

REGISTERED NUMBER: 06993470  
England and Wales

# **CO-OPERATIVE ENERGY LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE 52 WEEKS ENDED 25 JANUARY 2014**

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## Co-operative Energy Limited

### Strategic report for the 52 weeks ended 25 January 2014

#### Review of the business

The domestic energy supply market is a focus of intense political and media interest. It is also subject to considerable regulation and reform. Against this backdrop Co-operative Energy Limited has ensured it has delivered an increasingly relevant and competitive offer. This has seen the number of customers who have signed up with us grow from 128,000 last year to 204,000 this year and sales grow from £45 million to £152 million. As in the prior year we have seen much of the growth in customer numbers occur towards the end of the year. We have signed up 55,000 customers in the last two months of the year, so we have incurred the costs of sign up but have seen very little revenue from these customers.

To accommodate the growing customer base and to ensure the business is equipped for future growth, we are investing in the implementation of new systems which will allow customers to have much more interaction and control over their energy account.

Co-operative Energy Limited has been extremely active in campaigning for energy market reform. Campaigns have addressed topics such as fuel poverty, community energy, co-operative enterprise, fair pricing, decarbonisation and market reform.

Results for the period are set out on page 6.

#### Key performance indicators

	2014	2013
Gross sales	£152m	£45m
Gross margin	15.36%	12.23%
Net margin (before tax)	2.40%	(11.82%)
Customers signed up	204,000	128,000

#### Dividends

A dividend of £nil (2013: £nil) was paid during the period.

#### Principal risks and uncertainties

To tackle the dominance of the big six energy suppliers Co-operative Energy Limited has continued to engage with policy makers and influencers at the highest level campaigning for more transparency in the energy sector. In a bid to offer customers a wider choice of products, we have launched a new version of our competitively priced Pioneer variable tariff. We also now offer range of fixed-term tariffs to new and existing customers, which guarantee prices for one, two and three years.

Co-operative Energy Limited in common with other energy companies buys in the wholesale market where prices fluctuate with supply and demand. This presents a risk that if we buy off the wholesale market as and when we require to supply our customers, and wholesale prices rise sharply, we may be selling below cost. In order to mitigate this we operate a hedging strategy that we believe is broadly in line with other energy companies and smoothes the peaks and troughs of the wholesale market, enables us to predict with sufficient notice our supply cost so that we can adjust our selling price and also maintains buying competitiveness with other energy companies. This is achieved by buying power and gas up to 2 years into the future in tranches so that in the near future we have brought all of our forecast power and gas, and in the medium and longer term we have brought only a proportion of our forecast power and gas.

Cash flow risk arises from the difference in demand and payment. The majority of customers pay by an equal amount each month by direct debit, but demand and usage is seasonal based on the weather. This creates peaks and troughs in working capital where at the end of winter working capital is at its lowest point. With customer growth, wholesale price volatility and weather variations, the working capital movements are difficult to forecast and therefore difficult to manage.

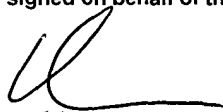
**Co-operative Energy Limited**

**Strategic report for the 52 weeks ended 25 January 2014**

**Principal risks and uncertainties (continued)**

Credit risk arises from the possibility of customers failing to meet their obligations to the Company. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

**Approved by the Board of Directors  
And signed on behalf of the Board**

A handwritten signature in black ink, appearing to be 'E. Parker', with a long horizontal stroke extending to the right.

**Edward Parker**  
**Secretary**  
21 July 2014

## **Co-operative Energy Limited**

### **Directors' report for the 52 weeks ended 25 January 2014**

#### **Principal activity**

Co-operative Energy Limited is an electricity and gas supply company.

On 15 February 2013 Co-operative Energy Limited acquired 100% of the share capital of Energy Coop Limited.

#### **Political donations**

The company made no political donations during the period (2013: £nil).

#### **Charitable donations**

The company made no charitable donations during the period (2013: £nil).

#### **Directors**

O Birch	I Burbidge	B Connor	E Freeman	R Frodsham
H Gray	P H Gray OBE	M Jarvis	M Lane	D Morrison
T Poole	B Rainford	G Waddell	H R Wiseman	V S Woodell

R J FitzJohn resigned as a director and J Nunn-Price was appointed a director on 24 October 2013.

#### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as director to make them aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

**Approved by the Board of Directors  
And signed on behalf of the Board**



**Edward Parker**  
**Secretary**  
21 July 2014

Registered office: Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

**Co-operative Energy Limited**  
**Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and the Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the Board.



