility, as Head of Projects and Procurement, for the construction of some 21 wind farms and subsequent involvement in the planning and development of many more projects. He is now Director of an independent renewable energy consultancy specialising in wind energy and related H&S activity. He was a founder member of the BWEA (now RenewableUK) H&S Steering Group and held a position here for 15 years.

He was elected to the Board of Westmill in March 2007 and has taken responsibility for its successful construction and its subsequent operations. He remains a member of the Energy Institute Membership Panel and RenewableUK.

Rod lives in the Chilterns area where he is involved with conservation in his spare time.

Grant Jones - London

Grant is both a solicitor and a chartered accountant, having a broad range of experience of advising businesses. A partner in an accountancy firm in London, Grant has published several books on financial matters. He is a council member of the Institute of Chartered Accountants in England and Wales, President of London Society of Chartered Accountants and a Special Professor of Law at Nottingham University. Originally from Barrow-in-Furness, Grant was as a Director of Baywind Energy Co-operative Ltd, but stood down to devote his time to Energy Prospects. He is still Treasurer of the Baywind Energy Conservation Trust.

Grant has a long standing interest in environmental issues and is a keen cyclist.

Nick Jones – Edinburgh

Nick Jones is a Solicitor and a member of the Law Society of Scotland. He has had a long career in private practice and is a partner and Head of Energy at MacRoberts, a Scottish Law Firm with offices in Edinburgh and Glasgow. He has 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 12 years his practice has increasingly focussed on the renewables sector, especially onshore wind farm development.

He is a member of the Scottish Renewables Onshore Wind Group and the Scottish Property Federation Building Standards and Sustainability Working Group.

Nick lives in Edinburgh with his wife and three children.

Mike Smyth – Surrey

Mike is a solicitor specialising in corporate and commercial law and was a partner at Lawrence Graham in London for more than 20 years.

Mike joined the board of Energy4All as a non executive director responsible for legal affairs in 2008.

Passionately concerned about the environment, Mike chairs the board of Friends of the Earth Trust. Mike was also a co-founder of Keepsafe Limited, which grew to become a substantial self-storage warehouse business, and of The Arbory Trust, a pioneering woodland burial site.

**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 2011 set out on pages 10 and 11.

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 2011 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 2011 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

27th May 2011

.....
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 2011

	Notes	2011 £
Turnover	1	11,968
Cost of sales	2	(59,905)
Gross profit		<u>(47,937)</u>
Administrative expenses	3	(84,136)
Operating loss		<u>(132,073)</u>
Other interest receivable and similar income	4	5,836
Loss on ordinary activities before taxation		<u>(126,237)</u>
Tax on profit on ordinary activities	5	-
Loss for the year		<u><u>(126,237)</u></u>

Notes

1 Turnover

Project costs re-imbursed.

2 Cost of sales

Project costs.

3 Administrative expenses

Items under this heading include printing, postage, advertising, accountancy, share offer costs and administrative services for the co-operative provided by Energy4All Ltd under contract.

4 Other interest receivable

Bank interest received.

5 Taxation

No charges arise for corporation tax due to the loss incurred. There are tax losses of £108,393 available for relief against future trading profits.

ENERGY PROSPECTS CO-OPERATIVE LIMITED

SUMMARY BALANCE SHEET AS AT 31 JANUARY 2011

	Notes	2011 £	2010 £
Current assets			
Stocks (work in progress)	1	118,662	-
Debtors	2	25,958	1,000
Cash at bank		805,629	-
		831,587	1,000
Creditors: amounts falling due within one year	3	(76,486)	-
		873,763	1,000
Capital and reserves			
Called up share capital	4	1,000,000	1,000
Profit and loss account		(126,237)	-
Shareholders' funds		873,763	1,000

Notes

1 Stocks (work in progress)

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

	2011	2010
2 Debtors		
Trade debtors	6,956	-
Prepayments and accrued income	3,855	-
VAT recoverable	15,147	-
Other Debtors	-	1,000
	25,958	1,000
3 Creditors		
Trade creditors	72,690	-
Accruals	3,796	-
	76,486	-

4 Called up share capital

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