**Edward Parker, Secretary**  
21 July 2014

## **Independent Auditor's report to the members of Co-operative Energy Limited**

We have audited the financial statements of Co-operative Energy Limited for the 52 weeks ended 25 January 2014 set out on pages 6 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 January 2014 and of its profit for the period then ended; and
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Simon Haydn-Jones**  
(Senior Statutory Auditor)

for and on behalf of  
KPMG LLP, Statutory Auditor  
Chartered Accountants  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

28 July 2014

**Co-operative Energy Limited**  
**Profit and loss account for the 52 weeks ended 25 January 2014**

	Notes	2014 Before exceptional items  £'000	2014 Exceptional items (Note 6)  £'000	2014 Total  £'000	2013 Before exceptional items  £'000	2013 Exceptional items (Note 6)  £'000	2013 Total  £'000
Turnover	1	152,393	-	152,393	44,799	-	44,799
Cost of sales		(128,979)	-	(128,979)	(39,321)	-	(39,321)
Gross profit		<u>23,414</u>	<u>-</u>	<u>23,414</u>	<u>5,478</u>	<u>-</u>	<u>5,478</u>
Administrative expenses		(15,415)	(4,340)	(19,755)	(5,913)	(4,860)	(10,773)
Operating profit / (loss)		<u>7,999</u>	<u>(4,340)</u>	<u>3,659</u>	<u>(435)</u>	<u>(4,860)</u>	<u>(5,295)</u>
Profit / (loss) on ordinary activities before taxation	4	<u>7,999</u>	<u>(4,340)</u>	<u>3,659</u>	<u>(435)</u>	<u>(4,860)</u>	<u>(5,295)</u>
Tax on profit / (loss) on ordinary activities	5	(1,444)	1,005	(439)	235	1,184	1,419
Profit / (loss) for the period		<u><u>6,555</u></u>	<u><u>(3,335)</u></u>	<u><u>3,220</u></u>	<u><u>(200)</u></u>	<u><u>(3,676)</u></u>	<u><u>(3,876)</u></u>

The results for 2014 and 2013 relate wholly to continuing operations.

The notes on pages 8 to 13 form an integral part of the financial statements.

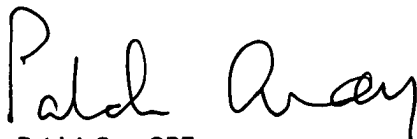
The company has no recognised gains and losses other than the result for the period included above and therefore no separate statement of recognised gains and losses has been presented.

**Co-operative Energy Limited**  
**Balance sheet as at 25 January 2014**  
**Registered no. 06993470**

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Intangible assets	7	140	-
Investments	8	-	-
		<u>140</u>	<u>-</u>
<b>Current assets</b>			
Debtors	9	39,365	13,399
Cash at bank and in hand		383	138
		<u>39,748</u>	<u>13,537</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(19,897)</u>	<u>(8,247)</u>
<b>Net current assets</b>		<u>19,851</u>	<u>5,290</u>
<b>Total assets less current liabilities</b>		<u>19,991</u>	<u>5,290</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>(23,257)</u>	<u>(11,776)</u>
<b>Net liabilities</b>		<u>(3,266)</u>	<u>(6,486)</u>
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account	13	(3,266)	(6,486)
<b>Shareholders' deficit</b>	14	<u>(3,266)</u>	<u>(6,486)</u>

The notes on pages 8 to 13 form an integral part of the financial statements.

Signed on behalf of the board of directors



**Patrick Gray OBE**  
**Director**

Approved by the board: 21 July 2014



**Co-operative Energy Limited**  
**Notes to the financial statements for the 52 weeks ended 25 January 2014**

A summary of the more important accounting policies is set out below.

**1. Accounting policies**

**Basis of preparation**

These financial statements are presented in pounds sterling (GBP), which is the company's functional currency. All financial information presented in GBP has been rounded to the nearest pound.

The financial statements have been prepared under the historical cost accounting convention and in accordance with applicable UK Accounting Standards (UK Generally Accepted Accounting Practice).

The financial statements have been prepared on the going concern basis, notwithstanding net liabilities of £3,265,687. The company is dependent for its working capital on funds provided to it by The Midcounties Co-operative Limited, the company's ultimate holding undertaking. The Midcounties Co-operative Limited has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that the support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

As the company is a wholly owned subsidiary of The Midcounties Co-operative Limited, the company has taken advantage of the exemption in FRS8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

**Accounting reference dates**

For operational reasons the financial statements of the Society are prepared to the fourth Saturday in January. The financial statements of the Society are for the 52 weeks ended 25 January 2014 and are compared with a 52 week period to 26 January 2013.

**Turnover**

Revenue on energy sales comprises sales to retail end-user customers including an estimate of the value of electricity and gas supplied to customers between the date of the last meter reading and the year end. Unread energy sales are estimated using historical consumption patterns taking account of industry volume reconciliation processes. Revenue is recognised at point of delivery to end user.

**Cost of sales**

Energy supply includes the cost of gas and electricity purchased during the year taking into account the industry reconciliation process for total gas and total electricity usage by supplier, and related transportation and distribution costs.

**Taxation**

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax provision is made on an undiscounted basis for all such timing differences except as otherwise required by FRS19.

**Cash flow statement**

The cash flow of the company is included in the consolidated group cash flow statement, consequently the company itself is exempt under FRS1 (revised 1996) from publishing a cash flow statement.

**Co-operative Energy Limited**  
**Notes to the financial statements for the period ended 25 January 2014**

**2. Directors' remuneration**

The directors receive remuneration from The Midcounties Co-operative Limited in respect of their services to the company and receive no emoluments from the company. Their remuneration is reflected in the group financial statements of The Midcounties Co-operative Limited.

**3. Employees**

All staff including directors are employed by the ultimate holding society The Midcounties Co-operative Limited from which staff costs of £4,966,000 (2013: £1,716,000) are recharged. The emoluments of the directors are borne by the ultimate holding Society.

**4. Profit on ordinary activities before taxation**

The audit fee is met by the ultimate parent undertaking.

**5. Taxation**

	2014 Before exceptional items £'000	2014 Exceptional items (Note 6) £'000	2014 Total £'000	2013 Before exceptional items £'000	2013 Exceptional items (Note 6) £'000	2013 Total £'000
<b>(a) Revenue account – analysis of charge / (credit) for the period</b>						
Current taxation:						
UK corporation tax on profits of the period	1,454	(1,005)	449	(262)	(1,184)	(1,446)
Total current tax	<u>1,454</u>	<u>(1,005)</u>	<u>449</u>	<u>(262)</u>	<u>(1,184)</u>	<u>(1,446)</u>
Deferred tax						
Origination and reversal of timing differences	(4)	-	(4)	10	-	10
Adjustment in respect of prior years	(21)	-	(21)	9	-	9
Effects on deferred tax of change in tax rate	15	-	15	8	-	8
Total deferred tax (note 5(c))	<u>(10)</u>	<u>-</u>	<u>(10)</u>	<u>27</u>	<u>-</u>	<u>27</u>
Tax on profit on ordinary activities	<u>1,444</u>	<u>(1,005)</u>	<u>439</u>	<u>(235)</u>	<u>(1,184)</u>	<u>(1,419)</u>

**Co-operative Energy Limited**  
**Notes to the financial statements for the period ended 25 January 2014**

**5. Taxation (continued)**

**(b) Factors affecting tax credit for period**

The tax charge / (credit) assessed for the period is lower (2013: higher) than the standard rate of corporation tax in the UK of 23.17% (2013: 24.35%). The differences are explained below:

	2014 Before exceptional items £'000	2014 Exceptional items (Note 6) £'000	2014 Total £'000	2013 Before exceptional items £'000	2013 Exceptional items (Note 6) £'000	2013 Total £'000
Profit / (loss) on ordinary activities before tax	7,999	(4,340)	3,659	(435)	(4,860)	(5,295)
Profit / (loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.17% (2013: 24.35%)	<u>1,853</u>	<u>(1,005)</u>	<u>848</u>	<u>(106)</u>	<u>(1,184)</u>	<u>(1,290)</u>
Effects of:						
Difference between capital allowances and depreciation	4	-	4	(10)	-	(10)
Transfer pricing computational adjustment	(403)	-	(403)	(146)	-	(146)
<b>Current tax charge / (credit) for period (note 5(a))</b>	<u><b>1,454</b></u>	<u><b>(1,005)</b></u>	<u><b>449</b></u>	<u><b>(262)</b></u>	<u><b>(1,184)</b></u>	<u><b>(1,446)</b></u>

**(c) Balance sheet**

	2014 £'000	2013 £'000
Debtor for deferred taxation:		
Accelerated capital allowances	(102)	(92)
<b>Amounts included in debtors</b>	<u><b>(102)</b></u>	<u><b>(92)</b></u>
Debtor at start of period	(92)	(119)
Deferred tax credit in revenue account for period (note 5(a))	(10)	27
<b>Debtor at end of period</b>	<u><b>(102)</b></u>	<u><b>(92)</b></u>

**(d) Factors affecting future tax changes**

A reduction in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and further reductions to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will change the Society's future current tax charge accordingly. The deferred tax assets at 25 January 2014 have been calculated based on the rate of 20% substantively enacted at the balance sheet date.

**Co-operative Energy Limited**  
**Notes to the financial statements for the period ended 25 January 2014**

**6. Exceptional items**

	2014 £'000	2013 £'000
One-off expenses in relation to start up of energy business	19	2,000
Commissions paid to energy switching sites	<u>4,321</u>	<u>2,860</u>
	<u>4,340</u>	<u>4,860</u>

One off expenses in relation to the start up of the energy business relate to earn out agreements with colleagues and consultants instrumental in setting up the energy business. They are exceptional as they are one off and also due to the size of the payments.

Commissions paid to energy switching sites relate to payments to switching sites for signing up new customers through their websites. The Company's success in winning customers through the switching sites means that a significant level of commissions continues to be paid to switching sites ahead of any revenue received from new customers. Since there is no long term contractual relationship between the customer and the Company, the commission payments are immediately expensed to the profit and loss account whereas the revenue from new customers is recognised only at the point that the energy is delivered. Therefore, these commission payments have been presented as exceptional items because of the impact on the Company's underlying earnings.

**7. Intangible fixed assets**

	Purchased goodwill £'000
<b>Cost</b>	
At 27 January 2013	-
Acquisitions	140
<b>At 25 January 2014</b>	<u>140</u>
<b>Net book value 2014</b>	<u>140</u>
Net book value 2013	-

On 15 February 2013 Co-operative Energy Limited acquired 100% of the share capital of Energy Coop Limited.

**8. Investments**

	2014 £	2013 £
Energy Coop Limited	<u>2</u>	<u>-</u>
	<u>2</u>	<u>-</u>

**9. Debtors**

	2014 £'000	2013 £'000
Trade debtors	12,719	4,156
Other debtors	297	2,287
Prepayments and accrued income	26,247	6,864
Deferred taxation	<u>102</u>	<u>92</u>
	<u>39,365</u>	<u>13,399</u>

**Co-operative Energy Limited**  
**Notes to the financial statements for the period ended 25 January 2014**

**10. Creditors: amounts falling due within one year**

	2014 £'000	2013 £'000
Trade creditors	1,317	200
Other creditors	9,938	2,895
Accruals and deferred income	8,642	5,152
	<u>19,897</u>	<u>8,247</u>

**11. Creditors: amounts falling due after more than one year**

	2014 £'000	2013 £'000
Amounts owed to group undertakings	23,257	11,776
	<u>23,257</u>	<u>11,776</u>

**12. Share capital**

	2014 £	2013 £
Allotted, called up and fully paid:		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

**13. Profit and loss account**

	2014 £'000	2013 £'000
Balance at 26 January 2013	(6,486)	(2,610)
Profit / (loss) for the period	3,220	(3,876)
At 25 January 2014	<u>(3,266)</u>	<u>(6,486)</u>

**14. Reconciliation of movement in shareholders' deficit**

	2014 £'000	2013 £'000
Profit / (loss) for the financial period	3,220	(3,876)
Opening shareholders' deficit	(6,486)	(2,610)
Closing shareholders' deficit	<u>(3,266)</u>	<u>(6,486)</u>

**15. Capital commitments**

	2014 £'000	2013 £'000
Expenditure contracted but not provided for	3,254	-
	<u>3,254</u>	<u>-</u>

**Co-operative Energy Limited**  
**Notes to the financial statements for the period ended 25 January 2014**

**16. Acquisitions**

On 15 February 2013 the company acquired all of the shares of *Energy Coop Limited*. The resulting goodwill of £140,000 was capitalised.

The net assets acquired were £2 and the purchase consideration was £140,000.

Since the acquisition and in the 12 months prior to the acquisition the acquired undertaking did not trade.

**17. Fair value of assets and liabilities**

Within its regular course of business, the Society routinely enters into sale and purchase derivative contracts for the commodities electricity and gas. The contracts held at 25 January 2014 have not been recognised at fair value. The fair value of the asset at the year end on these possible contracts was £220,629 (2013: £81,000). The fair value of the liability at the year end was £236,239 (2013: £175,000).

**18. Contingent liability**

The Society is party to a cross guarantee secured on the assets of the Society and other companies and societies in the group in respect of amounts owed by the group, at 25 January 2014 £90,095,000 (2013: £52,123,000). Details of group bank borrowings are disclosed in the group accounts of The Midcounties Co-operative Limited, copies of which may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.

**19. Immediate and ultimate parent undertaking**

The directors regard The Midcounties Co-operative Limited as the ultimate parent and ultimate controlling entity. Copies of the ultimate parent's consolidated financial statements may be obtained from the Secretary, Co-operative House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DA.